

26-02-2016 Nr. 30200

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Liudas Liutkevičius, Chief Executive Officer of AB Energijos skirstymo operatorius and, Augustas Dragūnas, Director of Finance and Administration division, and Giedruolė Guobienė, Head of Reporting, Tax Accounting and Control Division of Verslo Aptarnavimo Centras UAB acting under Order No V-020 of 24 April 2015, hereby do confirm that, to the best of our knowledge, the attached unaudited Consolidated Financial Statements of the twelve-month period of 2015 of LESTO AB and the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flow of LESTO AB and its consolidated enterprises, and that the review of activities and business development as well as the condition of LESTO AB and its consolidated enterprises together with the description of the principle risks and uncertainties it faces has been described correctly in the LESTO AB and the Group Interim Report for the twelve-month period of 2015.

AB Energijos skirstymo operatorius  
Chief Executive Officer

Liudas Liutkevičius

AB Energijos skirstymo operatorius  
Director of Finance and  
Administration division

Augustas Dragūnas

Verslo Aptarnavimo Centras UAB  
Head of Reporting, Tax Accounting and  
Control Division, acting under Order No  
V-020 of 24 April 2015

Giedruolė Guobienė

2015

# AB LESTO CONSOLIDATED AND COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS

COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2015 AND THE TWELVE-MONTH PERIOD OF 2015 PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)

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## CONDENSED INTERIM FINANCIAL INFORMATION

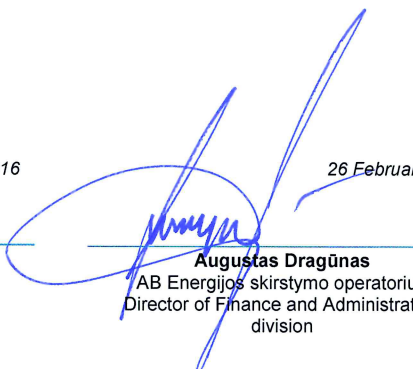
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Financial statements were approved by AB Energijos skirstymo operatorius Chief Executive Officer, Director of Finance and Administration division and Head of Reporting, Tax Accounting and Control Division of Verslo Aptarnavimo Centras UAB acting under Order No V-020 of 24 April 2015 on 26 February 2016:




26 February 2016

**Liudas Liutkevičius**  
AB Energijos skirstymo operatorius  
Chief Executive Officer



26 February 2016

**Augustas Dragūnas**  
AB Energijos skirstymo operatorius  
Director of Finance and Administration  
division



26 February 2016

**Giedruolė Guobienė**  
Verslo aptarnavimo centras UAB, Head of  
Reporting, Tax Accounting and Control  
Division acting under Order No V-020 of 24  
April 2015

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Notes	2015-12-31	2014-12-31	2015-12-31	2014-12-31
ASSETS					
Non-current assets					
Property, plant, and equipment	3	761.071	722.038	761.071	682.634
Intangible assets	3	3.256	2.578	3.256	2.553
Investments in subsidiaries	4	-	-	-	58.982
Investments in associates	4	1.546	1.446	1.374	1.374
Investment property		-	44.791	-	-
Deferred income tax assets		-	2.041	-	2.041
Non-current amounts receivable		10.633	1.463	10.633	480
		776.506	774.357	776.334	748.064
Current assets					
Inventories		2.078	2.316	2.078	1.604
Trade and other receivables		77.053	58.731	77.053	56.210
Prepayments, deferred charges and accrued income		5.407	6.530	5.407	6.264
Prepaid income tax		1.604	-	1.604	-
Cash and cash equivalents		19.027	10.401	19.027	4.109
		105.169	77.978	105.169	68.187
Non-current assets classified as held for sale		-	42	-	-
		105.169	78.020	105.169	68.187
Total assets		881.675	852.377	881.503	816.251
EQUITY AND LIABILITIES					
Total equity attributable to owners of the Company					
Share capital		175.144	174.915	175.144	174.915
Revaluation reserve		55.254	69.997	55.254	61.324
Legal reserve		17.491	17.493	17.491	17.491
Retained earnings		185.358	129.329	185.186	140.390
		433.247	391.734	433.075	394.120
Non-controlling interest		-	37.556	-	-
Total equity		433.247	429.290	433.075	394.120
Liabilities					
Non-current liabilities					
Borrowings		147.576	99.855	147.576	99.855
Deferred income tax liability		2.505	1.160	2.505	-
Deferred income		79.298	83.663	79.298	83.663
Grants and subsidies		17.146	8.983	17.146	8.983
Non-current employee benefits		1.331	1.261	1.331	1.158
Other non-current liabilities		51	107	51	107
		247.907	195.029	247.907	193.766
Current liabilities					
Borrowings		99.404	122.223	99.404	122.223
Trade and other payables		80.886	80.030	80.886	81.810
Advance amounts received, accrued charges and deferred income		20.231	22.930	20.231	21.543
Income tax payable		-	2.875	-	2.789
		200.521	228.058	200.521	228.365
Total liabilities		448.428	423.087	448.428	422.131
Total equity and liabilities		881.675	852.377	881.503	816.251

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

## CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group	2015	2015 4Q	2014	2014 4Q
Revenue	588.318	149.391	665.160	175.790
Purchase of electricity and other related services	(373.848)	(103.795)	(438.851)	(122.427)
Depreciation and amortisation	(36.095)	(8.444)	(102.048)	(25.901)
Employee benefits and related social security contributions	(39.265)	(10.636)	(44.592)	(11.660)
Repair and maintenance expenses	(22.922)	(5.146)	(24.030)	(7.123)
Transportation expenses	(3.295)	(1.257)	(3.358)	(734)
Telecommunications and IT services	(7.155)	(1.946)	(7.269)	(2.238)
Rent and utility services	(2.686)	(750)	(3.134)	(759)
Result of valuation of other assets	-	-	(156)	-
Revaluation of property, plant and equipment	-	-	(221.909)	(221.909)
Effects of change in the value of investment property	-	-	329	329
Other expenses	(13.548)	(3.215)	(10.818)	(1.553)
<b>Operating profit</b>	<b>89.504</b>	<b>14.202</b>	<b>(190.676)</b>	<b>(218.185)</b>
Finance income	1.021	347	357	135
Finance costs	(2.427)	(636)	(2.333)	(597)
<b>Finance costs – net</b>	<b>(1.406)</b>	<b>(289)</b>	<b>(1.976)</b>	<b>(462)</b>
Gain on investments in associates	100	63	110	9
<b>Profit (loss) before tax</b>	<b>88.198</b>	<b>13.976</b>	<b>(192.542)</b>	<b>(218.638)</b>
Income tax	(12.757)	(2.409)	28.755	32.738
<b>Net profit (loss)</b>	<b>75.441</b>	<b>11.567</b>	<b>(163.787)</b>	<b>(185.900)</b>
<b>Other comprehensive income (expenses):</b>				
Gain (loss) on revaluation of property, plant and equipment	(65)	-	(388.480)	(388.480)
Effects of deferred income tax	10	-	58.272	58.272
<b>Other comprehensive income (expenses)</b>	<b>(55)</b>	<b>-</b>	<b>(330.208)</b>	<b>(330.208)</b>
<b>Total comprehensive income for the period</b>	<b>75.386</b>	<b>11.567</b>	<b>(493.995)</b>	<b>(516.108)</b>
<b>Net profit for the year attributable to:</b>				
Owners of the Company	75.136	11.567	(164.025)	(185.266)
Non-controlling interest	305	-	238	(634)
	<b>75.441</b>	<b>11.567</b>	<b>(163.787)</b>	<b>(185.900)</b>
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the Company	75.105	11.567	(494.776)	(516.017)
Non-controlling interest	281	-	781	(91)
	<b>75.386</b>	<b>11.567</b>	<b>(493.995)</b>	<b>(516.108)</b>
Basic and diluted earnings per share (in EUR)	0,124	0,019	( 0,272)	( 0,307)

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

## CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUATION)

Company	2015	2015 4Q	2014	2014 4Q
Revenue	581.783	151.272	650.710	171.972
Purchase of electricity and other related services	(373.848)	(103.795)	(438.851)	(122.427)
Depreciation and amortisation	(34.793)	(8.444)	(98.739)	(24.872)
Employee benefits and related social security contributions	(36.707)	(10.636)	(36.867)	(9.959)
Repair and maintenance expenses	(23.281)	(5.085)	(24.946)	(7.076)
Transportation expenses	(4.156)	(1.069)	(4.355)	(1.071)
Telecommunications and IT services	(7.022)	(1.904)	(6.922)	(2.105)
Rent and utility services	(2.551)	(655)	(2.738)	(699)
Revaluation of property, plant and equipment	-	-	(219.947)	(219.947)
Other expenses	(12.528)	(3.592)	(9.081)	(938)
<b>Operating profit</b>	<b>86.897</b>	<b>16.092</b>	<b>(191.736)</b>	<b>(217.122)</b>
Finance income	1.028	347	431	134
Finance costs	(2.411)	(636)	(2.247)	(550)
<b>Finance costs – net</b>	<b>(1.383)</b>	<b>(289)</b>	<b>(1.816)</b>	<b>(416)</b>
Gain on investments in associates	-	-	-	-
<b>Profit (loss) before tax</b>	<b>85.514</b>	<b>15.803</b>	<b>(193.552)</b>	<b>(217.538)</b>
Income tax	(12.967)	(2.409)	28.951	32.582
<b>Net profit (loss)</b>	<b>72.547</b>	<b>13.394</b>	<b>(164.601)</b>	<b>(184.956)</b>
<b>Other comprehensive income (expenses):</b>				
Gain (loss) on revaluation of property, plant and equipment	-	-	(389.976)	(389.976)
Effects of deferred income tax	-	-	58.496	58.496
<b>Other comprehensive income (expenses)</b>	<b>-</b>	<b>-</b>	<b>(331.480)</b>	<b>(331.480)</b>
<b>Total comprehensive income for the period</b>	<b>72.547</b>	<b>13.694</b>	<b>(496.081)</b>	<b>(516.436)</b>
Basic and diluted earnings per share (in EUR)	0,120	0,022	( 0,273)	( 0,306)

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



## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group	Equity attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total		
<b>Balance at 1 January 2014</b>	<b>174.915</b>	<b>424.745</b>	<b>17.491</b>	<b>321.834</b>	<b>938.985</b>	<b>36.775</b>	<b>975.760</b>
<b>Comprehensive income</b>							
Net profit for the period	-	-	-	(164.025)	(164.025)	238	(163.787)
Other comprehensive income (expenses)		(330.751)			(330.751)	543	(330.208)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(330.751)</b>	<b>-</b>	<b>(164.025)</b>	<b>(494.776)</b>	<b>781</b>	<b>(493.995)</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(23.997)	-	23.997	-	-	-
Transfers to reserves	-	-	2	(2)	-	-	-
Dividends relating to 2013	-	-	-	(52.475)	(52.475)	-	(52.475)
<b>Balance at 31 December 2014</b>	<b>174.915</b>	<b>69.997</b>	<b>17.493</b>	<b>129.329</b>	<b>391.734</b>	<b>37.556</b>	<b>429.290</b>
<b>Balance at 1 January 2015</b>	<b>174.915</b>	<b>69.997</b>	<b>17.493</b>	<b>129.329</b>	<b>391.734</b>	<b>37.556</b>	<b>429.290</b>
<b>Comprehensive income</b>							
Net profit for the period	-	-	-	75.136	75.136	305	75.441
Other comprehensive income (expenses)	-	(31)	-	-	(31)	(24)	(55)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(31)</b>	<b>-</b>	<b>75.136</b>	<b>75.105</b>	<b>281</b>	<b>75.386</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	(6.228)	-	6.228	-	-	-
Disposal of subsidiaries		(8.484)	(32)	8.516	-	(37.837)	(37.837)
Result of share capital conversion	229	-	-	-	229	-	229
Transfers to reserves	-	-	30	(30)	-	-	-
Dividends relating to 2014	-	-	-	(33.821)	(33.821)	-	(33.821)
<b>Balance at 31 December 2015</b>	<b>175.144</b>	<b>55.254</b>	<b>17.491</b>	<b>185.358</b>	<b>433.247</b>	<b>-</b>	<b>433.247</b>

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

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the twelve-month period ended 31 December 2015

All amounts are in EUR thousands unless otherwise stated

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

Company	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2014</b>		<b>174.915</b>	<b>416.406</b>	<b>17.491</b>	<b>333.864</b>	<b>942.676</b>
<b>Comprehensive income</b>						
Net profit for the period		-	-	-	(164.601)	(164.601)
Other comprehensive income (expenses)		-	(331.480)	-	-	(331.480)
<b>Total comprehensive income for the period</b>		-	<b>(331.480)</b>	-	<b>(164.601)</b>	<b>(496.081)</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(23.602)	-	23.602	-
Dividends relating to 2013		-	-	-	(52.475)	(52.475)
<b>Balance at 31 December 2014</b>		<b>174.915</b>	<b>61.324</b>	<b>17.491</b>	<b>140.390</b>	<b>394.120</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 for the period		-	-	-	72.547	72.547
<b>Total comprehensive income for the period</b>		-	-	-	<b>72.547</b>	<b>72.547</b>
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(6.070)	-	6.070	-
Result of share capital conversion	5	229	-	-	-	229
Dividends relating to 2014	6	-	-	-	(33.821)	(33.821)
<b>Balance at 31 December 2015</b>		<b>175.144</b>	<b>55.254</b>	<b>17.491</b>	<b>185.186</b>	<b>433.075</b>

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



## CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the twelve-month period ended 31 December 2015

All amounts are in EUR thousands unless otherwise stated

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2015	2014	2015	2014
<b>Cash flows from operating activities</b>					
Net profit		75.441	(163.787)	72.547	(164.601)
<b>Adjustments for:</b>					
Income tax expense		12.757	(28.755)	12.967	(28.951)
Depreciation and amortisation expenses		37.154	102.975	35.852	99.666
Result of valuation of assets		-	221.909	-	219.947
Revaluation of property, plant and equipment		-	(329)	-	-
Change in value of investment property		-	156	-	-
Depreciation of grants		(1.059)	(927)	(1.059)	(927)
(Gain)/loss on disposal and write-off of property, plant and equipment		2.648	3.585	2.665	3.833
(Gain)/loss on disposal of investments in subsidiaries		(2.708)	-	76	-
(Gain)/loss on investments in associates		(100)	(110)	-	-
Dividend income		-	-	-	(50)
Finance (income)		(1.021)	(357)	(1.028)	(381)
Finance costs		2.427	2.333	2.411	2.247
<b>Changes in working capital:</b>					
Trade and other receivables		(33)	1.009	6.050	984
Inventories, prepayments, deferred expenses and accrued income		(212)	460	(488)	103
Trade and other payables, advance amounts received, accrued expenses and deferred income		7.087	(21.665)	(10.255)	(20.776)
<b>Cash generated from operating activities</b>		<b>132.381</b>	<b>116.497</b>	<b>119.738</b>	<b>111.094</b>
Income tax paid		(12.814)	(9.603)	(12.814)	(9.550)
<b>Net cash generated from operating activities</b>		<b>119.567</b>	<b>106.894</b>	<b>106.924</b>	<b>101.544</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment and intangible assets		(125.562)	(102.691)	(114.243)	(97.822)
Acquisition of subsidiaries and associates		-	(1.373)	-	(1.373)
Disposal of subsidiaries and associates		16.707	5.526	24.428	5.526
Proceeds from sale of property, plant and equipment and investment property		181	1.095	74	267
Grants received		8.248	4.356	8.248	4.356
Loan repayments received		96	145	96	145
Dividends received		-	-	-	50
Interest received		212	53	209	40
<b>Net cash used in investing activities</b>		<b>(100.118)</b>	<b>(92.889)</b>	<b>(81.188)</b>	<b>(88.811)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		133.500	67.652	133.500	67.652
Repayments of borrowings		(116.912)	(16.175)	(116.912)	(16.175)
Dividends paid to the Company's shareholders		(33.675)	(52.719)	(33.675)	(52.719)
Interest paid		(2.051)	(2.395)	(2.046)	(2.247)
<b>Net cash used in financing activities</b>		<b>(19.138)</b>	<b>(3.637)</b>	<b>(19.133)</b>	<b>(3.489)</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>311</b>	<b>10.368</b>	<b>6.603</b>	<b>9.244</b>
Cash and cash equivalents at the beginning of the year (including overdraft balance)		(2.409)	(12.777)	(8.701)	(17.945)
<b>Cash and cash equivalents at the end of the period (including overdraft balance)</b>		<b>(2.098)</b>	<b>(2.409)</b>	<b>(2.098)</b>	<b>(8.701)</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1 Accounting policies

Condensed consolidated interim financial information of LESTO AB (hereinafter - The Company) and its subsidiaries (hereinafter – Group) for a twelve-month period ended 31 December 2015 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This unaudited condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS as adopted by the European Union.

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.

### 2 Company reorganization

According to the provisions of Article 65 of the Law on Stock Companies of the Republic of Lithuania, on 31 August 2015 the prepared terms and conditions of the reorganization of the Company and public limited liability company Lietuvos Dujos were announced, which were considered and approved in the meetings of the Board of the Company and Lietuvos Dujos of 31 August 2015.

The decision on the reorganization of the Company and Lietuvos Dujos, approval of the reorganization terms and conditions and other related issues was taken by the general meetings of shareholders of the Company and Lietuvos Dujos according to the procedures of the legislation of the Republic of Lithuania. On the basis of the terms and conditions of reorganization of the Company and Lietuvos Dujos, the companies were reorganized by merging according to paragraph 4 of Article 2.97 of the Civil Code of the Republic of Lithuania.

After the reorganization on 1 January 2016 a new Company, Energijos Skirstymo Operatorius AB was established (code of the legal entity: 304151376; legal form: public limited liability company; registered office: Aguonų St. 24, LT-03212, Vilnius, the Republic of Lithuania; the code of share emission (ISIN) LT0000130023) (hereinafter – ESO), which were issued public power supply and natural gas distribution licenses.

On 1 January 2016 ESO overtook the entire long-term and short-term property of the Company and Lietuvos Dujos, as well as long-term and short-term financial and other obligations, amounts receivable and payable according to the agreements concluded by the Company and Lietuvos Dujos as well as other obligations arising on other basis.

On January 11, 2016 ESO shares are listed on in the Main List of NASDAQ OMX Vilnius.

### 3 Intangible assets and property, plant, and equipment

Movements on the Group's account of the intangible assets and property, plant and equipment are presented below:

Group	Intangible assets	Property, plant and equipment
<b>The period ended at 31 December 2015</b>		
Net book value at the beginning of the period	2.578	722.038
Additions	2.139	118.209
Sales	-	(196)
Write-offs	-	(2.658)
Revaluation	-	(65)
Reclassifications to the financial assets	-	(420)
Reclassifications to/from investment property	-	(21)
Sale of subsidiary	(28)	(40.095)
Depreciation / amortisation	(1.433)	(35.721)
<b>Net book value at 31 December 2015</b>	<b>3.256</b>	<b>761.071</b>

Movements in the Company's account of the intangible assets and property, plant and equipment are presented below:

Company	Intangible assets	Property, plant and equipment
<b>The period ended at 31 December 2015</b>		
Net book value at the beginning of the period	2.553	682.634
Additions	2.133	115.598
Sales	-	(82)
Write-offs	-	(2.657)
Depreciation / amortisation	(1.430)	(34.422)
<b>Net book value at 31 December 2015</b>	<b>3.256</b>	<b>761.071</b>

### 4 Investments

Investments in subsidiaries and associates are listed below:

**AB LESTO, company code 302577612 Agonų str. 26, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the twelve-month period ended 31 December 2015**

All amounts are in EUR thousands unless otherwise stated

Subsidiary or associate	Country	Year of acquisition	Group's ownership (%)		Profile of activities
			2015-12-31	2014-12-31	
UAB ELEKTROS TINKLO PASLAUGOS	Lithuania	2004	-	100%	Construction, reconstruction, repair and maintenance of electricity facilities
NT Valdos UAB	Lithuania	2010	-	57.30%	Real estate management services
UAB Technologijų ir inovacijų centras	Lithuania	2013	20.01%	20.02%	Information technology, telecommunication and other services provided to shareholders
UAB Verslo aptarnavimo centras	Lithuania	2014	15.00%	15.00%	Organisation and execution of public procurement procedures, accounting and personnel administration services provided to the shareholders

Investments to subsidiaries at the periods ended on 31 December 2015 and 31 December 2014 were as follows:

Company	2015-12-31	2014-12-31
UAB ELEKTROS TINKLO PASLAUGOS	-	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 UAB ELEKTROS TINKLO PASLAUGOS for the total consideration 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 1.692.666 (one million, six hundred ninety two thousand, six hundred and sixty-six) shares of NT Valdos, UAB. The basic sale price of these shares amounts 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 at 31 December 2015.

Movements of investments in subsidiaries during the periods ended 31 December 2015 and 31 December 2014 were as follows:

Company	2015	2014
<b>Carrying amount on 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 of the Group, while the carrying value of assets and liabilities sold were as follows:

	UAB ELEKTROS TINKLO PASLAUGOS	NT Valdos, UAB	Adjustments	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
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 assets</b>	<b>6.431</b>	<b>88.606</b>	<b>(1.003)</b>	<b>94.034</b>
<b>Selling consideration</b>	<b>7.695</b>	<b>51.210</b>	<b>-</b>	<b>58.905</b>
<b>Ownership</b>	<b>100%</b>	<b>57,30%</b>		
Difference accounted by in the Group	<b>1.264</b>	<b>(37.396)</b>	<b>1.003</b>	<b>(35.129)</b>
In the statement of comprehensive income	442	1.339	1.003	2.784
In the items of equity attributable to non-controlling interest	-	(37.837)	-	(37.837)

Movements of investments in associates during the periods ended 31 December 2015 and 31 December 2014 were as follows:

	Group 2015	Company 2015	Group 2014	Company 2014
<b>Carrying amount on 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	100	-	110	-
<b>Carrying amount at the end of the period</b>	<b>1.546</b>	<b>1.374</b>	<b>1.446</b>	<b>1.374</b>

## 5 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.

## 6 Dividends

On 27 April 2015, the Ordinary General Meeting of LESTO AB Shareholders made a decision to pay out dividends for the period from July to December of 2014, dividends per share amounted to EUR 0,02. On 24 September 2015, the Extraordinary General Meeting of LESTO AB Shareholders made a decision to pay out dividends for the six months period ended on 30 June 2015, dividends per share amounted to EUR 0,0360.

## 7 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 the 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 has a single geographical segment – territory of 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.

## 8 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 Group's transactions with related parties between January and December of 2015 and the balances arising on these transactions as at 31 December 2015 were as follows:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates	1.832	-	5.884	308
Companies of Lietuvos Energija, UAB group	11.143	34.804	158.996	65.263
Companies of Litgrid AB group	25.300	4.573	162.706	6.980
<b>Total</b>	<b>38.275</b>	<b>39.377</b>	<b>327.586</b>	<b>72.551</b>

The Company's transactions with related parties between January and December of 2015 and the balances arising on these transactions as at 31 December 2015 were as follows:

**AB LESTO, company code 302577612 Agonų str. 26, Vilnius, Lithuania**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**For the twelve-month period ended 31 December 2015**

All amounts are in EUR thousands unless otherwise stated

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	-	-	5.665	244
Associates	1.832	-	10.561	-
Companies of Lietuvos Energija, UAB group	11.143	34.804	157.930	60.195
Companies of Litgrid AB group	25.300	4.573	162.704	5.607
<b>Total</b>	<b>38.275</b>	<b>39.377</b>	<b>336.860</b>	<b>66.046</b>

Until 31 March 2015, transactions with UAB ELEKTROS TINKLO PASLAUGOS were reported under the line item '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 NT Valdov, UAB were reported under the line item '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 December of 2014 and the balances arising on these transactions as at 31 December 2014 were as follows:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Associates	1.616	76	8.106	729
Companies of Lietuvos Energija, UAB group	3.532	293	150.684	9.924
Companies of Litgrid AB group	30.277	4.057	212.662	6.883
<b>Total</b>	<b>35.425</b>	<b>4.426</b>	<b>371.452</b>	<b>17.536</b>

The Company's transactions with related parties between January and December of 2014 and the balances arising on these transactions as at 31 December 2014 were as follows:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries	5.970	97	23.082	836
Associates	1.534	-	7.659	-
Companies of Lietuvos Energija, UAB group	3.401	62	150.021	6.057
Companies of Litgrid AB group	30.241	2.820	212.579	754
<b>Total</b>	<b>41.146</b>	<b>2.979</b>	<b>393.341</b>	<b>7.647</b>

Compensation to key management personnel

Group / Company	2015	2014
Wages and salaries and other short-term benefits to management personnel	550	498
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 UAB Verslo Aptarnavimo Centras.

## 9 Events after the reporting period

From 1 January 2016 Company's client service function (management and development of client service channels activity, management of clients requests, invoicing and payments collection, sending messages to clients, preparation and administration of agreements with clients, performance of other supportive client service functions) was transferred to UAB Verslo aptarnavimo centras.

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2015

# AB LESTO GROUP CONSOLIDATED INTERIM REPORT

REPORT FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER, 2015

# lesto



Group of energy  
companies

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**AB LESTO GROUP CONSOLIDATED INTERIM REPORT**  
**Report for the twelve-month period ended 31 december, 2015**

**Essential information**

While implementing the state-owned energy group's „Lietuvos energija“ programme of the purification of value chain, AB LESTO and public limited liability company Lietuvos Dujos were reorganized by merger, companies completed their activities as legal entities on 31 December, 2015.

With the approval of the companies' shareholders, a new legal entity, AB Energijos skirstymo operatorius (hereinafter – ESO) was established, which took over AB LESTO and public limited liability company Lietuvos Dujos assets, rights and obligations, including the obligations arising from companies' contracts. ESO started activities on 1 January, 2016.

**Reporting period covered by the report**

Report covers January to December of 2015.

**Information availability**

This report and other documents based on which it has been prepared are available at the company's AB Energijos skirstymo operatorius office at Aguonų str. 24, Vilnius, Corporate Communication department (office No. 535) from 7.30 to 16.30 Monday to Thursday and from 7.30 to 15.15 on Fridays. Report is available on ESO website ([www.lesto.lt](http://www.lesto.lt)) and on Stock exchange market Nasdaq Vilnius AB website (<http://www.nasdaqbaltic.com>).

Public announcements that AB LESTO must announce according to the valid Laws of the Republic of Lithuania, are published via Stock exchange market Nasdaq Vilnius AB website ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)) and company's website ([www.lesto.lt](http://www.lesto.lt) until 31 December, 2015 and [www.eso.lt](http://www.eso.lt) since 1 January, 2016).

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

Office	Name, surname	Telephone
Chief Executive Officer	Liudas Liutkevičius	+370 5 277 7524
Director of Finance and Administration division	Augustas Dragūnas	+370 5 277 7524
Director of Finance department	Artūras Paipolas	+370 5 277 7524

Consolidated LESTO AB (hereinafter – LESTO, Company) and its subsidiaries (hereinafter LESTO and its subsidiaries – LESTO group) report is prepared in accordance with Law on Securities of the Republic of Lithuania, decision of the Board of the Bank of Lithuania No. 03-22 (11 February, 2016) on Rules of Drawing up and the Submission of the Periodic and Additional Information, and other valid laws and legal acts.

**Report signature date**

Report was prepared and signed on 26 February, 2016.

KEY OPERATIONAL AND FINANCIAL FIGURES AND RATIOS OF LESTO

AB LESTO key activity indicators					
		2014	2015	Change +/-	%
<b>Activity indicators</b>					
Distributed electricity through medium- and low-voltage grids	TWh	8.39	8.53	0.14	1.6
Public and guaranteed supply	TWh	3.22	3.12	-0.10	-3.1
<b>Electricity quality indicators</b>					
SAIDI, minutes (with „force majeure“)	minutes	144.04	106.53	-37.51	
SAIFI, times (with „force majeure“)	times	1.29	1.06	-0.23	

AB LESTO key financial indicators					
		2014	2015	Change +/-	%
Sales revenue	thousand EUR	650,710	581,783	-68,927	-10.6
Purchases of electricity and other related services	thousand EUR	438,851	373,848	-65,003	-14.8
Operating costs (1)	thousand EUR	82,971	83,105	134	0.2
EBITDA (2)	thousand EUR	128,889	124,830	-4,059	-3.1
EBITDA margin (3)	%	19.81	21.46		
Net profit (loss)	thousand EUR	(164,601)	72,547	237,148	144.1
		2014	2015		
Total assets	thousand EUR	816,251	881,503	65,252	8.0
Equity	thousand EUR	394,120	433,075	38,955	9.9
Financial debt	thousand EUR	222,078	246,980	24,902	11.2
Net financial debt (4)	thousand EUR	217,969	227,953	9,984	4.6
Return on equity (ROE) (5)	%	-24.63	17.54		
Equity capital level (6)	%	48.28	49.13		
Net financial debt / EBITDA of 12 months	%	169.11	182.61		
Net financial debt / Equity	%	55.31	52.64		

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

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

(3) EBITDA margin = EBITDA / revenue;

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

(5) Return on equity (ROE) = net profit (loss) for the reporting period / [(equity capital in the beginning of the reporting period + equity capital in the end of the reporting period) / 2];

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

## CEO LETTER

Dear colleagues,

The year 2015 was the year of changes. In the course of the entire year, LESTO and Lietuvos dujos were responsibly preparing for the merger of the two companies into a single company Energijos skirstymo operatorius (ESO) which successfully started its operations as of 1 January 2016. We are the first in the Baltic States having merged our power and gas operators engaged in the same operations – energy distribution.

Alongside with the changes LESTO and Lietuvos dujos still successfully completed the year having met the predefined targets, as well as having achieved significant progress in creating smart grids.

LESTO started Q1 2015 with electricity exchange with 19 power producing clients. This innovation essentially changed the conventional image of the consumer, as from now onwards any private consumer may also become an electricity producer. In-house electricity generation projects will be gaining pace, therefore, inevitably we will have to invest in smart network projects.

One of such projects, a pilot smart meters project is successfully moving forwards. At the end of the year we selected a partner which whom we will be implementing the project. As part of the project we will install smart meters at 3,000 clients – customers will be able to monitor the hourly consumption of electricity on a special screen or on-line. Those smart technologies will enable our customers to use electricity more efficiently and thus save household expenses.

Totally, during 2015, LESTO invested into power distribution network EUR 117.6 million, – 15.9 % more than in 2014. EUR 74.4 million were invested into the network modernisation, in addition to EUR 43.2 million into its development. The network modernisation project completed during the past quarter in 96 collective garden communities significantly improved the quality of services to tens of thousands of residents.

Our customers are the best judges of our work, therefore we are very happy that the satisfaction level among customers of LESTO and Lietuvos dujos exceeds the average norms of energy utility services in Europe and globally. The satisfaction level among customers of LESTO grew by 4 points and reached 80 points.

Satisfaction of our customers was also encouraged by increasing reliability of electricity supply. In 2015, compared with the previous year, average of unplanned system average interruption duration (SAIDI), including the influence of force majeure for one customer has decreased by 37,51 minute to 106,53 minutes. Decreasing duration of interruptions, and also their frequency was the result of network modernization projects: changing overhead power lines by underground lines and cables.

Customer satisfaction was also influenced by decreasing prices of electricity supply. Growing efficiency of the company made it possible for LESTO to contribute to more favorable prices of electricity in 2016 – weighted average price of electricity decreased by more than 1 percent.

We completed the year having successfully merged LESTO and AB Lietuvos dujos. As of 1 January 2016, the operations of the two companies is being continued by ESO. Having integrated our efforts we will be able to even more efficiently meet everybody's needs and offer even more services from a single provider.



Liudas Liutkevičius

Chairman of the Board and the CEO

AB Energijos skirstymo operatorius

## MATERIAL EVENTS FOR THE COMPANY IN THE REPORTING PERIOD

### LESTO investment plan for 2015-2025

On 3 February 2015 LESTO announced the investment plan for the period 2015-2025: over the coming decade LESTO plans to carry out substantial modernization of its distribution network. Seeking to ensure reliable, safe and smartly managed services, the company intends to invest 1.7 billion euros into the modernization and renewal of the network by 2025. LESTO aims to make the investments gradually, so as to minimize the effect on electricity rates. Investments will have a positive impact on the national economy. The company plans to finance the investments using the profit and long term credits.

### Transfer of Shares of UAB “ELEKTROS TINKLO PASLAUGOS”

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

### Transfer of Shares of UAB NT Valdos

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

### The reorganization of LESTO and AB Lietuvos Dujos

The meetings of the Boards of LESTO and AB Lietuvos Dujos held on 31 August 2015 discussed and approved the draft Reorganization Terms of LESTO and AB Lietuvos Dujos. The new company which will be incorporated and will commence its activities after the Reorganization is AB Energijos Skirstymo Operatorius (hereinafter - ESO). The shares of LESTO and Lietuvos Dujos will be exchanged for the shares of ESO, the company to be active after the Reorganization, in accordance with the procedure and on the grounds established in the Reorganization Terms.

On 3 December, 2015, the General Meetings of Shareholders of LESTO and Lietuvos Dujos took a decision on the reorganization of LESTO and Lietuvos Dujos by merger, merging LESTO with public limited liability company Lietuvos Dujos, both of which will end their activities as legal entities upon the reorganisation.

On 3 December, 2015, the Supervisory Board of AB Energijos Skirstymo Operatorius for the term of 4 years has elected the Board of AB Energijos Skirstymo Operatorius: Aidas Ignatavičius (chairman of the Board and CEO), Dalia Andrulionienė (area – services), Eglė Čiužaitė (area – finance), Rytis Borkys (area – development of Network) and Dalius Svetulevičius (area – operation of networks).

On 11 December, 2015 ESO was registered in the Register of Legal Entities of the Republic of Lithuania.

On 31 December, 2015, the Supervisory Board of ESO decided to recall Aidas Ignatavičius from the members of the Board of ESO from 31 December, 2015 and to elect Liudas Liutkevičius as the new member of the Board of Company from the end of meeting of the Supervisory Board till the end of cadency of acting Board (2 December, 2019). Since 31 December, 2015, the Board consisted of Liudas Liutkevičius (chairman of the Board and CEO), Dalia Andrulionienė (area – services), Eglė Čiužaitė (area – finance), Rytis Borkys (area – development of Network) and Dalius Svetulevičius (area – operation of networks).

On 31 December, 2015, ESO took over all fixed and current assets of LESTO and Lietuvos Dujos also long-term and current financial and other liabilities, accounts receivable and payable in accordance with agreements concluded by LESTO and Lietuvos Dujos or obligations arising on other grounds. ESO also took over all rights to licences, permits and certificates used by LESTO and Lietuvos Dujos, if legislation provides for the possibility to transfer such rights, and other rights and

obligations of LESTO and Lietuvos Dujos assumed according to other transactions and obligations arising on other grounds (including the rights and obligations under collective and employment contracts, funds kept in bank accounts of LESTO and Lietuvos Dujos, 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 Lietuvos Dujos (technical specifications, design specifications, etc.), except for those rights and obligations of LESTO and Lietuvos Dujos 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 (hereinafter the above listed assets, rights and obligations taken over by ESO are referred to as Transferred Assets, Rights and Obligations). ESO took over all the Transferred Assets, Rights and Obligations from LESTO and Lietuvos Dujos, and all transactions of LESTO and Lietuvos Dujos were included in ESO accounting.

On 31 December, 2015, LESTO was unregistered from the Register of Legal Entities of the Republic of Lithuania.

The commencement of ESO's activities is 1 January, 2016.

#### **Long-term loan agreement**

Following the end of purchase procedures mandatory 15-day postponement, on 19 November, 2015 LESTO and Pohjola Bank Plc. signed a long-term loan agreement according to which LESTO will be granted a loan of EUR 70 million. The Commission of the tender has decided that Pohjola Bank Plc. has offered the best bid. The funds will be used to refinance the Company's financial liabilities and also, for the working capital needs. Maturity of the loan will be 5 years. The base interest rate - 1 month EURIBOR. During the contract period the Company may be granted an additional credit, which cannot exceed 30 percent of the loan amount.

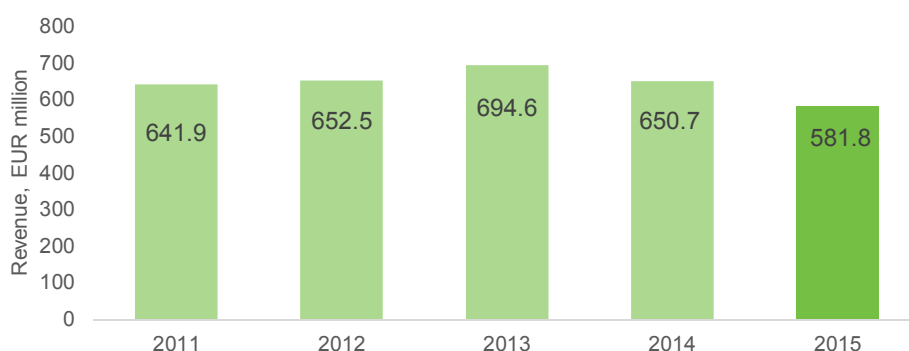
## ANALYSIS OF PERFORMANCE RESULTS

Since 31 March, 2015, after the transfer of UAB ELEKTROS TINKLO PASLAUGOS shares and since 27 April, 2015 after the transfer of NT valdos, UAB shares, LESTO has no subsidiaries. For this reason, in order to ensure comparability, the financial ratios of the company LESTO are analysed.

### Sales, EBITDA, EBITDA margin

During the twelve months of 2015 LESTO earned EUR 581.8 million. Comparing with the twelve months of 2014 LESTO income decreased by 10.6 %. The decline of revenue was driven by the decrease of electricity distribution price, the decline of quantity of electricity guarantee supply and decrease of the average connection price of one new user.

LESTO revenue



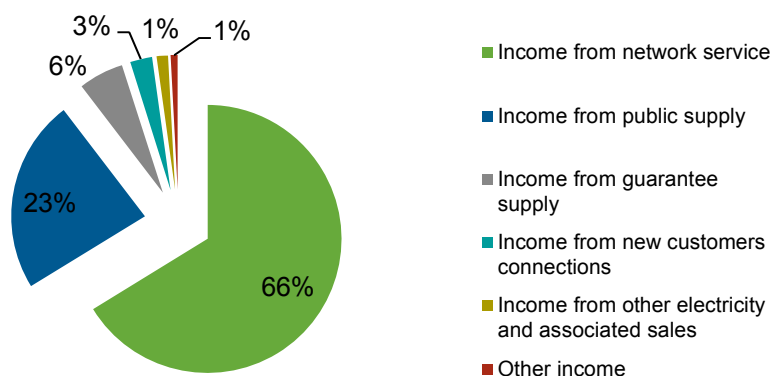
LESTO EBITDA ratios

	2013	2014	2015
EBITDA, EUR thousand	128,493	128,889	124,830
EBITDA margin, %	18.50	19.81	21.46

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

EBITDA of LESTO during the twelve months of 2015 was EUR 124.8 million. Comparing with the same period of 2014, the Company's EBITDA declined by 3.1 % due to lower revenue.

LESTO income structure



The main source of Company's income is income from network service. During the twelve months of 2015 income from network service made up 66 % of total Company's income. Income from public supply service consisted 23 %, income from guarantee supply for the customers that have not chosen independent supplier amounted to 6 % of Company's income.

## Costs

During the twelve months of 2015, electricity purchase and related services costs made up EUR 373.8 million and, compared with the same period of 2014, decreased by 14.8 %. Lower purchase price of electricity, decrease of public service obligations and electricity transmission components of the price as well as decrease of guarantee supply quantity and technological loss reduction were the reasons of electricity purchase and related services costs decrease compared with 2014.

During the reporting period electricity purchase and related services costs made up 75.5 % of total costs, depreciation and amortization accounted to 7.0 % of total costs. Operating expenses<sup>1</sup> accounted to 16.8 % of total costs.

### LESTO operating expenses, EUR thousand

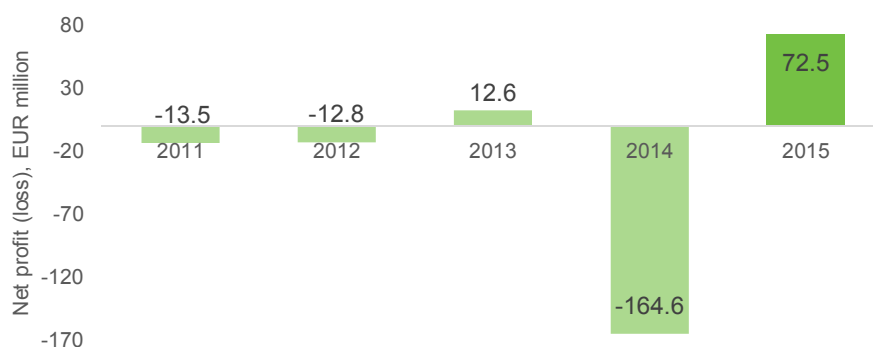
	2014	2015
Employee benefits and related social security contributions	36,867	36,707
Repair and maintenance expenses	24,946	23,281
Transport expenses	4,355	4,156
Telecommunications and IT services	6,922	7,022
Rent and utilities	2,738	2,551
Other expenses	7,143	9,388
<b>Operating expenses</b>	<b>82,971</b>	<b>83,105</b>

The results of the twelve months of 2015 shows that LESTO operating expenses increased by 0.2 % compared with the same period of 2014 and amounted to EUR 83.1 million. The operating costs increased due to the fine imposed by National Commission for Energy Control and Prices. The sanction was imposed regarding the results of inspection under National Commission's for Energy Control and Prices decision of 19 December 2014 No. O3-947 on the cost inspection report of LESTO.

## Profit, loss and profitability ratios

LESTO results for the twelve months of 2015 is a net profit of EUR 72.5 million, while after valuation of assets LESTO results for the year of 2014 is a net loss of EUR 164.6 million.

### LESTO net profit (loss)



LESTO operating profit for the twelve months of 2015 amounted to EUR 86.9 million and profit before taxes were equal to EUR 85.5 million. While during the same period of 2014 the Company's operating loss accounted to EUR 191.7 million and loss before taxes were equal to EUR 193.6 million.

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



**LESTO profitability ratios**

	2013	2014	2015
Net profit margin, %	1.81	-25.30	12.47
Gross profit margin, %	1.81	-76.24	12.47
Operating profit margin, %	2.23	-29.47	14.94
Profit before tax margin, %	2.09	-29.74	14.70
ROA, %	0.87	-14.60	8.55
ROE, %	1.32	-24.63	17.54

\* ROA = net profit (loss) for the reporting period / [(total assets at the beginning of the reporting period + total assets at the end of the reporting period) / 2];

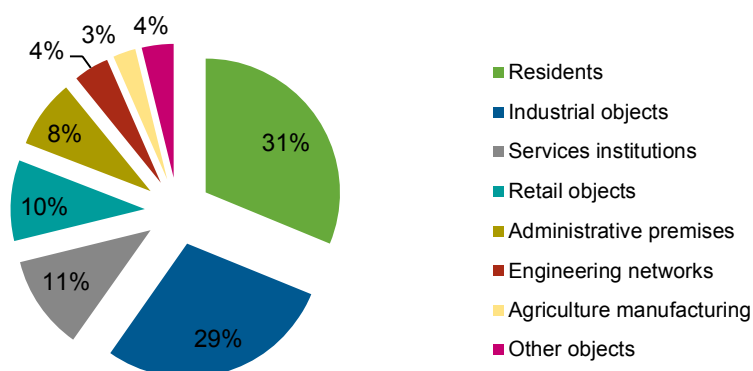
\*\* Return on equity (ROE) = net profit (loss) for the reporting period / [(equity capital in the beginning of the reporting period + equity capital in the end of the reporting period) / 2].

**Activity indicators**

Activity indicators	2013	2014	2015
Amount of electricity received to the distribution network, million kWh	8,874	9,061	9,152
Technological losses in the distribution network, million kWh	664	667	622
Volume of network service, million kWh	8,209	8,394	8,529
Amount of electricity sold, million kWh	3,061	3,223	3,124
<b>Electricity quality indicators:</b>			
SAIDI, minutes (with "force majeure")	153.9	144.04	106.53
SAIFI, times (with "force majeure")	1.43	1.29	1.06

During the twelve months of 2015 the amount of LESTO network service reached 8,529 million kWh. Electricity sales made up 36.6 % of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2014, the amount of electricity sold decreased by 3.1 % due to decline of guarantee supply, while the volume of network service increased by 1.6 %. Technological losses experienced by the Company during the twelve months of 2015 amounted to 622 million kWh and this totalled to 6.8 % from the amount of electricity received while during the same period of 2014 technological losses totalled to 7.4 % from the amount of electricity received.

**Structure of network service volumes by objects**

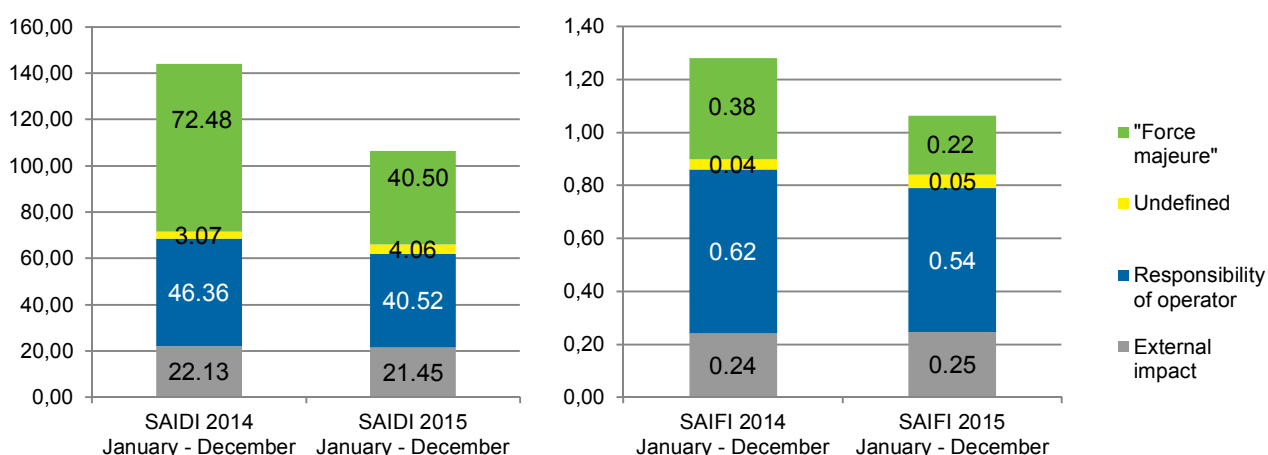


31 % of electricity network service volume was allocated to residents. Industrial and service institutions consumed 29% and 11 % respectively. In comparison with the twelve months of 2014 data, the structure of electricity network service has changed insignificantly. The share of electricity transmitted to industrial objects increased by 1 percentage point, and that of residents declined by 1 percentage point.

### Distribution network reliability indexes

In the twelve months of 2015, with the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer amounted to 106.53 minutes and, compared with the same period of 2014, it has decreased by 37.51 minutes (SAIDI for the twelve months of 2014 was equal to 144.04 minutes). The component of natural disasters ("force majeure") improved in 2015 - there were few natural phenomena, posing a threat to the distribution network in 2015. In addition, the improvement of this component was driven by the increase of network devices resistance to natural conditions – investments in cable distribution network. The component „responsibility of operator“ also improved in 2015: the decrease was caused by growing investment in the distribution network, network equipment modernization, automation, innovation and application deployment.

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



### Investments

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

In the twelve months of 2015, LESTO investments in electricity network expansion and modernization reached EUR 117.6 million. This is 15.9 % more compared to the investment during the same period of 2014.

LESTO investment, EUR thousand

	2014 January - December	2015 January - December	Change, %	Structure, %	
				2014	2015
<b>Investments in expansion</b>	<b>49,963</b>	<b>43,150</b>	<b>-13.6</b>	<b>49.3</b>	<b>36.7</b>
Connection of new customers	49,548	42,939	-13.3	48.9	36.5
Buyout of electricity objects	415	211	-49.2	0.4	0.2
<b>Investments in maintenance</b>	<b>51,452</b>	<b>74,431</b>	<b>44.7</b>	<b>50.7</b>	<b>63.3</b>
Low voltage electricity grid	37,288	57,099	53.1	36.8	48.6
Medium voltage electricity grid	12,161	13,764	13.2	12.0	11.7
Other investments	2,003	3,568	78.1	2.0	3.0
<b>Total</b>	<b>101,415</b>	<b>117,581</b>	<b>15.9</b>	<b>100.0</b>	<b>100.0</b>

During the twelve months of 2015, compared with the same period of 2014, the biggest increase was in the low voltage electricity grid (53.1 %), while investment in the medium voltage electricity grid increased by 13.2 % compared with the same

period of 2014. Investment in the buyout of electricity objects decreased by 49.2 %, while investment in the connection of new objects decreased by 13.3 %.

During the twelve months of 2015, LESTO has connected 28,504 new customers, 7.8 % more than in the same period of 2014 when it had 26,433 new customers connected. The permissible power for new customers was equal to 386,863 kW, which is 15.2 % more than in the twelve months of 2014, when the permissible power was 335,910 kW.

On 13 December 2013 the Company signed a funding and administration agreement for project "The replacement of AB LESTO complete transformer substations with pole-mounted transformer substations" with the Ministry of Economy of the Republic of Lithuania and Public Institution Lithuanian Business Support Agency (hereinafter – LBSA). Hereunder, the amount of funding from EU structural funds is EUR 2.25 million. The total value of the project until 28 August 2015 is EUR 5.2 million. During the distribution network modernisation works during the project, 707 physically and morally worn-out complete transformer substations were replaced by modern pole-mounted transformer substations. It will allow to meet the increasing loads and the reliability and quality requirements for electricity supply. The works were performed throughout Lithuania. The completed project also contributed to the development of the regions.

Pursuant to the funding and administration agreement for project "The modernisation and development of AB LESTO power distribution network in gardeners' communities" concerning the modernisation and development of power networks of 76 gardeners' communities within LESTO-supplied Lithuanian territory by the end of July 2015, signed between the Ministry of Economy of the Republic of Lithuania, the LBSA and LESTO on 29 March 2012, the modernisation and development works for power networks were completed in all 76 gardeners' communities. The amount of funding from EU structural funds is EUR 2.65 million.

Pursuant to the funding and administration agreement for project "The replacement of AB LESTO overhead power lines by cable ones" (36 objects), signed between the Ministry of Economy of the Republic of Lithuania, the LBSA and LESTO, power network modernisation and development works in 36 objects were completed by the end of July 2015. The amount of funding from EU structural funds is EUR 1.57 million.

Pursuant to the funding and administration agreement for project "The modernisation and development of AB LESTO power distribution network in gardeners' communities" (in 17 gardeners' communities), signed between the Ministry of Economy of the Republic of Lithuania, the LBSA and LESTO on 28 December 2012, the works were fully completed by the end of September 2015. The amount of funding from EU structural funds is EUR 1.01 million.

Pursuant to the funding and administration agreement for projects "The modernisation of AB LESTO transformer substations" (7 transformer substations), signed between the Ministry of Economy of the Republic of Lithuania, the LBSA and LESTO on 28 December 2012, a total of 7 transformer substations were modernised by the end of June 2015. The amount of funding from EU structural funds is EUR 2.73 million.

### **Financial ratio analysis**

The value of LESTO assets at the end of the reporting period made up EUR 881.5 million. Non-current assets share in total assets was equal to 88.1 %. From the beginning of the year till 31 December, 2015, the value of LESTO non-current assets increased by 3.8 %. Cash with cash equivalents accounted to EUR 19.0 million i.e. 18.1 % of total current assets.

**AB LESTO GROUP CONSOLIDATED INTERIM REPORT**  
**Report for the twelve-month period ended 31 december, 2015**

**LESTO financial leverage ratios**

	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2015</b>
Total liabilities to total assets ratio	0.34	0.52	0.51
Debt to assets ratio	0.12	0.27	0.28
Total liabilities to equity ratio	0.53	1.07	1.04
Debt to equity ratio	0.19	0.56	0.57
Net financial debt, EUR thousand	175,735	217,969	227,953
Net financial debt to equity ratio	0.19	0.55	0.53
Long-term debt to equity ratio	0.09	0.25	0.34
Equity to total liabilities ratio	1.90	0.93	0.97
Equity to total assets ratio	0.66	0.48	0.49
P/E ratio*	10.86	-	7.71
Capitalization, EUR million	471.08	602.74	461.67

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

At the end of reporting period, financial debts made up EUR 247.0 million or 55.1 % of total liabilities. Non-current borrowings were EUR 147.6 million and made up 59.8 % of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up EUR 200.5 million.

**LESTO liquidity ratios**

	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2015</b>
Current liquidity ratio	0.32	0.30	0.52
Acid test ratio	0.31	0.29	0.51
Cash liquidity ratio	0.01	0.02	0.09
Working capital, EUR thousand	-142,425	-160,178	-95,352
Working capital to total assets ratio	-0.10	-0.20	-0.11

Current liabilities exceeded current assets by EUR 95.4 million. Current liquidity ratio stood at 0.52. Inventories made up only 2.0 % of current assets, consequently acid test ratio do not differ significantly from current liquidity ratio. Financial debt reduced by the amount of the most liquid assets (short-term deposits and cash with cash equivalents) indicates net financial debt. Net financial debt of the LESTO amounted to EUR 228.0 million and consisted only 52.6 % of equity.

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

Other information is presented in LESTO AB consolidated and Company's financial statements: condensed interim financial information for the fourth quarter and 12 month period ended 31 December 2015, prepared according to International Accounting Standard 34 as adopted by the European Union.

## FACTORS, AFFECTING THE COMPANY'S FINANCIAL RESULTS

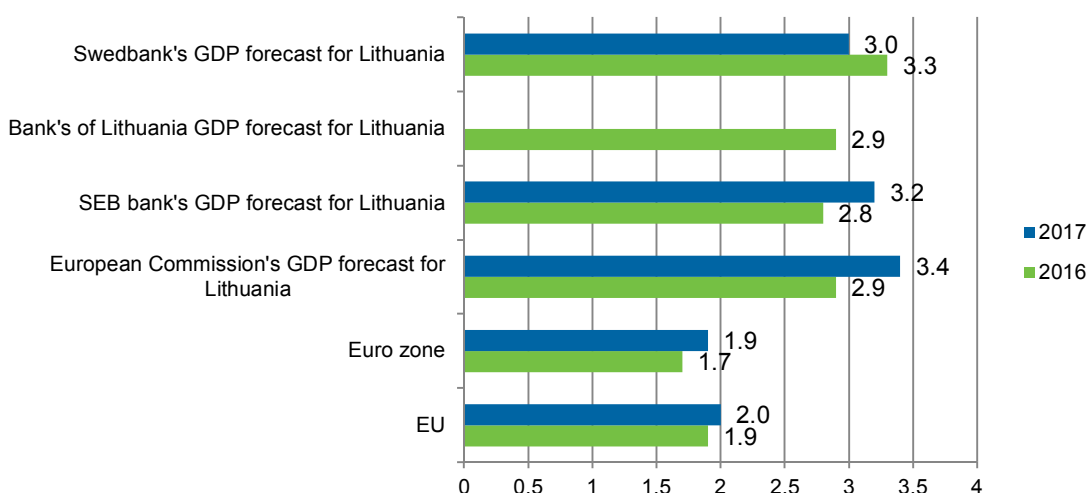
### Business environment

The European Union economy is now entering its fourth year of recovery and growth continues at a moderate rate, driven mainly by consumption. Growth should also be largely backed by low oil prices, favorable financing conditions and a weaker euro exchange rate comparing with dollar. On the other hand, there are also some new threats: slower growth in emerging markets such as China, weak global trade and geopolitical tensions in Europe's neighbourhood. In the forecast, published in February of 2016, the European Commission predicts that the European Union's gross domestic product growth will reach 1.9 %, while the euro zone's – 1.7 % in 2016. Meanwhile, in 2017 it is expected the economic growth of 2.0 % and 1.9 % respectively<sup>2</sup>.

According to the forecasts of the European Commission, due to rise of consumption and exports the Lithuania's real gross domestic product growth will reach to 2.9% and 3.4% in 2016 and 2017, respectively<sup>3</sup>.

Meanwhile, Lithuanian economists also predict economic growth of Lithuania in 2016. According to the forecasts of SEB banks' analysts it is expected that the growth of Lithuania's gross domestic product will reach 2.8 % in 2016 and 3.2% in 2017<sup>4</sup>. In January, 2016, analysts of Swedbank also published the forecast for Lithuania's economy growth: it is predicted that the growth of gross domestic product will reach 3.3 % in 2016 and 3.0 in 2017<sup>5</sup>. While Bank of Lithuania forecasts that Lithuania's gross domestic product will grow by 2.9<sup>6</sup> % in 2016.

The gross domestic product growth forecast for Lithuania, European Union and euro zone in 2016 - 2017, %



Since electricity consumption is closely related to the gross domestic product growth, the economic growth will affect the results of LESTO (from 1 January, 2016 – ESO). According to the economists' macroeconomic forecasts and the results of 2015, it is planned that the volume of network service will increase in 2016.

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

Change of network service, %	Change of income, EUR thousand
+1%	5,800
-1%	-5,800

\* Supposing that the tariffs established by the National Control Commission For Prices and Energy for 2015 are applied.

<sup>2</sup> Data source: European Commission. European Economic Forecast Winter 2016.

<sup>3</sup> Data source: European Commission. European Economic Forecast Winter 2016.

<sup>4</sup> Data source: SEB bank. Lithuanian Macroeconomic Overview No. 60, November, 2015

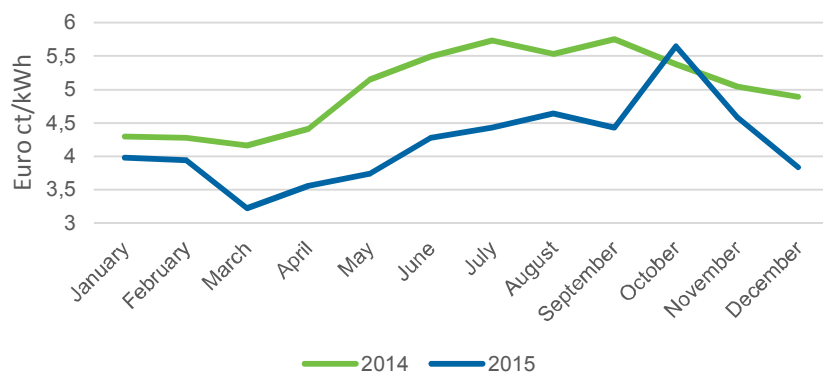
<sup>5</sup> Data source: „Swedbank“ economy review. 26 January, 2016.

<sup>6</sup> Data source: Lietuvos bankas. Economic Outlook for Lithuania, 8 September, 2015.

### Situation in electricity market

In 2015 the average price of electricity in Nord Pool Exchange Lithuanian trade zone was lower than last year, except October (in October of 2015 the average price of electricity in Nord Pool Exchange Lithuanian trade zone was 4.9 % higher comparing with the same period of 2014). In October, there were several factors that reduced the supply of electricity in Baltic countries and had an impact on the price increases. During the period from 7 to 11 of October the scheduled overhauls decreased permeability between Sweden and Finland and Finland had to import electricity from Estonia. Due to repairs in Russia the flow from the north via the Baltic countries grew through the BRELL. In addition, while repairing lines in Latvia and Estonia the permeabilities were also smaller than usual, and during the period from 14 to 18 of October the permeabilities amounted to less than half of the available bandwidth. Lithuanian Power Plant also ceased subsidized electricity since the middle of October<sup>7</sup>. Meanwhile, in December the average price of electricity in Nord Pool Exchange Lithuanian trade zone, compared to the same period of 2014 decreased by 21.5 %. In December, the electricity prices were reduced by the supply of cheaper electricity: wind power production grew almost 50 % in Lithuania, hydroelectric power produced almost 66 % more electricity in Latvia. Prices also decreased due to the festive period in which the demand of electricity declined<sup>8</sup>.

The comparison of the average monthly prices in the electricity market in 2014 and 2015



### Price caps for 2016

The governmental policy regarding electricity prices is significant to the Company's activities. Service prices are controlled, price caps are set and controlled by the National Commission For Prices and Energy. On 30 October, 2015 the National Commission for Prices and Energy established the following price caps of the electricity distribution service for 2016:

- electricity distribution service received via medium voltage network – 1.000 euro cents/kWh (2015 – 1.178 euro cents/kWh);
- electricity distribution service received via low voltage network – 1.766 euro cents/kWh (2015 – 1.550 euro cents/kWh).

On 30 October, 2015 the National Commission for Prices and Energy established the price cap of 0.165 euro cents/kWh for 2016 on public electricity supply services (2015 – 0.139 euro cents/kWh).

On 23 December, 2015 the National Commission for Prices and Energy established the price cap of 8.086 euro cents/kWh (excluding VAT) for private customers who receive electricity via medium voltage network and the price cap of 9.852 euro cents/kWh (excluding VAT) for private customers who receive electricity via low voltage network on public electricity prices for 2016 (2015 – 8.616 euro cents/kWh, excl. VAT and 2015 – 10.165 euro cents/kWh, excl. VAT, respectively).

<sup>7</sup> Data source: Electricity Market Overview, October of 2015 [interactive]. Watched 2016-02-09. Link: <http://www.litgrid.eu/index.php/elektros-rinka/rinkos-apzvalgos/798>

<sup>8</sup> Data source: Electricity Market Overview, December of 2015 [interactive]. Watched 2016-02-09. Link: <http://www.litgrid.eu/index.php/elektros-rinka/rinkos-apzvalgos/798>

## Strategy and goals

LESTO strategy for the period 2014-2020 was in force until 31 December, 2015, until the merger of LESTO and Lietuvos Dujos. ESO, which took over LESTO and public limited liability company Lietuvos Dujos rights and obligations, will introduce a new strategy in 2016.

### Strategy outline

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

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

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

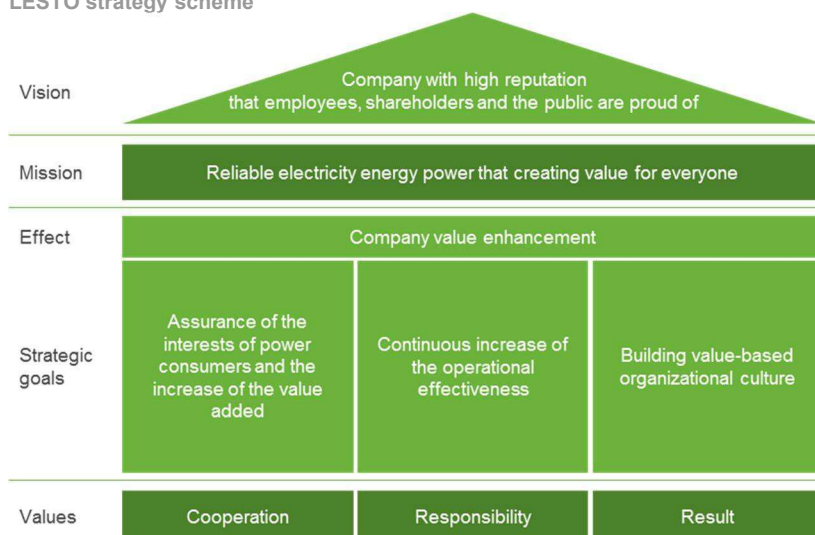
1. Cooperation
2. Responsibility
3. Result

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

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

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

### LESTO strategy scheme



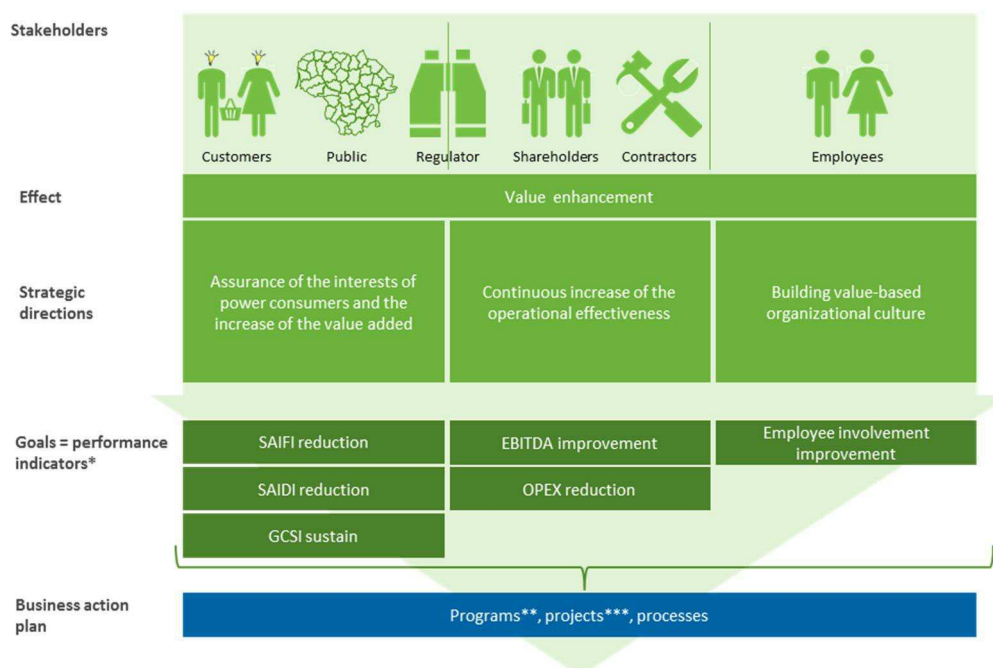
### Stakeholders

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



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

#### Linking LESTO stakeholders and strategic directions



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

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

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

#### Investment plan

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

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

It is intended to invest EUR 426 million into the “Safe and reliable network” program. In the course of the program, unsafe transformers, cable lines and distribution facilities will be replaced by modern equipment corresponding to current standards. Finally, it is planned to invest EUR 132 million towards the improvement of the power voltage quality. This will resolve the problem of inferior voltage for 41 thousand users by fixing almost 9,100 km of lines affected by drops in voltage.

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

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

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

Since 1 January, 2016 ESO takes over the implementation of LESTO investment plan.

## Risks and risk management

### Risk Management Policy

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

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

The main LESTO risk management principles:

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

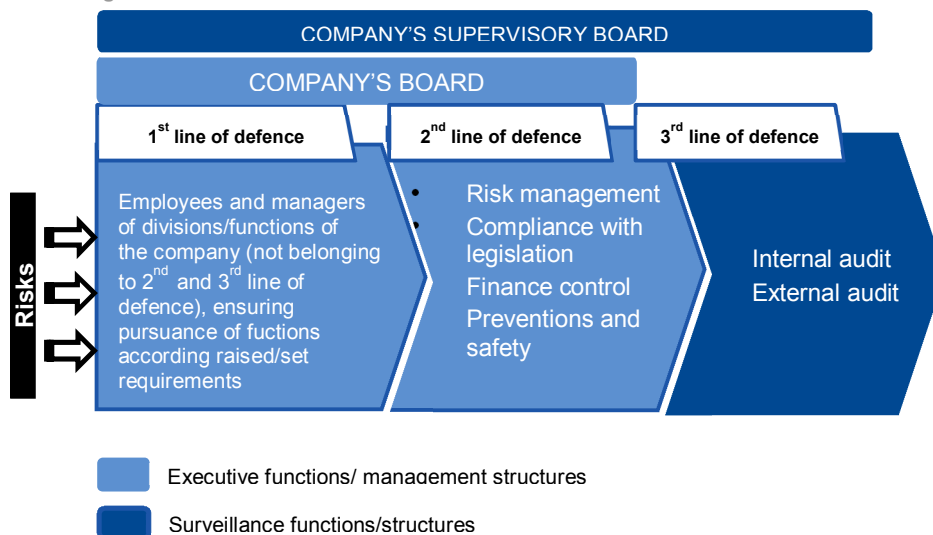
Periodic risk identification and evaluation cycle when activity (process) results residual risk and risk management means intensification runs every year during activity targets planning. During this cycle risks which can have a negative impact on activity targets and results are set. Set risks are evaluated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

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

### Risk management and control model

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

#### Risk management and control model scheme



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

“The Second line of defence” is represented by risk management, compliance with legislation, financial control and prevention and safety functions/divisions:

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

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

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

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

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

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

### **Risks in the Company's Activity and Management Thereof**

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

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

### **Strategic Risk Management**

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

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

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

Political risk factors are also taken into account. Electricity distribution and supply procedure is regulated by the Law on Electricity of the Republic of Lithuania. Amendments of said law and other related legal acts may affect the LESTO activity and results. The governmental policy regarding electricity prices is also significant. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. Results of the LESTO activity depend on said decisions. In order to mitigate the effect of said risk on business results the Company analyses international practice of energy company control and, if necessary, presents proposals to national legislative drafting bodies.

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

### **Legal Compliance Risk Management**

**Legal compliance** risk is understood as the risk arising from the changes of regulatory, legal environment or specific areas where the specific modifications were legitimized, but they are not properly or timely transferred into the Company's internal documents or there is no possibility to implement these requirements timely and/or in full extent because of the Company's

nature of business. This group of risk can also be associated with risk of compliance with various standards or certifications. That is the increase of losses and (or) loss of prestige and (or) reduction of trust, which might be influenced by external environmental factors or internal factors (for example, internal legislation violations or violations of ethical standards, abuse cases of the employees, etc.).

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

#### Operational/business Risk Management

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

#### Financial Risk Management

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

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

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

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

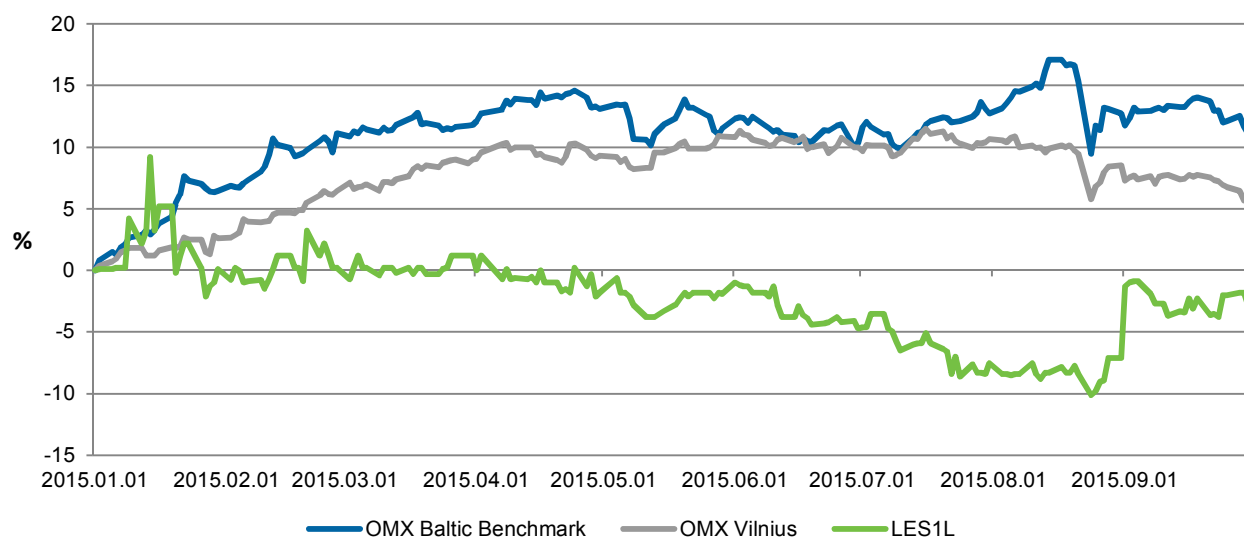
### LESTO share price dynamics and turnover

LESTO share price dynamics and turnover, 17-01-2011 - 31-12-2015



LESTO is one of the biggest companies by market capitalization in Nasdaq Baltic securities exchange market. During the twelve months of 2015 LESTO share price decreased by 6.9 %. The lowest LESTO share price was recorded on 24 August, 2015, the price of LESTO share was EUR 0.897. The highest point (EUR 1.09) during the reporting period was reached on 14 January, 2015. The weighted average price of LESTO share during the reporting period was EUR 0.952.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2015 - 31-12-2015



Since the beginning of the year until 31 December, 2015, index OMX Vilnius increased by 7.42 %, OMX Baltic Benchmark increased by 14.43 %, while the price of LESTO share decreased by 6.91 % during the twelve months of 2015.

### Authorised capital structure

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



On 31 December, 2014 the Company's share capital amounted to LTL 603,944,593 (on 31 December, 2013 - LTL 603,944,593).

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

All shares of the Company are fully paid.

#### **Rights and obligations granted by shares**

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

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

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

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

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

#### **Procedure for amending the Articles of Association**

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

#### **Restrictions on the transfer of securities**

No restrictions are imposed on the transfer of LESTO securities.

#### **Subsidiaries**

On 31 December, 2015, LESTO had no subsidiaries.

#### **Information about branches and representations**

There are no branches and representations of the Company.

#### **Information about committees**

There are no committees in the Company.

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

LESTO had no own shares prior to the accounting period and did not acquire any own shares in 2015.



**AB LESTO GROUP CONSOLIDATED INTERIM REPORT**  
**Report for the twelve-month period ended 31 december, 2015**

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

The Company did not acquire or transfer its own shares in 2015.

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

The Company did not acquire or transfer its own shares in 2015.

Reasons for acquisition of own shares in the accounting period

The Company did not acquire its own shares in 2015.

**Information on issuer's securities**

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

ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, EUR	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	0.29	7000 Utilities	7500 Utilities

**Shareholders**

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

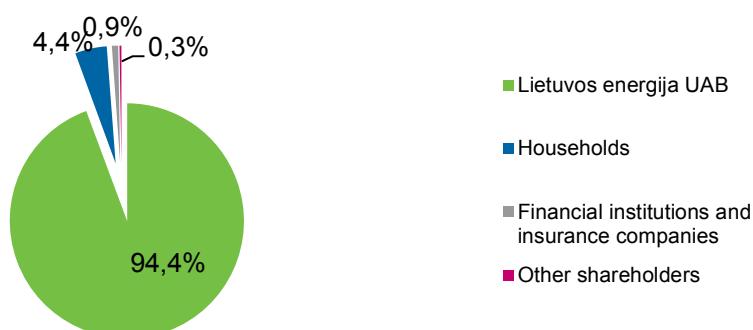
On December 31, 2015 the number of LESTO shareholders amounted to 6,968.

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

**LESTO number of shareholders according to countries, 31-12-2015**

Country	Number of shareholders
Lithuania	6,747
Russia	49
Belarus	39
Estonia	37
United States	19
Latvia	36
Other countries	41
<b>Total</b>	<b>6,968</b>

**LESTO distribution of holdings according to holder groups on 31 December, 2015**



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

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

**Restrictions on voting rights**

No restrictions on voting rights are known to the Company.

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

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

**Shareholders who owned more than 5 % of the issuer's authorized capital on 31 December, 2015**

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

**Dividends**

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

On 24 September, 2015, the Extraordinary General Meeting of Shareholders made a decision to pay out dividends for the period shorter than financial year. The Company's distributable profit for the six months period ended on 30 June, 2015 was EUR 21.7 million. Dividends for the six months period ended on 30 June, 2015, per share amounted to EUR 0.0360. The net profit of LESTO for the six months of 2015 amounted to EUR 43.0 million. Dividend / net profit ratio for the six months of 2015 is equal to 0.5.

**LESTO securities account manager**

Bank SEB, AB is official manager of LESTO security account.

Contact details of SEB, AB:

Gediminas ave. 12, LT-01103 Vilnius

Tel. 1528 or +370 5 268 2800

## CUSTOMER SERVICE, SERVICE ASSESSMENT

### The Number of the Customers Served

On 31 December, 2015, LESTO had 1.579 million contracts with private clients and 66.7 thousand contracts with business clients (in 2014, LESTO had 1.561 million contracts with private clients and 66.2 thousand contracts with business clients).

### Transfer of customer service function

Given the fact that the Company participated in the programme of the purification of value chain (hereinafter – Programme) approved by the Board of Lietuvos energija UAB; the Programme also included the project „Consolidation of Customer service activities“ (hereinafter – Project) aimed at consolidation and centralization of customer service functions, standartization of customer service business processes to ensure efficient use of resources, concentrate the best customer service practices in one place and provide higher quality customer service to customers of LE group companies as well as to apply this model to other companies' customers – since 1 January, 2016 LESTO customer service functions (customer service channel performance management and development, management of requiries, invoicing and collection of payments, debt management, messages to clients sending, contract preparation and administration, and other supportive customer service functions) were transfered to associate company of Lietuvos energija group – Verslo aptarnavimo centras UAB.

### Development of service channels

During 2015, the number of customers who used remote servicing channels (self-service website [www.manoelektra.lt](http://www.manoelektra.lt) and customer service phone 1802) increased, whereas electricity user flows in LESTO customer service centres in smaller towns reduced. Due to changes in customer behaviour, since 1 October 2015 activities of LESTO 12 customer service centres that have been visited by comparatively few customers, has been shifted to 7 major customer service centres.

In 2015, the number of customers registered on the website [www.manoelektra.lt](http://www.manoelektra.lt) totalled 653 thousand, of which 589 thousand – private. During 2015, as compared with 2014, the number of visits to the website [www.manoelektra.lt](http://www.manoelektra.lt) increased from 2.986 to 4.038 million.

During 2015, information by customer service phone 1802 was provided to more than 1,005.4 thousand customers (during 2014, information was provided to 1,001.5 thousand customers). More than 351 thousand customer enquiries on different issues were received and resolved (during the respective period of 2014, over 325 thousand customer enquiries were received and resolved).

During 2015, over 251,830 customers were served at the customer service centres located in the major Lithuanian cities (during 2014, service was provided to 287,640 customers).

### Operation and development of electricity accounting

During 2015, the company installed for new customers 23,845 psc. electricity meters, of which 26 percent were intended for the accounting of electricity in single-phase AC grids, and 74 percent – in three-phase networks, and replaced 86,051 electricity meters with an expired metrological verification time-limit, of which 66 percent are used for electrical energy accounting in single-phase AC networks, and 34 percent – in three-phase networks.

By constantly renewing the electricity meters used, the Company and persons authorized by it have also performed operation works for over 1,080 thousand electricity meter (inspection of electricity meters, repair of malfunctioning equipment, verification of readings).

By investing into upgrading and automation of electricity meters, the Company has connected 2,228 electricity accounting meters to the existing automated data scanning system, thus increasing the number of electricity accounting instruments using, generating electrical energy in objects operated by the company's customers the readings whereof are scanned in a remote way to 27,338. Automation of electricity meters provides with a possibility to send invoices to business customers for electricity consumed during a period without the need to declare the readings by the customers themselves.

In December 2015, after winning an international tendering procedure with the consortium of Lithuanian and foreign companies, the Company signed an agreement on which basis the winner of the tender will install 3 thousand smart electricity meters for the Company's customers. By implementing this pilot project, the Company seeks to investigate the efficacy of smart meters and their benefit for residents.

#### **Management of customer settlements**

LESTO has provided customers with a possibility to pay for electricity according to the average quantity of electricity used. Payments according to the average quantity help planning expenses evenly. Irrespective of the seasonality and changes in the quantity of electricity consumed, the same amount is paid every month. Besides, users who have several objects may pay for electricity used in several accommodations belonging to them by making one payment (one invoice may be issued). The amount of monthly payments for electricity is calculated for the customer according to the previous mean amount of electricity consumed (in kWh) that is updated according to the readings declared by the customer or according to periodic meter verification data. Users may find out and check the applied mean amount of payment by logging into the constantly updated website [www.manoelektra.lt](http://www.manoelektra.lt), by calling the customer service phone or visiting LESTO customer service centre. Payments according to VAT invoices are made by over 17 percent of LESTO customers. During 2015, the number of VAT invoices for used electricity has increased by roughly 13 percent, as compared with a respective period in 2014.

Customers who have chosen the method of electricity accounting according to the average consumption, in addition choose a direct debit payment method, when the amount paid for electricity each month is automatically debited from the customer's account. 13 percent of LESTO customers make payments using the direct debit method.

#### **Market liberalization**

Since 31 December 2015, independent suppliers have supplied electricity to 66,354 objects. According to the plan for the development of the Lithuanian electricity market, as of 31 December 2015, an independent electricity supplier was chosen by:

- About 92 percent of objects which permissible power consumption was 400 kW and over;
- About 85 percent of objects which permissible power consumption was 100 kW and over;
- About 74 percent of objects which permissible power consumption was 30 kW and over;
- About 54 percent of objects which permissible power consumption was less than 30 kW.

Electricity to the remaining objects is further supplied by the guarantee supplier (LESTO).

## SOCIAL RESPONSIBILITY

LESTO implements its commitment to contribute to public welfare, primarily by ensuring an interrupted electricity supply and distribution, and, by actively participating in public education on issues of safe and rational use of electricity. We implement and develop new perspective and environmental friendly technologies to the best of our ability.

### Environmental protection

**LET'S DO IT 2015.** LESTO employees joined the clean-up initiative "Let's Do It 2015" and collected waste polluting the environment in five regions: Vilnius, Kaunas, Šiauliai, Alytus, and Panevėžys.

**Landscape protection.** LESTO, by implementing an EU co-funded project, replaces the old overhead electricity lines with new cables in localities where conductors of the former overhead electricity lines were thin and dangerously close to plantings and the old infrastructure caused a number of breakdowns. Cable lines ensure supply of electricity residents in a more reliable way and are safer. Besides, they allow enjoying a more beautiful landscape.

### Initiatives for the public

LESTO implements a wide-range long-term social responsibility projects designated for children, youth and the public at large covering an active involvement of communities, target society groups, ideas on safe and efficient energy use, as well as respect for the environment.

**Projects tenders for local authorities and communities.** LESTO, together with the Association of Local Authorities in Lithuania, invited local authorities and their communities to submit applications for the tender aimed at enhancement of safety near power facilities and public responsibility. Seeking to solve problems associated with safe and rational use of electricity, communities had to submit plans of their solution and to involve into the projects the greatest number of residents. The projects had to be linked with an endeavour to enhance resident safety. Offers fostering education and responsibility, especially of youth, were welcome. Over 30 offers were received from local authorities and communities. The applications received were assessed by representatives of LESTO together with the Association of Local Authorities in Lithuania, and public institution Rūpi. 7 educational and practical projects were declared the winners – in the first half of 2015, all the events planned by them were implemented – residents gained knowledge on safe handling of electrical installations and behaviour near them during interactive lectures, quiz-tests, contests and other activities.

**Loss-reduction and resident education initiative "Operation 2020".** The programme "Operation 2020" is aimed to foster responsible behaviour of power supply network facilities, to enhance resident understanding about safe treatment of electrical devices and to reduce negative consequences arising as a result of irresponsible or malicious behaviour.

As the biggest support in fighting theft is a sense of community among residents, LESTO continued cooperation with the Association of Local Authorities in Lithuania. In September, the Company's representatives met with 38 heads of Jurbarkas, Pagėgiai, Šilalė, Tauragė districts. They briefed on the situation and held a discussion on such topics as thefts from transformer stations, accident prevention in the region.

**The national educational programme "The Cohesive School".** Seeking to foster awareness of school communities and to contribute to the creation of a cohesive, energy and environment saving Lithuanian society, the Lithuanian Children and Youth Centre and LESTO together with partners invited the national education institutions to participate in a year-long educational programme "The Cohesive School". The first task of the programme – investigation of the ecological footprint – was performed by 70 educational institutions participating in the programme, whereas the changes enabling to reduce the ecological footprint were introduced and implemented all year long by 17 schools. In April 2015, the final event took place during which awards were given by the commission (including a LESTO representative) to the participants who achieved the best results and were the most creative.

After deciding to continue the project further, in October, introduction of the second season "The Cohesive School" for heads of Lithuanian schools and kindergartens took place at Vilnius city municipality.

**Energy efficiency enhancement – “To the extent necessary”.** Fostering a rational electricity use is one of LESTO priority directions of social responsibility, contributing to conservation of environment and energy resources, as well as the country's obligations in implementing a climate change programme of the European Union. The project is aimed at developing the traditions of rationally living society – here, rational electricity use methods for both, household and business needs are searched.

In October – November 2015, a cycle of conferences “To the extent necessary for Industry” organized by LESTO together with partners took place. The goal of events organized in five major Lithuanian cities – to foster business companies in the country, especially industrial enterprises, to use energy resources in a rational way. During them, experts and company representatives shared their experience by delivering reports on LED lighting advantages, compensation of reactive electrical energy, energy audit. This year, during the events, a discussion was held not only about the use of electricity, but also about the use of natural gas. Nearly 400 representatives of the national industrial enterprises – mostly energy workers and heads – took part in the conferences.

**Project of modern street lighting.** A little more than a year ago, LESTO together with Birštonas municipality and Italian public lighting company Enel Sole launched a pilot project “To the extent necessary for the city” on the efficacy on LED light fixtures in Birštonas. During its time, 14 ordinary street light fixtures were replaced into LED light fixtures. During the year-long pilot project, when 14 LED light fixtures were installed in one of Birštonas city streets, the results were introduced during the press conference in April. LED light fixtures consumed only 7,601 kWh of electrical energy, whereas the 14 old sodium lamps installed on the other side of the same street used 13,324 kWh electric power during the same period.

**Events of the Day of Energy Workers for the public.** The National Lithuanian Electricity Association uniting the biggest energy companies, including LESTO Company, invited to celebrate the Day of Energy Workers on 17-18 April in the Lithuanian Museum of Energy and Technology. The museum who opened the doors to visitors, invited them to become familiar with the history of national energy free of charge. An interactive indicative-detective game took place in it, introducing an exhibition of photographs of the Company's employees “Daily life and adventures at work”. The youngest visitors were shown a performance “Love of Horse Dominykas”, whereas the large audience was entertained by a trio of violoncello players from Latvia.

**Days of rational and safe energy use in Lithuanian libraries.** Seeking to foster residents to contribute to the conservation of environment and energy resources, in September 2015 LESTO organized a cycle of events on rational and safe use of electricity in 15 libraries of the country. During them, LESTO specialists consulted the gathered residents how to analyse and to assess household electricity costs in a convenient way, what habits, according to expert assessment and research, have the biggest effect on electricity bills.

In order to enable the event participants to image in a clearer way on how sparingly they use electricity as compared with other residents of the country, results of the most recent surveys on consumption habits were introduced. The participants received advice on energy conservation “Recipe Books”, to enable them to better memorize the advice they heard during the event. The youngest event participants met with heroes from the educational initiative “Electricity Magic” intended for young people who together with children not only solved various tests associated with electricity consumption, but also played and awarded different prizes.

In September, events of the rational and safe use of electricity took place in the libraries of Šalčininkai, Kazlų Rūda, Rokiškis, Tauragė, Marijampolė, Raseiniai, Jonava, Kalvarijos, Biržai, Jurbarkas, Druskininkai, Švenčionys, Ukmergė, Plungė and Mažeikių districts. More than half a thousand adults and children took place in them.

#### Market, customers and investors

In the business environment, LESTO seeks to maintain transparent relationships with all market participants – customers, partners, contractors and investors. Each year, LESTO by showing concern to safety of energy supply, as well as economic and social benefit for society, pays great attention to the development and upgrading of the distribution network. An important



aspect of this activity in the environmental protection field – better conditions to conserve energy, and to use in a more rational way.

**Cooperation with Lithuanian libraries.** In March 2015, LESTO and the National Martynas Mazvydas Library of Lithuania signed an agreement to cooperate in implementing the social project “Libraries for Progress 2”. This will enable to develop common resident education projects in the National Martynas Mazvydas Library of Lithuania, and will ensure further development of computerized workstations of LESTO self-service website [www.manoelektra.lt](http://www.manoelektra.lt). By the project “Libraries for Progress 2” we seek expanding cooperation of public libraries with business, local authorities and non-governmental organizations, also to strengthen a library network in Lithuania even more. Currently, computerized workstations of LESTO self-service website [www.manoelektra.lt](http://www.manoelektra.lt) have been installed in the whole country. Services of the LESTO self-service website [www.manoelektra.lt](http://www.manoelektra.lt) may be used in Vilnius, Šalčininkai, Trakai, Kaunas, Jonava, Jurbarkas, Kaišiadorys, Šakiai, Prienai, Klaipėda, Plungė, Tauragė, Kretinga, Skuodas, Telšiai, Šilutė, Šilalė, Šiauliai, Raseiniai, Mažeikiai, Kelmė, Joniškis, Pakruojis, Radviliškis, Naujoji Akmenė, Panevėžys, Biržai, Rokiškis, Pasvalys, Kupiškis, Alytus, Druskininkai, Marijampolė, Varėna, Lazdijai, Vilkaviškis

**Interactive map for investors.** In the spring 2015, an interactive map free on capacities was posted on LESTO website, where it is possible to find out free capacities of electricity transformer substations located in the entire Lithuania.

## Employees

**Fostering of employee involvement.** Employees are informed and involved in the planned changes – merger of two companies of the group in 2016. By internal company channels information on the course of change is constantly disseminated. Company employees participated in selecting a new name of the company, and a possibility to give questions to the change management team has been provided.

From autumn 2015, the employees are encouraged to be more active safety “monitors” of the power network. Participants –employees of the internal company’s initiative “Safety Agents” monitored during off-hours and notified on possibly unsafe power network facilities, wires leaning dangerously near overhead lines, etc. During the first two weeks only, more than 10 notices with pictures (the majority of recorded cases were not in the LESTO network, therefore responsible institutions have been notified about them).

**Employees – organizers of social initiatives.** Socially responsible initiatives suggested by the employees in 2015 gained an active interest: they participated in events for communities and pupils as active lecturers disseminating knowledge on electricity saving. During 2015, LESTO employees conducted classes and lectures for more than 500 children and pupils. At the end of the year, knowledge on rational use of electricity was shared with employees of other companies: we meet with staff members of Swedbank and Barclays working in Vilnius.

**Blood donation campaigns.** LESTO employees respond to one of the values of the group of companies – responsibility – not only at work, but also by regularly participating in the blood donation campaigns. Last year, two campaigns were organized in the branches located in Vilnius, and the amount of blood collected during them will suffice to rescue health or life of 100 persons.

**Among the best employees of enterprises of the Lietuvos Energija group – also LESTO representatives.** During a solemn ceremony on the Day of Energy Workers, among Lithuanian energy workers, six LESTO employees were awarded a badge of honour, an acknowledgement by the Minister of Energy of the Republic of Lithuania, an acknowledgement by the Speaker of the Seimas of the Republic of Lithuania, and The Best Employee of the Year award.

**Accident prevention at work.** In addition to organizational prevention measures, communication is used: information on accidents in work places of the company and contractors is regularly posted on the Company’s intranet; their causes are explained, and social advertisement materials are circulated. In the summer 2015, seeking to educate in the most attractive way not only LESTO employees, but also those of contracted companies working with electrical installations, 4 short animated films were created on the topics: “Preparation for work”, “Use of safety measures”, “Work in power lines” and “Work in air lines”. Four series of less than two minutes long feature the most important rules and show safety measures that may



prevent painful consequences if are adhered. The cartoons were distributed and presented during meetings, inspections and training. One more material repeatedly reminding of the safety rules – posters reiterating the rules presented in the cartoons – have also been circulated to all units where engineers and members of expeditious engineer brigades are employed.

**LESTO employees – among the most professional ones.** In May of the current year, in the Power Workers Training Centre, electricity engineers participated in the professional excellence competition. After tackling the tasks and summing up the results, the first place and the title of the most professional power worker was given to LESTO team from Šiauliai region team; the second place was given to LESTO team of Kaunas region; the third place – to LESTO team of Vilnius region. This year 11 teams, more than 100 participants, took place in the competitions.

The goal of this event – to encourage employees of LESTO and contracted companies to develop professional skills and to improve, to renew knowledge and practical skills seeking to enhance safety of LESTO and contractors' employees in dangerous situations: for example, in the event of fire or emergency.

This year LESTO team took participation in one more professional excellence competition organized by the Lithuanian Industry Trade Union's Federation in August. According to the general standing in the competitions, by the player efficiency rating that was determined by the total amount of points collected by the team's prize winners and the number of prize-winning places, LESTO occupied the third place.

#### **Fight against corruption**

LESTO do not tolerate any kinds of corruption and advocates fair business and transparent cooperation with state institutions. The risk is minimized by effective sophisticated internal control mechanisms aimed to determine possible corruption risk factors. Prevention of corruption is one of functions of the Prevention and control division of the Company. LESTO constantly carries out control of activity, improves activity processes and takes measures to rectify identified infringements, to eliminate threats for the reputation of the Company. In May 2014, the policy of zero tolerance against corruption came into force.

#### **Accountability for the public**

**LESTO announced a report on social responsibility for 2014.** LESTO, a member of the United Nations Global Compact, published an annual report on social responsibility. In 2014, LESTO expanded cooperation with industrial and production companies, started partnership with libraries in the country, and involved school communities into the long-term energy saving activity – calculation and reduction of the ecological footprint.

**Results of the survey on electricity consumption habits of residents were presented.** The survey on electricity consumption habits of residents was carried out at the order of LESTO by the pollster company Baltijos Tyrimai. The survey showed that the number of persons saving energy has remained big- 75 percent – from the last survey two years ago, however reduced by one fifth due to energy saving bulbs. This has been done more out of habit and environment conservation – this reason was indicated by 15 percent of the respondents. The number of persons using energy saving bulbs and purchasing low energy consumption electrical devices has increased by 7 percentage points.

## COMPANY AND ITS MANAGEMENT BODIES

### Company's organizational structure

<b>Company name</b>	AB LESTO
<b>Company code</b>	302577612
<b>Authorised capital</b>	EUR 175,143,931.97
<b>Registered address</b>	Aguonų str. 26, LT-03212 Vilnius
<b>Telephone</b>	+370 5 277 7524
<b>Fax</b>	+370 5 277 7514
<b>E-mail</b>	info@lesto.lt
<b>Website</b>	www.lesto.lt (since 1 January, 2016 – www.eso.lt)
<b>Legal- organisational form</b>	Joint-stock company
<b>Date and place of registration</b>	27 December 2011, Register of Legal Entities of the Republic of Lithuania
<b>Register in which data on the company is collected and stored</b>	Register of Legal Entities
<b>Register manager</b>	State Enterprise Centre of Registers

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

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

### Licences

LESTO main activity is considered electricity distribution and supply, as defined in the Republic of Lithuania Law on Energy and LESTO activities in existing licenses: on 30 December, 2010 issued licence on the electricity distribution, licence No. L1-10 (EU) and on 30 December, 2010 issued licence on the public electricity supply, licence No. L1-8 (VET).

### LESTO values

#### RESPONSIBILITY

#### COOPERATION

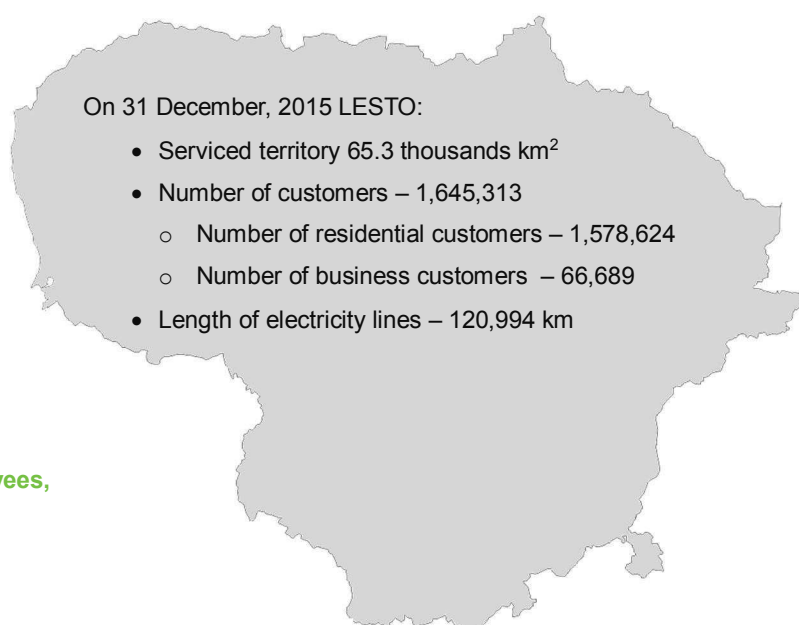
#### RESULT

### LESTO mission

**Reliable electricity energy creating  
value for everyone**

### LESTO vision

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



### LESTO associated companies

At the end of the reporting period, LESTO together with other companies own shares of Technologijų ir inovacijų centras UAB and Verslo aptarnavimo centras UAB.

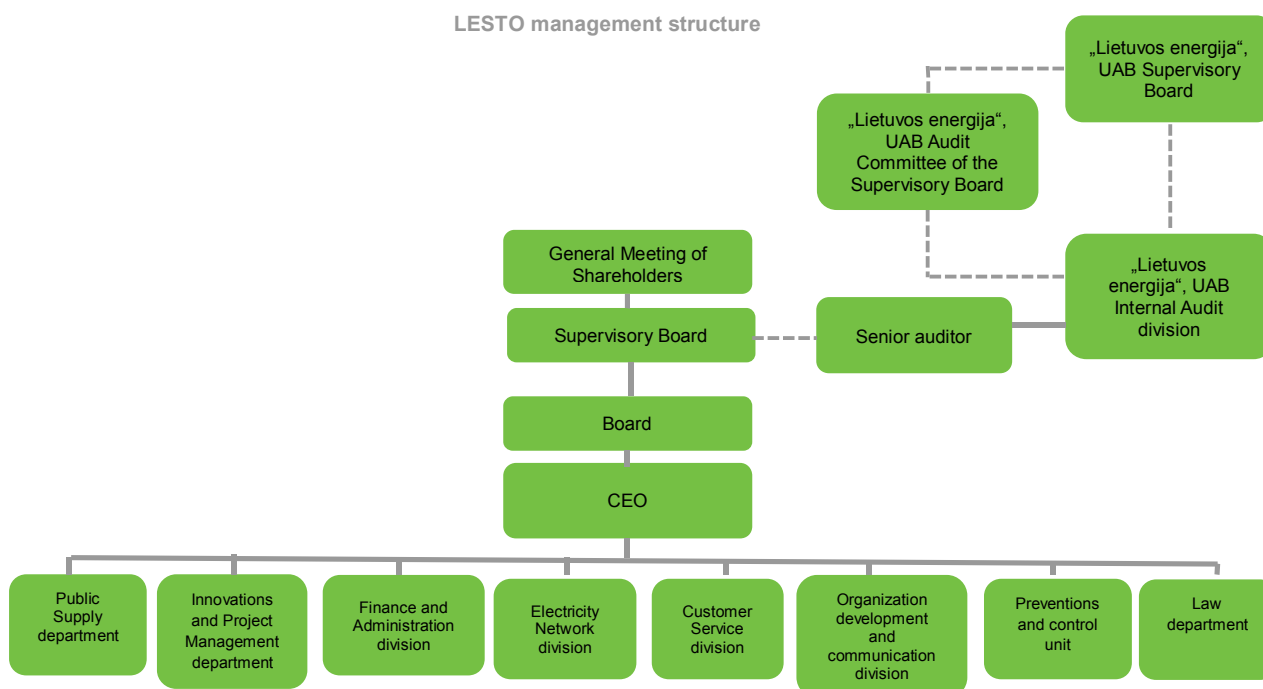
#### Key data on LESTO owned shares of other companies during the reported period

	<b>Elektros tinklo paslaugos UAB *</b>	<b>NT Valdos UAB **</b>	<b>Technologijų ir inovacijų centras UAB</b>	<b>Verslo aptarnavimo centras UAB</b>
Address	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	A. Juozapavičiaus str. 13, Vilnius	P. Lukšio str. 5B, Vilnius
Registration date	8 December 2004	18 January 2007	4 December 2013	30 July 2014
Company code	300072351	300634954	303200016	303359627
Telephone	+370 5 210 6809	+370 5 210 6539	+370 5 278 2272	+370 5 259 4400
Fax	+370 5 216 7875	+370 5 210 6543	+370 5 278 2299	+370 5 259 4401
E-mail	<a href="mailto:etp@etpa.lt">etp@etpa.lt</a>	<a href="mailto:info@valdos.eu">info@valdos.eu</a>	<a href="mailto:info@etic.lt">info@etic.lt</a>	<a href="mailto:vac@le.lt">vac@le.lt</a>
Website	<a href="http://www.elektrostinklopaslaugos.lt">www.elektrostinklopaslaugos.lt</a>	<a href="http://www.valdos.eu">www.valdos.eu</a>	<a href="http://www.etic.lt">www.etic.lt</a>	<a href="http://vac.le.lt">http://vac.le.lt</a>
LESTO ownership, %, on 1 January, 2015	100	57.30	20.02	15
LESTO ownership, %, on 31 December, 2015	0	0	20.02	15
Profile of activities	Power network engineering, construction, repair, maintenance and customer connection to the grid services.	Real estate and transport rental and administration services.	IT services and maintenance for the companies operating in the sector of electric energy.	Procurement organization and execution, accounting and personnel administration services.

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

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

LESTO management structure



## LESTO management

At the end of the reporting period according the Articles of Association LESTO management bodies includes General Meeting of Shareholders, a collegiate supervisory body – Supervisory Board, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

### General Meeting of Shareholders

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

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

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

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

Five General Meeting of Shareholders took place during the reporting period. CEO and chairman of the Board Aidas Ignatavičius, Director of Finance and Administration division (CFO) and member of the Board Andrius Bendikas and LESTO chairman of the Supervisory Board Darius Kašauskas participated in the Ordinary General Meeting of Shareholders which took place on 27 April, 2015.

### Supervisory Board

LESTO Supervisory Board is a collegiate supervisory body.

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

There were no changes in the composition of the Supervisory Board in 2015. On 31 December, 2015 the Supervisory Board consists of the chairman of the Supervisory Board Darius Kašauskas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member).

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

#### **Remuneration and bonus system for members of the Supervisory Board**

LESTO Articles of Association indicates: „Agreements with members of the Supervisory Board can be signed for factual work in the Supervisory Board; rights, duties and responsibilities are set out in such agreements. Independent members of the Board can get remuneration for their work in the Supervisory Board by the decision of the General Meeting of Shareholders. The terms of the Supervisory Board members' agreements and the criteria of independence are determined by the General Meeting of Shareholders in accordance with requirements of legal acts and good corporate governance practices“.

On 2 August, 2013 the agreements of the Supervisory Board member's factual work were signed with Darius Kašauskas and Ilona Daugėlaitė. Remuneration for the actual work in the Supervisory Board is not paid for these members of the Supervisory Board.

On 30 September, 2013 the agreement of the Supervisory Board independent member's factual work was signed with Petras Povilas Čėsna. The hourly rate of EUR 43.44 is set for the independent member of the Supervisory Board for the actual work. Monthly remuneration for the independent member of the Supervisory Board is limited by EUR 1,013.67 (before taxes). Bonuses and other payments are not provided to the independent member of the Supervisory Board.

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**Darius Kašauskas (born in 1972)**  
**Chairman of the Supervisory Board**  
**In this position:** since 31 July, 2013  
to 31 December, 2015



**Ilona Daugėlaitė (born in 1970)**  
**Member of the Supervisory Board**  
**In this position:** since 31 July, 2013  
to 31 December, 2015



**Petras Povilas Čėsna (born in 1945)**  
**Independent member of the Supervisory Board**  
**In this position:** since 31 July, 2013  
to 31 December, 2015

to 31 December, 2015		to 31 December, 2015		to 31 December, 2015	
Education					
ISM University of Management and Economics, BI Norwegian Business school, Master in Management Vilnius university, Master in Economics.		Vilnius university, Master in Hydrogeology and Engineering Geology		Vilnius university, Qualification of Economist	
Main occupation					
UAB „Lietuvos energija“, Director of Finance and Treasury		UAB „Lietuvos energija“, Director of Organizational Development		Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	
Information on payments to LESTO Supervisory Board members during the twelve months of 2015, EUR					
-		-		1,347	
Participation in the meetings of LESTO Supervisory Board					
8/8		8/8		8/8	
Information on LESTO Supervisory Board members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes					
Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %
LESTO, chairman of the Supervisory Board	-	LESTO, member of the Supervisory Board	-	LESTO, indepedent member of the Supervisory Board	-
Lietuvos dujos, UAB, chairman of the Supervisory Board	-	Lietuvos dujos, UAB, member of the Supervisory Board	-	Lietuvos dujos, UAB, independent member of the Supervisory Board	-
„Lietuvos energija“, UAB, member of the Board, Director of Finance and Treasury	-	„Lietuvos energija“, UAB, member of the Board, Director of Organizational Development	-	Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	-
NT valdos, UAB, chairman of the Board	-	Technologijų ir inovacijų centras, UAB, chairman of the Board	-	Republic of Lithuania Seimas, public assistant of parliamentary I. Šiaulienė	-
Kauno energetikos remontas, UAB, member of the Board	-	ELEKTROS TINKLO PASLAUGOS, UAB, member of the Board	-		
Verslo aptarnavimo centras, UAB, chairman of the Board	-	Duomenų logistikos centras, UAB, chairman of the Board	-		
Gotlitas, UAB (currently Elektroninių mokėjimų agentūra, UAB), CEO, for the period 03-08-2015 – 15-10-2015	-	Spouse has 3,150 ordinary registered shares of UAB SOLUTIONLAB PRODUCTION (company code 300629188)	63		
Elektroninių mokėjimų agentūra, UAB, member of the Board, since 06-11- 2015	-				

NOTE: LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company in 2015.

On the report signature date, the Supervisory Board of ESO consists of the chairman of the Supervisory Board Dalius Misiūnas and the Supervisory Board members Ilona Daugėlaitė and Petras Povilas Čėsna (independent Supervisory Board member).

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**Dr. Dalius Misiūnas (born in 1978)**  
**Chairman of the Supervisory Board**

**In this position:**  
since 3 December, 2015

**Ending of term:**  
3 December July, 2019



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

**In this position:**  
since 3 December, 2015

**Ending of term:**  
3 December July, 2019



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

**In this position:**  
since 3 December, 2015

**Ending of term:**  
3 December July, 2019

**Education**

Lund university, Doctor's degree in Technological Sciences, Master's Degree in Industrial Electrical Engineering and Automatics  
Kaunas University of Technology Bachelor's Degree in Electrical Engineering

Vilnius university,  
Master in Hydrogeology and Engineering Geology

Vilnius university,  
Qualification of Economist

**Main occupation**

UAB „Lietuvos energija“,  
Chairman of the Board and CEO

UAB „Lietuvos energija“,  
Director of Organizational Development

Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board

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

Name of organisation, position	Name of organisation, position	Name of organisation, position	Name of organisation, position	Name of organisation, position	Name of organisation, position
ESO, chairman of the Supervisory Board	-	ESO, member of the Supervisory Board	-	ESO, independent member of the Supervisory Board	-
UAB „Lietuvos energija“, Chairman of the Board and CEO	-	„Lietuvos energija“, UAB, member of the Board, Director of Organizational Development	-	Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board	-
Higher Education Council member	-	Technologijų ir inovacijų centras, UAB, chairman of the Board	-	Republic of Lithuania Seimas, public assistant of parliamentary I. Šiaulienė	-
KTU Alumni Association, president	-	Duomenų logistikos centras, UAB, chairman of the Board	-		
National Lithuanian Energy Association, president	-	Spouse has 3,150 ordinary registered shares of UAB SOLUTIONLAB PRODUCTION (company code 300629188)	63		
Lithuanian Confederation of Industrialists, Vice President	-				
Association Eurelectric, member of the Board of Directors	-				

\* ESO Articles of Association indicates: „Agreements with members of the Supervisory Board can be signed for factual work in the Supervisory Board; rights, duties and responsibilities are set out in such agreements. Independent members of the Board can get remuneration for their work in the Supervisory Board by the decision of the General Meeting of Shareholders. The terms of the Supervisory Board members' agreements and the criteria of independence are determined by the General Meeting of Shareholders in accordance with requirements of legal acts and good corporate governance practices“. On 3 December, 2015 the agreements of the Supervisory Board member's factual work were signed with Dalius Misiūnas and Ilona Daugėlaitė. On 3 December, 2015 the agreement of the Supervisory Board independent member's factual work was signed with Petras Povilas Čėsna.

**Audit committee**

On 27 August, 2013 the Supervisory Board of the company “Lietuvos energija” UAB formed an Audit committee which activities include examination and submitting proposals on issues delegated to the committee and questions on which the Supervisory Board appeals to the committee. The activities of the Audit committee are subject to the company “Lietuvos energija” UAB and its directly and indirectly controlled subsidiaries, including LESTO (since 1 January, 2016 ESO), and other forms directly and indirectly controlled legal persons.

The main functions of Audit Committee:

- to observe “Lietuvos energija” UAB and its group companies procedures of financial reporting;



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

The internal audit function was unified in the group of companies since 5 January, 2015. Such a solution will help to ensure the internal audit's independence and objectivity, unified methodology and accountability, as well as more rational allocation of available audit resources and competences.

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

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

**Board**

LESTO Board is a collegiate managing body of the Company.

The competence of the Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. The Board consists of five Board members that are elected by the General Meeting of Shareholders for the term of four years. The Board members elect the chairman of the Board out of its members. On 1 January, 2015 the Board of the Company consisted of the chairman of the Board Aidas Ignatavičius and the Board members: Virgilijus Žukauskas, Andrius Bendikas, Sergejus Ignatjevas and Dalia Andrulionienė. On 25 February, 2015, the Supervisory board of LESTO decided to recall Dalia Andrulionienė from the Board of LESTO from February 27, 2015<sup>9</sup>.

At the end of the reporting period the Board of the Company consists of the chairman of the Board Aidas Ignatavičius and the Board members: Virgilijus Žukauskas, Andrius Bendikas and Sergejus Ignatjevas.

During the reporting period 33 meetings of the Board took place which were attended by all the members of the Board.

**Remuneration and bonus system for members of the Board**

LESTO Articles of Association indicates: „Agreements with members of the Board can be signed for factual work in the Board before taking up the position; rights (including the right to get remuneration for the work in the Board, if there is a decision to

<sup>9</sup> During the reporting period EUR 1,738 was counted for Dalia Andrulionienė, who was recalled from the Board of LESTO from February 27, 2015.

remunerate), duties and responsibilities are set out in such agreements. The Supervisory Board determines the conditions of agreements with the members of the Board“.

On 17 September, 2013 the agreements of the Board members' factual work were signed with Andrius Bendikas, Sergejus Ignatjevas, Virgilijus Žukauskas and Dalia Andrulionienė. On 17 September, 2013 the agreement of the Board chairman's factual work was signed with Aidas Ignatavičius. The fixed remuneration is set for the work in the Board: the amount of EUR 868.86 (before taxes) per calendar month for a member of the Board and the amount of EUR 1,448.10 (before taxes) per calendar month for a chairman of the Board. Bonuses and other payments are not provided to the members of the Board for the actual work in the Board.



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

**In the position of Chairman:**  
since 17 September, 2013 to 31 December, 2015

**In the position of CEO:**  
since 23 September, 2013 to 31 December, 2015



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

**In this position:**  
since 17 September, 2013 to 31 December, 2015



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

**In this position:**  
since 17 September, 2013 to 31 December, 2015



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

**In this position:**  
since 17 September, 2013 to 31 December, 2015

December, 2015							
Education							
Vilnius university, Master in Business Administration and Management		Baltic Management Institute (BMI), Master in Business Administration		Kaunas University of Technology, Master in Electricity Supply for Industry, Cities and Agriculture.		Vilnius university, Master in Finance and Credit	
Main occupation							
LESTO, CEO		LESTO, Director of Finance and Administration division		LESTO, Director of Electricity Network division-vice CEO		LESTO, Director of Customer Service division	
Information on payments to LESTO Board members during the twelve months of 2015**, EUR							
17,377		10,426		10,426		10,426	
Participation in the meetings of LESTO Board							
33/33		33/33		33/33		33/33	
Information on LESTO Board members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes							
Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %
LESTO, chairman of the Board, CEO	-	LESTO, member of the Board, Director of Finance and	-	LESTO, member of the Board,	0,000012	LESTO, member of the Board,	-
Technologijų ir inovacijų centras, UAB, member of the Board	-	Administration division		Director of Electricity		Director of Customer Service division	
Support fund of Lietuvos energija, member of the Board	-	Verslo aptarnavimo centras, UAB, member of the Board	-	Network division- vice CEO		Pylimo str. 36 Association of the First block of flats owners, chairman	-
National Lithuanian Association of electricity, council member	-						
National Lithuanian Association of energy, council member	-						

NOTE: LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company during the twelve months of 2015.

On 1 January, 2016 the Board of ESO consisted of the chairman of the Board Liudas Liutkevičius and the Board members Dalia Andrulionienė, Eglė Čiužaitė, Rytis Borkys and Dalius Svetulevičius. On 19 February the Supervisory Board of ESO

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decided to recall Eglė Čiužaitė from the Board of ESO from 19 February, 2016 and to elect Augustas Dragūnas as the new member of Board of ESO till the end of cadency of acting Board.

On the report signature date the Board of ESO consists of the chairman of the Board Liudas Liutkevičius and the Board members Dalia Andrulionienė, Augustas Dragūnas, Rytis Borkys and Dalius Svetulevičius.



Liudas Liutkevičius  
(born in 1980)  
**Chairman of the Board**  
**CEO**

**In the position of Chairman:**  
since 31 December, 2015

**Ending of term:**  
2 December, 2019

**In the position of CEO:**  
since 1 January, 2016



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

**In this position:**  
since 3 December, 2015

**Ending of term:**  
2 December, 2019



Augustas Dragūnas  
(born in 1981)  
**Member of the Board**

**In this position:**  
since 19 February, 2016

**Ending of term:**  
2 December, 2019



Rytis Borkys  
(born in 1969)  
**Member of the Board**

**In this position:**  
since 3 December, 2015

**Ending of term:**  
2 December, 2019



Dalius Svetulevičius  
(born in 1974)  
**Member of the Board**

**In this position:**  
since 3 December, 2015

**Ending of term:**  
2 December, 2019

since 1 January, 2010									
				Education					
Vilnius university, International Business Finance Master's degree		ISM University of Management and Economics, BI Norwegian Business school, Master in Management, Vilnius university, Master in Economics		Vilnius university, Master in Business Administration and Management		Kaunas University of Technology, higher university education in engineering		Kaunas University of Technology, Measurement Engineering Master's degree Vilnius university, Master in Business Administration and Management	
Main occupation									
ESO CEO		ESO Director of Service division		ESO Director of Finance and Administration division		ESO Director of Network Development division		ESO Director of Network Operations division	
Information on ESO Board members participation in the activities of companies and organisations; shareholding in other companies exceeding 5% of capital/votes									
Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %	Name of organisation, position	Capital held and share of votes, %
ESO, Chairman of the Board, CEO	-	ESO, Director of Service division	-	ESO, Director of Finance and Administration division	-	ESO, Director of Network Development division	-	ESO, Director of Network Operations division	-
National Lithuanian Association of energy, council member	-	UAB Verslo aptarnavimo centras, member of the Board	-	UAB Technologijų ir inovacijų centras, member of the Board	-				
Support fund of Lietuvos energija, member of the Board	-								
UAB „SECURITY COMPONENTS“, director	-								
UAB „Directo“, project manager	-								

### Chief Executive Officer

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

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

On 17 September, 2013 the Board elected Aidas Ignatavičius as CEO, who acted as CEO since 23 September, 2013 to the end of the reporting period.

### Information on payments to LESTO CEO over reporting period\*

	Salaries, EUR	Other payments, EUR
CEO Aidas Ignatavičius	78,892	2,803

\* LESTO has not transferred any assets to members of management bodies. There were no loans, guarantees and sponsorship granted to the management bodies by the Company during the twelve months of 2015.

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

Name, surname	Name of organisation, position	Capital held, %	Share of votes, %
Aidas Ignatavičius	Look for the information above	-	-

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

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

### Employees of the Company

The main asset of the Company – its employees, the most important link in seeking the objectives set. Company's personnel policy is directed towards developing professional skills of the employees and the formation of organisational culture, ensuring better values creation for clients, partners and the public.

At the beginning of 2015 2,229 of employees were working in the Company. During the twelve months of 2015 the total number of employees of LESTO decreased by 51 or 2.3%, and it was equal to 2,178 by the end of December, 2015.

During the first quarter of 2015, the function of Internal Audit was centralized and transferred Lietuvos Energija UAB, as a result, the total number of posts reduced by three. In the customer service, the Department of Services and Debt Management was annulled, by leaving the debt management function subordinate directly to the General Directorate, and transferring the services development function to the Customer Service Department. The IT and Telecommunications Department was moved to the Finance and Administration Agency. All these changes did not have an effect on the number of posts.

During the second quarter of 2015, the human resources administration function was centralized and moved to the "Business Administration Centre UAB, as a result the total number of posts reduced by five. From 1 June, in the Customer Service Agency, Department of Electricity Accounting Management, Division of Electricity Accounting Data and Costs, post redeployment was carried out, as 2 new groups of electricity accounting control were set up. This did not have an effect on the total number of posts.

LESTO employees by categories

Category	Number of employees
	31 12 2015
CEO	1
Top-level managers	5
Mid-level managers	146
Experts, specialist, workers	2,026
Total	2,178

The structure of the Company's employees by their education was as follows: 58.8 % of the employees had higher education, 21.9 % had post-secondary education, and 19.3 % had secondary or specialized-secondary education.

### Payment system

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

The Company's employee remuneration package consists of financial, non-financial and emotional rewards. Financial reward system includes a monthly paid fixed salary indicated in the employment contract, as well as the variable part of the salary paid for the reached results of performance and other premium (for overtime, night work, etc.) paid according the collective agreement and other internal legal acts. The variable part of the salary payments are determined and regulated in LESTO procedure of employees' variable remuneration determination and payment and in LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment. The maximum size of the variable part of the salary is set in LESTO procedure of employees' variable remuneration determination and payment. In LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment is provided that the variable part of the CEO's salary cannot exceed 30 % of annual fixed salary and is set by the Company's Board. According to LESTO procedure of employees' variable remuneration determination and payment, the Company's Board, taking into account the opinion of the Supervisory Board, sets the measurement indicators for the employees' general (the Company's) objectives and approves their execution. According to LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment, the variable part of the salary for the CEO is paid for the execution of objectives (indicators). The objectives (indicators) for the CEO is determined and approved by the Company's Board in accordance with the opinion of the Supervisory Board. It should be noted that the same variable remuneration determination and payment principles are applied across the entire companies group of "Lietuvos energija", UAB. According to LESTO procedure of employees' variable remuneration determination and payment, the variable part of the remuneration to the top-level managers is paid within 2 payments: the first part, equal to 80 % of all calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1) is paid within 30 calendar days of the decision to pay the variable part of the salary; the second part, equal to 20 % of all calculated and assigned variable part of remuneration (for the achieved objectives (indicators) of the reported period No 1), on purpose to loyalty of the top-level managers and performance continuity, is deferred and paid after 1 year within 30 calendar days of the decision to pay the second variable part of the salary and is paid together with the variable part of the salary (80 %) for the achieved objectives (indicators) of the reported period No 2. The analogous procedure of the variable



remuneration payment to the CEO is determined in LESTO procedure of CEO's performance indicators determination and the variable part of the salary calculation and appointment.

Non-financial rewards are an indirect remuneration, which is used by the Company to promote its employees' effort, involvement and loyalty, employee well-being and enrichment activities in the Company. These rewards includes various events, greetings for special occasions, recognition and evaluation by awarding employees for their especially high results, health promotion, employee development and training. Emotional rewards are the factor that is hardly measured but very important for employees' involvement in the Company's operations, it includes the Company's reputation, organizational culture and values, career opportunities, various internal communication programmes that allows employees to share their ideas, ask questions, get acquainted with colleagues with the support of an internal website.

#### Average wages of LESTO employees

Category	Average gross wage, EUR
	2015 January - December
CEO	6,574
Top-level managers	6,132
Mid-level managers	2,076
Experts, specialist, workers	973
Total	1,062

#### Collective agreement

On 7 March 2014, in the electricity distribution company LESTO employees' conference, a new edition of the collective agreement was approved ensuring greater protection for LESTO employed staff members and more additional benefits that are not provided for in the Labour Code of the Republic of Lithuania.

The goal of the collective agreement – to ensure an efficient work of the Company and to represent rights and interests of all employees. The agreement lays down remuneration, social, economic and professional conditions as well as guarantees that are not regulated by the laws and other normative legal acts. Additional guarantees are applied to employees (payments in case of accidents, disease, loss of family members, support on birth of a child, additional paid vacations upon contracting marriage, death of a family member and other cases).

After the introduction of the euro on 1 January 2015, an agreement on amending the collective agreement of 7 March 2014 was signed.

#### Professional unions

The company supports the joining of employees into volunteer trade unions and close cooperates with them. Meetings are held on a quarterly basis, where strategic projects implemented in the Company are discussed. Representatives of trade unions always participate in work groups when issues associated with employees are examined (on employment occupancy, employee requalification, remuneration, social issues).

On 8 April 2015, a meeting with representatives of trade unions took place during which they were familiarised with remuneration revision principles.

#### Competence development

LESTO organizes different type training for company employees. Seeking to ensure an effective and quality supervision of electricity distribution network, efficient customer service and safe work, LESTO invests into employees' education. The compulsory training for advancement of professional skills in 2015 which completion is marked by the issue of certificates authorizing to perform special works, was attended by 653 participants. Employees participated in the training for emergency station diesel operator, head of the flammable gas system operation, steeplejack, head of insulation, grounding, neutral connection, measurement of resistance, forestry works, electrical lineman for 0.4 - 10 kV voltage overhead lines by non-

insulated conductors and overhead insulated conductors /cables, self-propelled platform lift-truck operator, first aid and hygiene skills, as well as other training.

General and professional training 2015 designated for the development of general and professional competence was attended by 1,582 participants. This training takes place in both ways - forming groups inside the Company, and sending individual employees to seminars and conferences organized by external suppliers (in Lithuania and abroad). The Company pays great attention for the development of leadership competences of heads - the long-term leadership programme involving the participation of a number of heads in the Company. This year, LESTO partially or fully funded studies of 19 employees in Lithuanian higher schools.

The Company seeks to involve into the competence development programmes internal employees who seek specific knowledge and skills, as well as capable of sharing it with others. In 2015, 4,876 staff members attended training conducted by LESTO internal lecturers. A great part of these internal raining was designated for the training of electrical engineering staff, seeking to enhance occupational safety and customer service quality. The company also cooperates with manufacturers, equipment suppliers who share their knowledge with ELSTO electricity grid service and electrical accounting team members free of charge by introducing market trends and novelties in the energy field. In 20115, such training was attended by 342 participants.

Seeking to ensure the quality of organized training, when preparing training programmes close cooperation is held with training suppliers, as well as different training assessment surveys are carried out.

### **Practical training possibilities**

LESTO cooperates actively with educational institutions and provides students of universities and colleges to apply their theoretical knowledge and acquire practical skills. During 2015, 109 students underwent practice in LESTO units across the entire Lithuania. Practical training involved the participation of not only students for whom compulsory practice is organized. The company conducted a search of motivated and enthusiastic students and their screening, as well as provided them with the possibility to undergo practice in the company voluntarily. If there is a need for new staff members, we remember the most enthusiastic trainees and invite the most suitable of them to join the LESTO team, what was the case for 9 students who took practical training in LESTO during 2015.

### **Other committees**

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

### **Risk Management Supervision Committee**

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

Main functions of the Committee:

- monitor the identification, assessment and management of risks relevant for the accomplishment of goals of the Company and Group companies;
- assess the adequacy of internal control procedures and risk management measures to the identified risks;
- assess the status of implementation of risk management measures;
- monitor the implementation of risk management process;
- analyse financial possibilities for the implementation of risk management measures;
- assess the risks and risk management plan of the Company and Group companies;
- assess the regular risk identification and assessment cycle;
- control the establishment of risk registers, analyse their data and provide proposals;



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- monitor the drafting of risk management related internal documents;
- perform other functions attributed to the competence of the Committee by decision of the Supervisory Board.

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

Name, surname	Capital held of the Issuer (%)	Term	Workplace
Antanas Danys (chairman)	0	2013 September – 2017 August	Grinvest PTE.LTD
Raimundas Petrauskas (independent member)	0	2013 September – 2017 August	Schmitz Cargobull Baltic, UAB
Donatas Kaubrys (independent member)	0	2013 October – 2017 October	Dovirma, UAB
Tomas Garasimavičius	0	2013 September – 2017 August	Government of the Republic of Lithuania

#### Nomination and Remuneration Committee

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

Main functions of the Committee:

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

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

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

## ESSENTIAL EVENTS

### Auditors

On 1 July, 2015 the Extraordinary General Meeting of Shareholders of LESTO adopted the decision on the selection of the audit company that will perform consolidated audit of financial statements and the audit for the year 2015 of LESTO and determination of payment conditions for audit services. The audit firm UAB "PricewaterhouseCoopers" was selected to carry out the consolidated audit of financial statements and the audit of LESTO financial statements for the year 2015 and to pay it for the audit services of financial statements for the year 2015 the amount of no more than EUR 37 thousand (excluding value added tax).

### Other contractual agreements with auditors

The audit company has also carried out the audit of LESTO financial statements for the first half of 2015 and prepared independent auditor's report.

### Essential events during the reported period

In implementing its duties according to the binding legislation that regulates the securities market, LESTO announces material events (as well as all further regulated information) for the whole of the European Union. Information published by the Company is available on its website ([www.lessto.lt](http://www.lessto.lt), since 1 January, 2016 [www.eso.lt](http://www.eso.lt)) and the website of NASDAQ OMX Vilnius AB at [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

LESTO essential events from 2015-01-01:

Date	Essential event
13-01-2015	<a href="#">Regarding new service pricing methodology of electricity sector</a>
19-01-2015	<a href="#">Regarding the electricity distribution price caps for 2016 and asset valuation</a>
23-01-2015	<a href="#">Regarding the initiated legal proceedings by LESTO AB</a>
03-02-2015	<a href="#">Regarding LESTO investment plan for 2015-2025</a>
10-02-2015	<a href="#">Due to the frequency of the publication of preliminary financial results</a>
13-02-2015	<a href="#">Preliminary unaudited 2014 LESTO AB company financial results: twice – up to 24 million EUR increased net profit and growth of EBIDTA margin</a>
18-02-2015	<a href="#">LESTO performed a valuation of tangible fixed assets as of 31 December 2014</a>
25-02-2015	<a href="#">Recall of the Member of the Board of LESTO AB</a>
27-02-2015	<a href="#">LESTO group unaudited financial results 2014: due to increased operational efficiency EBITDA up by 1.5% to LTL 468 million</a>
03-03-2015	<a href="#">Regarding a planned merger of LESTO AB and Lietuvos Dujos AB</a>
10-03-2015	<a href="#">Regarding the initiated legal proceedings by LESTO AB</a>
31-03-2015	<a href="#">Regarding the Transfer of Shares of UAB "ELEKTROS TINKLO PASLAUGOS"</a>
03-04-2015	<a href="#">Regarding of the Ordinary General Meeting of Shareholders of LESTO AB</a>
15-04-2015	<a href="#">Due to public procurement of a long-term loan</a>
24-04-2015	<a href="#">Regarding the intention to sign long-term loan agreement</a>
27-04-2015	<a href="#">Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 27 April 2015</a>

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27-04-2015	Shareholders approved LESTO group's audited financial results 2014
27-04-2015	Regarding the Transfer of Shares of NT Valdos, UAB
04-05-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
15-05-2015	Preliminary unaudited 1Q 2015 LESTO AB results: net profit increased more than twice to EUR 27.6 million
15-05-2015	Due to long-term loan agreement
29-05-2015	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 29 May 2015
29-05-2015	LESTO group Q1 2015 results: record investments and better client service
04-06-2015	Regarding the decision by National Control Commission for Prices and Energy
04-06-2015	CEO of Lietuvos Energija, UAB, made a presentation at the event "CEO Meets Investors"
08-06-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
12-06-2015	LESTO AB published 2014 CSR activities report
01-07-2015	The Extraordinary General Meeting of Shareholders of LESTO AB adopted a decision on the election of the audit company
10-07-2015	Regarding the initiated legal proceedings by LESTO AB
28-07-2015	Regarding candidates nominated to the Board of a new electricity and gas distribution company which will continue in operation after reorganisation of AB LESTO and AB Lietuvos dujos
14-08-2015	Preliminary unaudited LESTO AB results for six months of 2015: EBITDA increased by 2 % to EUR 71 million
31-08-2015	LESTO results for six months of 2015: the company's EBITDA up by 1.8% to EUR 71 million, investments increased 21% to EUR 42 million
31-08-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
31-08-2015	Regarding the reorganization of AB LESTO and public limited liability company Lietuvos Dujos
08-09-2015	Regarding the resolutions of the Supervisory Board of AB LESTO
24-09-2015	Regarding the resolutions of Extraordinary General Meeting of LESTO AB Shareholders
02-10-2015	Regarding the reorganization of AB LESTO and public limited liability company Lietuvos Dujos
30-10-2015	Regarding the intention to sign long-term loan agreement
30-10-2015	Regarding the electricity distribution price caps, and supply service price cap and the public electricity price cap for 2016
02-11-2015	Regarding the reorganization of AB LESTO and public limited liability company Lietuvos Dujos
06-11-2015	Regarding the public electricity price cap for 2016
10-11-2015	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB and the General Meeting of Shareholders of "Energijos skirstymo operatorius" AB
16-11-2015	Preliminary unaudited LESTO results for nine months of 2015: EBITDA reached EUR 99.2 million, EBITDA margin increased to 23 %
19-11-2015	Due to long-term loan agreement
27-11-2015	LESTO results for nine months of 2015: the company's EBITDA reached EUR 99.2 million, investments increased 13.2% to EUR 73 million
27-11-2015	Regarding the publishing of prices of electricity transportation services and public electricity

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30-11-2015	Due to AB "Energijos skirstymo operatorius" presentation for investors
03-12-2015	Regarding the resolutions of Extraordinary General meeting of AB LESTO Shareholders
03-12-2015	Regarding the resolutions of General meeting of AB Energijos skirstymo operatorius Shareholders
03-12-2015	The Board of AB Energijos skirstymo operatorius has been elected
03-12-2015	Regarding the resolutions of Board of AB Energijos skirstymo operatorius
03-12-2015	Due to establishment of AB "Energijos skirstymo operatorius" and the expected plan of actions incorporating AB "Energijos skirstymo operatorius" into the Baltic Main list of NASDAQ Vilnius
03-12-2015	Regarding suspension of trade in shares of AB LESTO
08-12-2015	Regarding the Chairman of the Board and General Manager resignation from AB LESTO and AB Energijos Skirstymo Operatorius
11-12-2015	Regarding registration of Energijos Skirstymo Operatorius AB in the Register of Legal Entities of the Republic of Lithuania
15-12-2015	Terms of reorganization of LESTO AB and public limited liability company Lietuvos Dujos and other information is considered to be equivalent to prospectus Energijos Skirstymo Operatorius
15-12-2015	Regarding the certificates, which grants the right to operate natural gas and electric equipment, issued to Energijos Skirstymo Operatorius AB
18-12-2015	Regarding resolutions carried by Lietuvos Energija, UAB regarding Energijos Skirstymo Operatorius, AB
23-12-2015	Regarding the Decision of the Court
23-12-2015	Regarding the change of public electricity price cap for 2016
29-12-2015	Regarding the adjusted prices of electricity transportation services and public electricity for 2016
30-12-2015	Regarding the licences for public supply of electricity energy, distribution of electricity energy and distribution of natural gas, issued to Energijos Skirstymo Operatorius AB
30-12-2015	Regarding the publishing prices of electricity transportation services and public electricity for 2016
31-12-2015	Regarding the resolutions of Supervisory Board and the Board of AB Energijos Skirstymo Operatorius
31-12-2015	Regarding Investor Calendar 2016
31-12-2015	Regarding the transfer of assets, rights and obligations of LESTO AB to „Energijos Skirstymo Operatorius“ AB
31-12-2015	Regarding the unregistration of AB LESTO from the Register of Legal Entities of the Republic of Lithuania

**Essential events after the reporting period**

On January 11, 2016 the trading of electricity supply and distribution and natural gas distribution company Energijos Skirstymo Operatorius (ESO) shares commenced on the stock exchange of Nasdaq Vilnius. The total number of registered ordinary shares, listed in the Baltic Main List, is 894,630,333; nominal value of one share is EUR 0.29. A ticker symbol of ESO - ESO1L.

**SIGNIFICANT INFORMATION FOR THE COMPANY**

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

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

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

### Legal disputes

On 22 January, 2015 LESTO received information that Company's complaint regarding the withdrawal of National Commission's for Energy Control and Prices decision of 19 December 2014 No. O3-947 on the cost inspection report of Company and related decisions No. O3-944, No. O3-945, No. O3-946, No. O3-960 was accepted by Vilnius Regional Administrative Court. The Company disagrees with the cost inspection report of the Commission dated 19 December, 2014 and considers it is not substantiated. In Company's opinion, National Commission for Energy Control and Prices improperly conducted the cost inspection and supervision of activities of economic entities, violated the principles of public administration, improperly counted the regulated public supply activities costs and actually attributed ones.

On 10 March, 2015 LESTO received information that Company's complaint regarding the dismissal of National Commission's for Energy Control and Prices decision of 19 January 2015 No. O3-11 on "Setting price caps of LESTO distribution service of medium and low voltage networks for the years 2016-2020" was accepted by Vilnius Regional Administrative Court. In Company's opinion, in adopting the decision the Commission unreasonably did not followed the Procedure of principles of state-regulated prices in the electricity sector, adopted by the Government on 24 of September, 2014 as resolution No.1026.

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

On 22 December, 2015 Vilnius Regional Administrative Court decided to dismiss the Company's appeal regarding partial withdrawal of National Commission's for Energy Control and Prices decisions No. O3-841 and No. O3-845 dated 17 October 2014. In Company's opinion, decisions by National Commission for Energy Control and Prices unlawfully extended the regulatory period of year 2011-2013 for the year 2015 and fixed electricity distribution price cap incorrectly, failing to assess the Resolution No. 1026 on the establishment of Principles and provisions of State-regulated prices in the electricity sector, approved by the Government of the Republic of Lithuania on 24 September 2014, and improperly counting the applicable rate of return (WACC) for the year 2015. LESTO does not agree with the court decision and on 5 January, 2016 appealed to the Lithuanian Supreme Administrative Court requesting to annul the judgment of the first instance. The appeal was accepted and is examined in the appellate court.

On 5 February, 2016 Energijos skirstymo operatorius AB informed that the Vilnius Regional Administrative Court dismissed the Company's complaint asking to repeal the Resolution No. O3-947 "Regarding scheduled inspection of LESTO AB" of the National Commission for Energy Control and Prices" (hereinafter – the Commission) of 19.12.2014, including Resolutions No. O3-944, No. O3-945, No. O3-946 adopted on its basis and the Commission's Resolution No. O3-960 of 23.12.2014 and to obligate the Commission to assess income not received by the Company and additional expenses sustained due to illegal upper price limits determined during the period of effect of these resolutions when determining the upper prices limits for the Company's prices for the next periods. The Company disagrees with the court decision and on 9 February, 2016 appealed it to the Lithuanian Supreme Administrative Court. The appeal was accepted and is examined in the appellate court.