

**TERMS OF
REORGANIZATION OF
AB LESTO**

AND

**PUBLIC LIMITED LIABILITY COMPANY
LIETUVOS DUJOS**

**VILNIUS
2015**

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1. DEFINITIONS

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

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

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

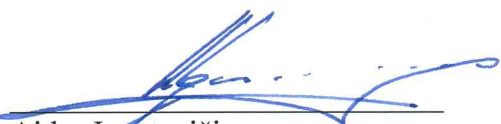
- 1.1.10. **Date of Transfer** shall mean the date before the moment the Licences come into effect on which ESO takes over all Transferred Assets, Rights and Obligations from the Companies.
- 1.2. Words in these Terms importing the singular meaning shall, where the context so admits, include the plural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

2. LEGAL BASIS FOR REORGANIZATION

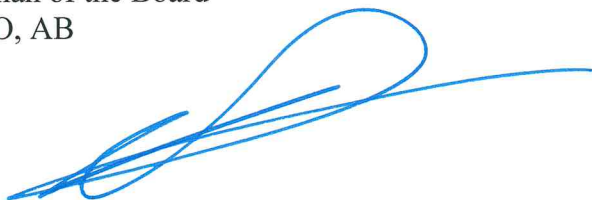
The Companies shall be reorganized and these Terms of Reorganization have been prepared in compliance with the provisions of the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Energy of the Republic of Lithuania, the Law on Electricity of the Republic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

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

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



Aidas Ignatavičius
Chairman of the Board
LESTO, AB



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

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

3.1. The reorganized companies:

3.1.1. LESTO

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

3.1.2. LD

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

Vilnius, AB www.nasdaqomxbaltic.com and in the Central Storage Facility on the website www.crib.lt.

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

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

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

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

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

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

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

http://www.nasdaqomxbaltic.com/upload/reports/les/2014_ar_lt_ltl_con_ias.pdf.

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

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

More details are available in 2014 financial statements of LD on-line at http://www.nasdaqomxbaltic.com/upload/reports/ldj/2014_ar_lt_ltl_con_ias.pdf.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. FINAL PROVISIONS

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

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

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

Annexes to the Reorganization Terms:

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

COPY

MINUTES
OF THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF AB
LESTO

29-05-2015 No 2

Date: 29 May 2015

Beginning: 9.00 a.m.

Venue: Aguonų g. 26, Room No. 117, Vilnius, LT-03212

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

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

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

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

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

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

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

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

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

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

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

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

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

AGENDA:

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

/unavailable/

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

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

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

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

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

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

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

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

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

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

The draft decision proposed by the Shareholder:

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

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

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

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

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

Draft DECISION:

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

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

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

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

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

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

DECIDED:

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

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

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

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

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

Closing time: 9:20 a.m.

Chairman of the Meeting
Emilis Cicėnas
/signature/

Secretary of the Meeting
Gintarė Šerėnaitė
/signature/

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

TRUE COPY
12 August 2015

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

COPY

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

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

Twenty ninth day of May of two thousand fifteen

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AGENDA:

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

There were no comments made to the proposed Meeting agenda.

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

Draft DECISION:

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

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

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

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

DECIDED:

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

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

ATTACHED:

/unavailable/

Chief Executive Officer
of AB Lietuvos Dujos

/signature/

Liudas Liutkevičius

TRUE COPY
12 August 2015

/signature/

Director of Legal Department of
AB Lietuvos Dujos
Ingrida Kudabienė

Table on calculation of the share exchange ratio

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

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

[See attached]

2015

LESTO AB COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS

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



Group of energy
companies

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Independent Auditor's Report

To the shareholders of LESTO AB

Report on the condensed interim financial statements

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

Management's responsibility for the condensed interim financial statements

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

Auditor's responsibility

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

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

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




Basis for Qualified Opinion

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

Qualified opinion

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

On behalf of PricewaterhouseCoopers UAB



Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
19 August 2015



Jurgita Krikščiūnienė
Auditor's Certificate No.000495

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

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

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

19 August 2015

Aidas Ignatavičius
Chief Executive Officer

19 August 2015

Andrius Bendikas
Director of Finance and
Administration Service

19 August 2015

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

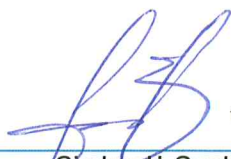
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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


 19 August 2015
Aidas Ignatavičius
 Chief Executive Officer


 19 August 2015
Andrius Bendikas
 Director of Finance and
 Administration Service


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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

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

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

19 August 2015

Aidas Ignatavičius
Chief Executive Officer

19 August 2015

Andrius Bendikas
Director of Finance and
Administration Service

19 August 2015

Giedruolė Guobienė
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CONDENSED INTERIM STATEMENT OF CASH FLOWS

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

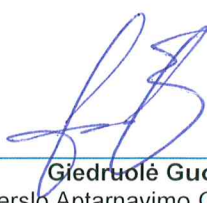
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Aidas Ignatavičius
 Chief Executive Officer

19 August 2015


Andrius Bendikas
 Director of Finance and
 Administration Service

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19 August 2015

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

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

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

- electricity distribution services via medium voltage network – 4,068 ct/kWh or 1,178 euro ct/kWh (2014: 4,479 ct/kWh or 1,297 euro ct/kWh);
- electricity distribution services via low voltage network – 5,351 ct/kWh or 1,550 euro ct/kWh (2014: 6,162 ct/kWh or 1,785 euro ct/kWh).

On 19 December 2014, the National Control Commission for Prices and Energy established the price cap of 0,481 ct/kWh or 0,139 euro ct/kWh for public electricity supply services for the year 2015 (2014: 0,52 ct/kWh or 0,151 euro ct/kWh).

On 19 December 2014, the National Control Commission for Prices and Energy established the price cap of 29,748 ct/kWh or 8,616 euro ct/kWh (excl. VAT) to private consumers who receive electricity via medium voltage network for 2015 (2014: 31,616 ct/kWh or 9,157 euro ct/kWh (excl. VAT)), and the price cap of 35,099 ct/kWh or 10,165 euro ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network for 2015 (2014: 37,778 ct/kWh or 10,941 euro ct/kWh (excl. VAT)).

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

The shareholders' structure of the Company was as follows:

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

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

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

The Company's subsidiaries and associates are listed below:

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

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

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

2 Basis of preparation

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

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

3 Accounting policies

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

Income tax

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

Functional and presentation currency

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

New and amended standards, and interpretations

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

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

4 Critical accounting estimates

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

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

All amounts in EUR thousands unless otherwise stated

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

Depreciation rates of property, plant and equipment

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

Write-down of inventory to net realisable value

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

Disposal of NT Valdos, UAB

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

5 Property, plant and equipment

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2015

All amounts in EUR thousands unless otherwise stated

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

Revaluation of property plant and equipment at 31 December 2014

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

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

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

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

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

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

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

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

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

6 Intangible assets

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

7 Non-current receivables

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

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

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

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

8 Inventories

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

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

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

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

9 Trade and other receivables

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

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

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

10 Cash and cash equivalents, and term deposits

Cash and cash equivalents

Company	At 30 June 2015	At 31 December 2014
Cash at bank	15 134	4 109
	15 134	4 109

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

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

11 Authorised share capital

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

12 Dividends

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

13 Trade and other payables

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

14 Segment reporting

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

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

15 Borrowings

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

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

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

Non-current borrowings by maturity:

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

Liquidity risk

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

16 Revenue

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

17 Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

All amounts in EUR thousands unless otherwise stated

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

18 Related-party transactions

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

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

Purchase and sale of goods and services:

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

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

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

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

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

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

Compensation to key management personnel

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

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

19 Fair value measurement

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

20 Commitments and contingencies

Buyout of electricity equipment

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

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

Capital expenditure commitments

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

Litigations

Dispute with Vilniaus Energija

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

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

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

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

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

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

Dispute with the National Control Commission for Prices and Energy

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

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

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

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

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

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

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

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

21 Events after the reporting period

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

2015

AB LESTO CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

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



Group of energetic
companies

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

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

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

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

31 August 2015

Aldas Ignatavičius
Chief Executive Officer

31 August 2015

Andrius Bendikas
Director of Finance and
Administration division

31 August 2015

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

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

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

Continued on next page

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

31 August 2015

Aidas Ignatavičius
Chief Executive Officer

31 August 2015

Andrius Bendikas
Director of Finance and
Administration division

31 August 2015

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

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

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (CONTINUATION)

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

Basic and diluted earnings per share (in EUR) 0,071 0,026 0,024 0,005

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

31 August 2015

Aidas Ignatavičius
Chief Executive Officer

31 August 2015

Andrius Bendikas
Director of Finance and
Administration division

31 August 2015

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

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

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

Continued on next page

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONTINUATION)

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

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

31 August 2015

Aidas Ignatavičius
Chief Executive Officer

31 August 2015

Andrius Bendikas
Director of Finance and
Administration division


31 August 2015

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS


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

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

31 August 2015

Aidas Ignatavičius
 Chief Executive Officer

31 August 2015

Andrius Bendikas
 Director of Finance and
 Administration division

31 August 2015

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 General information

Information about the Company

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

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

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

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

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

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

On 19 December 2014, the National Control Commission for Prices and Energy established the price cap of 0.481 ct/kWh or 0.139 euro ct/kWh for public electricity supply services for the year 2015 (2014: 0.52 ct/kWh or 0.151 euro ct/kWh).

On 19 December 2014, the National Control Commission for Prices and Energy established the price cap of 29.748 ct/kWh or 8.616 euro ct/kWh (excl. VAT) to private consumers who receive electricity via medium voltage network for 2015 (2014: 31.616 ct/kWh or 9.157 euro ct/kWh (excl. VAT), and the price cap of 3.099 ct/kWh or 10.165 euro ct/kWh (excl. VAT) to private consumers who receive electricity via low voltage network for 2015 (2014: 37.778 ct/kWh or 10.941 euro ct/kWh (excl. VAT)).

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

The shareholders' structure of the Company was as follows:

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

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

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

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

The consolidated group

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

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

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

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

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

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

2 Basis of preparation

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

3 Accounting policies

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

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

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

Functional and presentation currency

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

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

4 Critical accounting estimates

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

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

Depreciation rates of property, plant and equipment

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

Write-down of inventory to net realisable value

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

Disposal of NT Valdosa, UAB

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

5 Property, plant and equipment

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

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

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

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

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

Revaluation of property plant and equipment at 31 December 2014

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

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

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

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

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

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

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

Revaluation of assets of subsidiaries

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

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

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

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

6 Intangible assets

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

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

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

7 Non-current receivables

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

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

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

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

8 Inventories

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

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

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

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

9 Trade and other receivables

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

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

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

10 Cash and cash equivalents, and term deposits

Cash and cash equivalents

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

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

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

11 Share capital

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

12 Dividends

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

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

13 Trade and other payables

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

14 Segment reporting

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

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

15 Borrowings

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

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

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

Non-current borrowings by maturity:

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

Liquidity risk

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

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

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

16 Revenue

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

17 Investments

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

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

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

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

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

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

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

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

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

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

All amounts are in EUR thousands unless otherwise stated

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

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

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

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

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

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

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

18 Related-party transactions

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

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

AB LESTO, company code 302577612 Agonų str. 26, Vilnius, Lietuva
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- All companies which are owned by the state or over which the state exercises a significant influence (transactions with these companies are disclosed when they are material).

Purchase and sale of goods and services:

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

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

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

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

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

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

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

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

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

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

Compensation to key management personnel

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

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

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

19 Fair value measurement

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

20 Commitments and contingencies

Buyout of electricity equipment

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

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

Capital expenditure commitments

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

Litigations

Dispute with Vilniaus Energija

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

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

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

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

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

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

Dispute with the National Control Commission for Prices and Energy

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

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

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

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

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

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

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

Guarantees issued

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

21 Events after the reporting period

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

Annex No 5 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

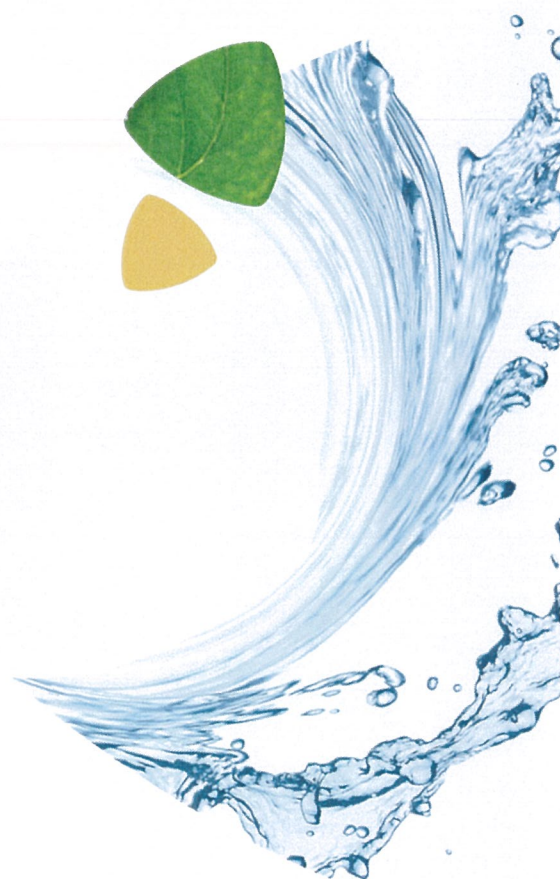
**Interim condensed audited financial statements of public limited liability company
Lietuvos Dujos for Q2 2015 and H1 2015**

[See attached]

2015

Lietuvos Dujos AB COMPANY'S CONDENSED INTERIM FINANCIAL STATEMENTS

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



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Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.



Independent Auditor's Report

To the shareholders of Lietuvos Dujos AB

Report on the condensed interim financial statements

We have audited the accompanying condensed interim financial statements of Lietuvos Dujos AB ("the Company") set out on pages 5 to 15, which comprise the condensed interim statement of financial position as of 30 June 2015, the condensed interim statement of comprehensive income for the three-month and six-month periods then ended, the condensed interim statements of changes in equity and cash flows for the six month period then ended and notes comprising a summary of significant accounting policies and other explanatory information ("the condensed interim financial statements").

Management's responsibility for the condensed interim financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



Opinion

In our opinion, the condensed interim financial statements for the Company are prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'Rimvydas Jogėla', written over a large, stylized circular flourish.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
17 August 2015

LIETUVOS DUJOS AB, company code 120059523, Aguonų g. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2015

All amounts in EUR thousands unless otherwise stated

	Note	At 30 June 2015	At 31 December 2014
ASSETS			
Non-current assets			
Intangible assets	3	522	623
Property, plant and equipment	3	169,478	173,405
Prepayments for property, plant, equipment		4	8
Investment property	4	2,736	-
Investments in joint ventures and associates		749	755
Deferred income tax assets		2,800	3,670
Total non-current assets		176,289	178,461
Current assets			
Inventories		778	770
Prepayments		168	157
Trade receivables	5	2,821	10,758
Other amounts receivable		59	50
Prepaid income tax		-	4,910
Cash and cash equivalents		15,734	19,751
Non-current assets held for sale		-	421
Total current assets		19,560	36,817
Total assets		195,849	215,278
EQUITY AND LIABILITIES			
Equity			
Authorised share capital	6	84,299	84,188
Legal reserve		8,419	8,419
Revaluation reserve		3,850	4,672
Retained earnings		48,818	68,311
Total equity		145,386	165,590
Amounts payable and liabilities			
Amounts payable after one year and non-current liabilities			
Grants and subsidies		3,913	3,961
Long-term employee benefits		1,651	1,756
Deferred revenue from connection of new users		37,309	36,913
Total amounts payable after one year and non-current liabilities		42,873	42,630
Amounts payable within one year and current liabilities			
Trade payables		1,303	505
Advance amounts received		1,814	1,320
Income tax liabilities		93	-
Other amounts payable within one year and current liabilities		4,380	5,233
Total amounts payable within one year and current liabilities		7,590	7,058
Total amounts payable and liabilities		50,463	49,688
Total equity and liabilities		195,849	215,278

The accompanying notes form an integral part of these condensed interim financial statements.

The condensed interim financial statements were approved by Lietuvos Dujos, AB on 17 August 2015.



Liudas Liutkevičius
Chief Executive Officer



Virgilijus Motiejūnas
Manager of Finance Department
Acting Finance and Treasury
Director



Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Reporting, Tax Accounting and
Control Division acting under Order No
V-047

LIETUVOS DUJOS AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the three and six-month period ended 30 June 2015

All amounts in EUR thousands unless otherwise stated

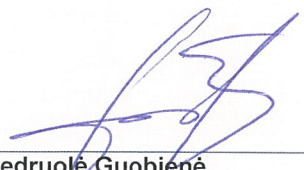
	Note	1H 2015	Q2 2015	1H 2014 (restated)*	Q2 2014 (restated)*
Revenue					
Sales revenue		29,927	9,408	28,458	8,296
Other income		748	481	471	229
		30,675	9,889	28,929	8,525
Expenses					
Purchases of natural gas and transmission services		(2,525)	(860)	(1,883)	497
Depreciation and amortisation		(4,572)	(2,274)	(3,982)	(1,987)
Wages and salaries and related expenses		(10,668)	(5,285)	(10,461)	(5,178)
Repair and maintenance expenses		(1,061)	(616)	(1,902)	(1,335)
Taxes (other than income tax)		(847)	(414)	(855)	(415)
Other expenses		(2,124)	(1,259)	(2,892)	(1,975)
		(21,797)	(10,708)	(21,975)	(10,393)
Operating profit (loss)		8,878	(819)	6,954	(1,868)
Financing activities					
Finance income		15	8	11	6
Finance costs		(117)	(14)	(14)	(14)
		(102)	(6)	(3)	(8)
Profit (loss) before income tax		8,776	(825)	6,951	(1,876)
Current year income tax expense		(228)	2	(1,116)	154
Deferred income tax (expense)/income		(870)	260	185	142
Profit (loss) from continuing operations (attributable to equity holders of the Company)		7,678	(563)	6,020	(1,580)
Net profit from discontinued operations	9	-	-	79,598	76,818
Net profit (loss)		7,678	(563)	85,618	75,238
Other comprehensive income					
Other comprehensive income, net of deferred income tax		-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		7,678	(563)	85,618	75,238
Number of shares (units)		290,685,740	290,685,740	290,685,740	290,685,740
Basic and diluted earnings (loss) per share (in EUR) attributable to equity holders of the Company)		0.026	(0.002)	0.295	0.259

*Restated for comparability purposes by presenting the Company's transferred supply activity as discontinued operations and reclassifying revenue and expense items and retrospectively recording impairment of property, plant and equipment as disclosed in the annual financial statements for 2014 and Notes 9 and 12 of these condensed interim financial statements.

The accompanying notes form an integral part of these condensed interim financial statements.
The condensed interim financial statements were approved by Lietuvos Dujos, AB on 17 August 2015.


Liudas Liutkevičius
Chief Executive Officer


Virgilijus Motiejūnas
Manager of Finance Department
Acting Finance and Treasury
Director


Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Reporting, Tax Accounting and
Control Division acting under Order No
V-047

LIETUVOS DUJOS AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2015

All amounts in EUR thousands unless otherwise stated

	Notes	Authorised share capital	Legal reserve	Revalua- tion reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2014		84,188	8,419	-	94,999	(33,647)	153,959
Net profit (loss) for the reporting period		-	-	-	-	85,618	85,618
Total comprehensive income for the period						85,618	85,618
Balance at 30 June 2014 (restated)		84,188	8,419	-	94,999	51,971	239,577
Balance at 1 January 2015		84,188	8,419	4,672	-	68,311	165,590
Net profit (loss) for the reporting period		-	-	-	-	7,678	7,678
Total comprehensive income for the period						7,678	7,678
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax)		-	-	(822)	-	822	-
Dividends	7	-	-	-	-	(27,993)	(27,993)
Result of share capital conversion to the euro	6	111	-	-	-	-	111
Balance at 30 June 2015		84,299	8,419	3,850	-	48,818	145,386

The accompanying notes form an integral part of these condensed interim financial statements.

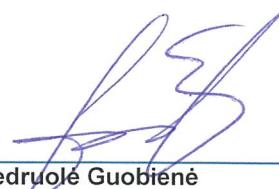
The condensed interim financial statements were approved by Lietuvos Dujos, AB on 17 August 2015.



Liudas Liutkevičius
Chief Executive Officer



Virgilijus Motiejūnas
Manager of Finance
Department
Acting Finance and Treasury
Director



Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Reporting, Tax Accounting
and Control Division acting under
Order No V-047

LIETUVOS DUJOS AB, company code 120059523, Abruono g. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2015
All amounts in EUR thousands unless otherwise stated

	Note	1 January – 30 June 2015	1 January – 30 June 2014 (restated)
Cash flows from operating activities			
Net profit (loss)		7,678	85,618
Adjustments for non-cash expenses (income) and other adjustments:			
Depreciation and amortisation expenses		4,724	4,305
Impairment of property, plant and equipment		-	951
Share of (profit)/loss of associates and joint ventures		6	14
Income tax expenses		1,098	15,513
(Depreciation) of grants and subsidies		(152)	(142)
Increase (decrease) in impairment for amounts receivable		13	217
Expenses (income) from inventory write-down allowance		(20)	16
(Gain) loss on disposal/write-off of property, plant and equipment and non-current assets held for sale		(194)	(57)
Share capital conversion to the euro		111	-
Interest (income)		(12)	(84)
Interest expenses		-	2
Other income/(expenses) of financing activities		(3)	-
Elimination of other non-cash items*		-	(89,967)
Changes in working capital:			
(Increase) decrease in trade receivables and other amounts receivable		7,918	22,002
(Increase) decrease in inventories		(134)	1,755
(Increase) decrease in prepayments		(11)	66
Increase (decrease) in trade payable, deferred income, advance amounts received and other current amounts payable and liabilities		1,996	(12,177)
Increase (decrease) in long-term employee benefits		(105)	-
Cash generated from operations		22,913	28,032
Income tax (paid) / recovered		3,237	(7,957)
Net cash flows from operating activities		26,150	20,075
Whereof discontinued operations		-	4,965
Cash flows from investing activities			
(Purchase) of property, plant and equipment and intangible assets		(2,825)	(3,153)
Proceeds from sale of property, plant and equipment and intangible assets		639	129
Disposal of non-current assets held for sale		352	-
Investments in associates		(474)	-
Grants received		110	115
Interest received		12	88
Net cash flows used in investing activities		(2,186)	(2,821)
Whereof discontinued operations		-	85
Cash flows from financing activities			
Interest paid		-	(2)
Dividends paid		(27,981)	(4)
Net cash flows used in financing activities		(27,981)	(6)
Whereof discontinued operations		-	-
Net (decrease) increase in cash and cash equivalents		(4,017)	17,248
Cash and cash equivalents at the beginning of the period		19,751	19,416
Cash and cash equivalents at the end of the period		15,734	36,664

*Other non-cash items include the natural gas price discount received from OAO Gazprom that had a non-cash impact on the result of the Company, prepayments and trade payables and the effect of provision for onerous contracts.
The accompanying notes form an integral part of these condensed interim financial statements.
The condensed interim financial statements were approved by Lietuvos Dujos, AB on 17 August 2015.

Liudas Liutkevičius
Chief Executive Officer

Virgilijus Motiejūnas
Manager of Finance Department
Acting Finance and Treasury
Director

Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB,
Head of Reporting, Tax Accounting and
Control Division acting under Order No
V-047

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 General information

Lietuvos Dujos AB ("the Company") is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Aguonų g. 24,
 LT – 03212, Vilnius, Lithuania.

Until 31 October 2014, the Company's principal activity was distribution and supply of natural gas. The Company's natural gas supply activity (the supply segment) was sold to UAB Lietuvos Dujų Tiekimas UAB under the purchase-sale agreement dated 15 October 2014. In these condensed interim financial statements the supply activity of the Company is disclosed as discontinued operations (Note 9).

The Company's business operations are seasonal. The Company generates the larger portion of its revenue in the first half of the year, during the heating season, whereas expenses spread nearly evenly in the first and the second halves of the year. As a result, generally the Company's financial performance of the first half of the year is better than that of the second half.

The Company was registered on 23 November 1990. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange.

The shareholders' structure of the Company was as follows:

	At 30 June 2015		At 31 December 2014	
	Number of shares held	Ownership interest, %	Number of shares held	Ownership interest, %
Lietuvos Energija, UAB	280,930,066	96.6%	280,930,066	96.6%
Other shareholders	9,755,674	3.4%	9,755,674	3.4%
Total	290,685,740	100%	290,685,740	100%

As at 30 June 2015 and 31 December 2014, Lietuvos Energija, UAB was the parent of the Company. Lietuvos Energija, UAB is wholly owned by the Lithuanian Government represented by the Lithuanian Ministry of Finance.

All shares of the Company with the nominal value of EUR 0.29 each are ordinary shares and they have been fully paid as at 30 June 2015 and 31 December 2014. The Company does not hold any shares other than those mentioned above, and its Articles of Association do not provide for any restrictions on shares or special control rights of shareholders. The Company has not acquired its own shares.

The Company's joint ventures and associates are listed below:

Joint venture or associate	Country	Year of acquisition	The Company's ownership interest (%)		Profile of activities
			At 30 June 2015	At 31 December 2014	
GET Baltic UAB	Lithuania	2012	34%	34%	Activity of the licensed natural gas market operator – organisation of trade in natural gas at the natural gas exchange
Technologijų ir Inovacijų Centras UAB	Lithuania	2014	9.00%	9.00%	Information technology and telecommunication, and other services to the shareholders
Verslo Aptarnavimo Centras UAB	Lithuania	2014	7.25%	7.25%	Public procurement organisation and implementation, accounting and personnel administration services to the shareholders

The shares of Technologijų ir Inovacijų Centras UAB and Verslo Aptarnavimo Centras UAB were fully paid in the first half of 2015.

As at 30 June 2015, the Company had 1,021 (31 December 2014: 1,136) employees.

On 1 June 2015, Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys Branches of Lietuvos Dujos AB lost the status of a legal entity due to their reorganisation to Vilnius, Kaunas, Klaipėda and Northern Regions of Lietuvos Dujos AB.

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

These condensed interim financial statements were approved by the Company's management on 17 August 2015.

2 Basis of preparation and accounting policies

2.1. Basis of preparation

These condensed interim financial statements for the three and six-month periods ended 30 June 2015 have been prepared according to International Accounting Standard No 34, 'Interim financial reporting'. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2. Accounting policies

The accounting policies applied in the preparation of the condensed interim financial statements are consistent with those that were applied in the preparation of the annual financial statements for 2014.

Investment property

Investment property comprises property, which certain part may be used in the Company's operations, with the remainder being held for rental yields and/or for capital appreciation. If parts of the property which are used in the Company's operations can be sold separately, the Company accounts for such property separately. Parts of the property are separated according to the area of the building which is used in the Company's operations and which is held for rental yields and/or for capital appreciation. If parts cannot be sold separately, the property is classified as investment property only when the insignificant part of a property is used in the Company's operations. Investment property is measured at fair value.

The Company's investment property includes buildings, the majority of which are not used in the Company's operations and held to earn long-term rentals.

Investments in associates

Investments in associates over which the Company has a significant influence are accounted for using the equity method, except for the cases when the investment is acquired and held solely for the purpose of selling it in the near future (not later than within 12 months from the date of acquisition) and the management is engaged in active search for buyers.

New standards, amendments and interpretations

There are no new standards, amendments to standards and interpretations effective from 1 January 2015 that would have a material impact of the Company's condensed interim financial statements as at 30 June 2015.

2.3. Functional and presentation currency

These condensed interim financial statements are presented in the national currency the euro (EUR), which is the Company's functional and presentation currency. Until 31 December 2014, the currency of the Republic of Lithuania was the litas. The litas was pegged to the euro at the exchange rate of LTL 3.4528 to EUR 1. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The euro replaced the litas at the exchange rate of LTL 3.4528 to EUR 1. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. LTL 3.4528 to EUR 1. The conversion of the authorised share capital is disclosed in Note 6.

2.4. Accounting estimates

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2014.

3 Intangible assets and property, plant and equipment

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

	Patents and licenses	Computer software	Other intangible assets	Total
Net book amount at 31 December 2014	301	319	3	623
Additions	-	19	-	19
Amortisation charge	(70)	(49)	(1)	(120)
Net book amount at 30 June 2015	231	289	2	522

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

	Buildings	Structures and machinery	Gas distribution pipelines and their equipment	Gas technological equipment and structures	Motor vehicles	IT and telecommunication equipment	Other property, plant and equipment	Construction in progress	Total
Net book amount at 31 December 2014	16.397	1.231	141.878	4.612	3.171	952	4.713	451	173.405
Additions	-	11	14	-	-	-	5	3.619	3.649
Sales	(432)	-	-	-	(17)	-	-	-	(449)
Write-offs	-	-	(1)	-	-	-	(1)	-	(2)
Reclassifications between categories	-	-	2.378	61	-	-	1.017	(3.456)	-
Reclassification to investment property	(2.501)	(232)	-	(3)	-	-	-	-	(2.736)
Reclassification from inventories	-	-	-	-	69	-	-	146	215
Depreciation charge	(423)	(116)	(2.089)	(223)	(728)	(209)	(816)	-	(4.604)
Net book amount at 30 June 2015	13.041	894	142.180	4.447	2.495	743	4.918	760	169.478

In management's opinion, there were no significant changes in the fair value of the categories of property, plant and equipment measured at fair value during the six-month period ended 30 June 2015.

As at 30 June 2015, the Company had the agreements for the acquisition of property, plant and equipment worth of EUR 3,462 thousand (31 December 2014: EUR 1,556 thousand).

4 Investment property

Property, plant and equipment was reclassified to investment property on 1 May 2015 after the lease of the major part of the administrative building (including its appurtenances) located at Aguonų g. 26, in Vilnius. The carrying amount of the investment property was equal to EUR 2,736 thousand as at 30 June 2015. Independent valuation of investment property was performed in December 2014.

5 Trade receivables

Trade receivables are non-interest bearing and are normally settled with the term of 15 days.

As at 30 June 2015, trade receivables amounted to EUR 2,821 thousand (31 December 2014: EUR 10,758 thousand). Trade receivables decreased due to decline in trade receivables for natural gas distribution, i.e. lower quantities of natural gas were distributed in June 2015 compared to December 2014.

6 Authorised share capital

After the adoption of the new currency, the euro, in the Republic of Lithuania on 1 January 2015, in accordance with the Lithuanian 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 and Amendment of the Articles of Association of These Companies, in the first half of 2015 the Company recognised a one-off loss of EUR 111 thousand as a result of the conversion of the nominal value of one share of the Company expressed in the litas to the nominal value expressed in the euro and the conversion of the nominal value of the authorised share capital. The new value of the authorised share capital was registered on 15 May 2015 following re-registration of the Articles of Association with the state enterprise the Centre of Registers.

7 Dividends

The ordinary general meeting of shareholders of Lietuvos Dujos AB was held on 27 April 2015 where it was decided to approve the profit appropriation for 2014 and to allocate EUR 0.0963 per share in dividends, in total EUR 27,993 thousand in dividends.

8 Segment information

The Company's operations are organised in accordance with the regulatory requirements established for the activities regulated by the State. Operating segments are distinguished in accordance with the regulatory requirements. The Company uses the same accounting policies for the segment accounting and for the Company's financial accounting.

Until 31 October 2014, the Company had three main operating segments: natural gas distribution, supply and the segment of other activity:

Distribution of natural gas comprises the transportation of natural gas through the gas distribution pipeline;

Supply of natural gas comprises the natural gas sales to end users;

Other activity comprises other activity not related to the principal business activities.

The Company's natural gas supply activity (the supply segment) was transferred on 31 October 2014. With effect from 31 December 2014, the other activity segment is no longer separated as separately insignificant and related to the distribution activity.

With effect from 31 December 2014, the Company has a single operating segment, i.e. natural gas distribution.

The table below presents the Company's segment information for the six-month period ended 30 June 2015.

1 January – 30 June 2015	Continuing operations Distribution
Sales revenue	29,927
Profit (loss) before income tax	8,776
Assets at 30 June 2015	195,849

The table below presents the Company's segment information for the six-month period ended 30 June 2014.

1 January – 30 June 2014 (restated)	Discontinued operations Supply	Continuing operations Distribution (restated – combined with the other activity segment)	Total
Sales revenue	174,115	28,458	202,573
Profit (loss) before income tax	94,180	6,951	101,131
Assets at 30 June 2014	125,677	184,577	310,254

All assets of the Company are located in Lithuania.

9 Discontinued operations

In October 2014, the Company sold the supply activity. Information about the discontinued operations is presented below. Comparative figures were restated to disclose the result of the discontinued operations.

	1 January – 30 June 2014
Sales revenue	174,115
Other income	97
Expenses	(80,118)
Operating profit	94,094
Finance income	86
Profit from discontinued operations before tax	94,180
Income tax	(14,582)
Net profit from discontinued operations	79,598

Earnings per share from discontinued operations

	1 January – 30 June 2014
Net profit from discontinued operations attributable to shareholders (in EUR thousands)	79,598
Number of shares (units)	290,685,740
Earnings per share from discontinued operations (in EUR)	0.274

10 Commitments and contingencies

Legal disputes

On 25 March 2011, the Ministry of Energy of the Republic of Lithuania, which held 17.7% of the Company's shares by the right of trust at that date, filed a claim to Vilnius Regional Court in relation to examination of the legal entity's operations, wherein Lietuvos Dujos AB, the Board Members of Lietuvos Dujos AB delegated by Gazprom OAO, and the Managing Director were indicated as the respondents. In its claim, the Lithuanian Ministry of Energy demanded initiation of examination of operations of Lietuvos Dujos AB and application of relevant requirements set forth in the claim in case the results of examination showed that operations of Lietuvos Dujos AB and/or the aforementioned Board Members and/or the Managing Director were inappropriate. Upon completion of investigation of the claim, on 3 September 2012 Vilnius Regional Court ruled in favour of the claimant to initiate examination of operations of Lietuvos Dujos AB. The Company objected to the ruling of the court of the first instance and filed an appeal against it to the Court of Appeal of Lithuania. The Court of Appeal of Lithuania left the ruling of Vilnius Regional Court unchanged. On 29 April 2013, Lietuvos Dujos AB appealed by cassation to the Lithuanian Supreme Court with request to annul the decision passed by the Lithuanian Court of Appeal on 21 February 2013, and not to proceed with the case or reject it. On 20 November 2013, the Lithuanian Supreme Court suspended a judgement until the final resolution of the issue pertaining to recognition and enforcement of the arbitrary decision passed by the Arbitration institute of the Stockholm Chamber of Commerce (Kingdom of Sweden) (hereinafter "the arbitrary decision"). Based on the aforementioned arbitrary decision, it was concluded that the courts of the Republic of Lithuania are in a position to hear the case in relation to examination of operations of Lietuvos Dujos AB; however, all matters pertaining to natural gas supply and transit to Kaliningrad District (including prices and tariffs) are within an exclusive jurisdiction of the Arbitration. The Lithuanian Supreme Court investigated the issue pertaining to recognition of the arbitrary decision and referred to the Court of Justice of the European Union with request to give a preliminary (explanatory) ruling as to interpretation and application of regulatory requirements related to recognition of the arbitrary decision. The final outcome of the case is unclear and cannot be reasonably assessed.

On 14 July 2014, the Prosecution Service of the Republic of Lithuania filed an indictment to Vilnius City District Court where Lietuvos Dujos AB and its former employees were charged with allegedly causing damage in establishing the supply activity tariffs for domestic users. On 13 August 2014, Vilnius City District Court started the examination of this criminal case. The Prosecutor General requested the court to impose a fine on Lietuvos Dujos AB amounting to 25,000 times the minimum monthly wage or EUR 950 thousand. Lietuvos Dujos AB objected to the charges and requirements of the Prosecution Service. The Company expected the court to pass an acquittal. On 27 February 2015, Vilnius City District Court passed an acquittal whereby it acquitted Lietuvos Dujos AB as it was not established that the acts attributed were made. On 18 March 2015, the Prosecutor General appealed against the acquittal. At the present moment the case is investigated under the appeal procedure. In the opinion of Lietuvos Dujos AB, the decision of the court of the first instance is lawful and substantiated, therefore should not be changed.

On 23 January 2015, Vilniaus Energija UAB filed a claim to respondent Lietuvos Dujų Tiekimas UAB regarding the amendment to the pricing rules (formulas for the calculation of the price of natural gas established in the agreements) established in the agreements on the natural gas supply dated 28 December 2012 and 30 December 2013 and the awarding of the overpayment for natural gas acquired. The claim amount is equal to EUR 19,131,562.67 and consists of the following two elements: the natural gas price overpayment amounting to EUR 19,087,634.96 and interest amounting to EUR 43,927.71. On 14 July 2015, Vilniaus Energija UAB filed a revised claim by indicating Lietuvos Dujos AB as a second respondent and requested the court to order Lietuvos Dujų Tiekimas UAB and Lietuvos Dujos AB jointly and severally pay the natural gas price overpayment and interest. In the opinion of Lietuvos Dujos AB, neither the legal acts nor the agreements on the natural gas supply obliged Lietuvos Dujos AB and Lietuvos Dujų Tiekimas UAB to pay to Vilniaus Energija UAB any amounts due to the change in import prices of natural gas or recalculate the natural gas price in case such changes occur; Lietuvos Dujos AB has properly fulfilled its contractual obligations under the agreements. As a result, in the opinion of the Company's management, the claim is not substantiated. The case is under investigation by the court of the first instance.

11 Related-party transactions

The Company's related parties are as follows:

- the Ministry of Energy of the Republic of Lithuania, from 21 February 2014 Lietuvos Energija, UAB and its group companies (hereinafter "Lietuvos Energija, UAB") – one of the main shareholders of the Company until 21 May 2014 and the Company's parent from 21 May 2014;
- E.ON Ruhrgas International GmbH (one of the main shareholders of the Company until 21 May 2014);
- Gazprom OAO (one of the main shareholders of the Company until 19 June 2014);
- GET Baltic UAB (a joint venture);
- Latvijas Gaze AS (a jointly controlling shareholder until 19 June 2014).

The tables below disclose sale and purchase transactions with Lietuvos Energija, UAB for the period from 1 March 2014. Sale and purchase transactions with Gazprom OAO and Latvijas Gaze AS are disclosed for the period from 1 January 2014 to 30 June 2014.

Purchase and sale transactions with GET Baltic UAB do not include purchases and sales of natural gas as GET Baltic UAB only acts as a buying or selling agent providing intermediation services for a certain commission. Amounts receivable from and amounts payable to GET Baltic UAB are disclosed with amounts for natural gas.

LIETUVOS DUJOS AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 30 June 2015

All amounts in EUR thousands unless otherwise stated

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

	Purchases	Sales	Amounts receivable	Amounts payable
Lietuvos Energija, UAB Group	2,236	21,208	1,999	654
- <i>whereof: associates</i>				
<i>Verslo Aptarnavimo Centras UAB</i>	169	-	-	114
<i>Technologijų ir Inovacijų Centras UAB</i>	119	-	-	107
- <i>whereof: parent company</i>				
<i>Lietuvos Energija, UAB</i>	157			190
GET Baltic UAB	1	-	-	-
	2,237	21,208	1,999	654

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

	Purchases	Sales	Amounts receivable	Amounts payable
Gazprom OAO	63,541	(374)	-	-
Latvijas Gaze AS	185	-	-	-
GET Baltic UAB	28	2	-	258
Lietuvos Energija, UAB Group	62	571	6,489	495
- <i>whereof: associates (from December 2014)</i>				
<i>Verslo Aptarnavimo Centras UAB</i>	-	-	-	32
<i>Technologijų ir Inovacijų Centras UAB</i>	-	-	-	443
	63,816	199	6,489	753

There were no guarantees given or received in respect of the related-party payables and receivables. As at 30 June 2015 and 31 December 2014, the Company did not establish any provisions for impairment in respect of the related-party receivables.

	At 30 June 2015	At 30 June 2014
Wages and salaries and other short-term benefits to management personnel	366	476
Average number of key management personnel	10	11

Until 31 May 2015, the Company's management included the Head of Administration, Deputy Heads, Directors of the Branches, Chief Accountant and from 1 June 2015, the Company's management includes the Board Members.

12 Restatement of comparative figures

The restatement of the condensed statement of comprehensive income for the six-month period ended 30 June 2014 is presented below. Restatement-related information is disclosed in the financial statements as of 31 December 2014.

LIETUVOS DUJOS AB, company code 120059523, Agonų g. 24, Vilnius, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the six-month period ended 30 June 2015

All amounts in EUR thousands unless otherwise stated

	At 30 June 2014 (before restate- ment)	Reclassi- fication of supply activity to disconti- nued opera- tions	Restatement of revenue line items and accounting for deferred income	Restate- ment of expense line items	Resta- tement of account- ing for grants	Impairment of property, plant and equipment accounted for retrospectively	At 30 June 2014 (restated)
Revenue							
Sales revenue	202,450	(174,115)	123				28,458
Other income	725		(112)		(142)		471
	203,175	(174,115)	11		(142)		28,929
Expenses							
Purchases of natural gas and transmission services	(74,984)	73,387		(286)			(1,883)
Depreciation and amortisation	(6,230)	181			142	1,925	(3,982)
Wages and salaries and related expenses	(12,320)	1,859					(10,461)
Repair and maintenance expenses	(2,874)	103		869			(1,902)
Taxes (other than income tax)	(876)	21					(855)
Other expenses	(62,690)	4,567		(583)		55,814	(2,892)
	(159,974)	80,118			142	57,739	(21,975)
Operating profit (loss)	43,201	(93,997)	11			57,739	6,954
Financing activities							
Finance income	207	(185)	(11)				11
Finance costs	(16)	2					(14)
	191	(183)	(11)				(3)
Profit (loss) before income tax	43,392	(94,180)				57,739	6,951
Current year income tax expense	(16,773)	15,657					(1,116)
Deferred income tax (expense)/income	9,921	(1,075)				(8,661)	185
Profit (loss) from continuing operations	36,540	(79,598)				49,078	6,020
Net profit from discontinued operations		79,598					79,598
Net profit (loss)	36,540	-				49,078	85,618
Other comprehensive income							
Other comprehensive income, net of deferred income tax							
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	36,540	-				49,078	85,618

13 Events after the reporting period

There were no significant events subsequent to the reporting date.

**Table on the calculation of the average weighted market price of shares of AB LESTO over
the last 6 months (calculating the trading period from 1 January 2015 to 30 June 2015,
inclusive)**

LESTO		
Period: 01-01-2015 – 30-06-2015		
Currency: EUR		
Date	Number of shares	Turnover
2015-01-02	5.515	5.504,36
2015-01-05	3.750	3.746,25
2015-01-06	10.000	10.000,00
2015-01-07	12.381	12.359,06
2015-01-08	8.072	8.071,03
2015-01-09	13.861	13.904,32
2015-01-12	6.727	6.863,28
2015-01-13	1.000	1.030,00
2015-01-14	33.529	35.318,18
2015-01-15	31.102	32.301,16
2015-01-16	10.576	10.945,34
2015-01-19	3.998	4.197,90
2015-01-20	68.521	68.756,43
2015-01-21	218.920	218.170,00
2015-01-22	3.196	3.249,26
2015-01-23	13.020	13.280,40
2015-01-26	9.520	9.625,60
2015-01-27	56.444	55.439,99
2015-01-28	7.800	7.702,05
2015-01-29	2.788	2.752,39
2015-01-30	12.173	12.161,30
2015-02-02	654	650,36
2015-02-03	3.010	2.980,00
2015-02-04	2.400	2.379,20
2015-02-05	1.000	988,00
2015-02-06	10.096	9.912,50
2015-02-09	4.009	3.968,91
2015-02-10	3.500	3.444,55

Annex No 6 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-02-11	9.518	9.417,35
2015-02-12	5.443	5.384,22
2015-02-13	19.094	19.101,60
2015-02-16	0	0,00
2015-02-17	1.131	1.131,00
2015-02-18	3.112	3.112,00
2015-02-19	23.407	23.126,38
2015-02-20	19.951	20.227,65
2015-02-23	4.787	4.858,87
2015-02-24	275	280,50
2015-02-25	1.961	1.983,25
2015-02-26	18.200	18.253,05
2015-02-27	12.629	12.677,00
2015-03-02	6.611	6.575,73
2015-03-03	1.674	1.674,00
2015-03-04	15.757	15.929,55
2015-03-05	16.745	16.745,00
2015-03-06	0	0,00
2015-03-09	6.887	6.877,29
2015-03-10	2.040	2.040,00
2015-03-11	0	0,00
2015-03-12	206.934	202.935,00
2015-03-13	12.328	12.289,74
2015-03-16	3.730	3.723,81
2015-03-17	19.114	19.038,10
2015-03-18	4.275	4.264,80
2015-03-19	1.440	1.440,00
2015-03-20	3.110	3.097,76
2015-03-23	23.010	22.932,08
2015-03-24	4.990	4.965,95
2015-03-25	10.001	10.001,00
2015-03-26	13.966	14.105,66
2015-03-27	17.653	17.727,71
2015-03-30	14.766	14.953,66
2015-03-31	650	656,50
2015-04-01	13.647	13.644,34
2015-04-02	17.921	18.049,80
2015-04-07	15.115	15.034,01
2015-04-08	10.924	10.899,25

Annex No 6 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-04-09	1.000	991,50
2015-04-10	2.681	2.664,49
2015-04-13	4.367	4.341,64
2015-04-14	5.072	5.035,17
2015-04-15	7.000	6.939,25
2015-04-16	2.310	2.303,38
2015-04-17	2.000	1.986,00
2015-04-20	0	0,00
2015-04-21	4.920	4.833,73
2015-04-22	3.600	3.538,80
2015-04-23	11.490	11.274,09
2015-04-24	2.475	2.448,06
2015-04-27	4.050	3.986,38
2015-04-28	1.065	1.049,78
2015-04-29	4.000	3.916,02
2015-04-30	827	810,03
2015-05-04	48	47,66
2015-05-05	2.592	2.543,66
2015-05-06	0	0,00
2015-05-07	4.070	3.986,39
2015-05-08	26.106	25.126,23
2015-05-11	8.304	8.009,64
2015-05-12	0	0,00
2015-05-13	6.204	5.903,65
2015-05-15	3.400	3.246,11
2015-05-18	41.294	40.266,41
2015-05-19	6.124	5.952,67
2015-05-20	3.650	3.552,89
2015-05-21	2.056	2.008,59
2015-05-22	6.692	6.540,77
2015-05-25	6.000	5.873,00
2015-05-26	3.993	3.913,14
2015-05-27	5.400	5.270,40
2015-05-28	1.191	1.162,24
2015-05-29	16.362	15.994,70
2015-06-01	2.754	2.713,03
2015-06-02	241	238,00
2015-06-03	710	700,18
2015-06-04	15.755	15.508,33

Annex No 6 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-06-05	651	639,97
2015-06-08	1.028	1.007,84
2015-06-09	5.847	5.732,94
2015-06-10	227	222,00
2015-06-11	12.883	12.513,33
2015-06-12	23.949	22.990,57
2015-06-15	0	0,00
2015-06-16	1.800	1.731,70
2015-06-17	4.890	4.709,21
2015-06-18	1.655	1.586,32
2015-06-19	12.479	11.939,60
2015-06-22	2.841	2.715,32
2015-06-23	2.208	2.114,20
2015-06-25	3.284	3.152,64
2015-06-26	1.219	1.166,93
2015-06-29	21.055	20.139,12
2015-06-30	3.100	2.956,05
Amount for the last six calendar months (01-01-2015 – 30-06-2015)	1.439.277	1.428.849,18
Price per share	0,9927548206	
Number of LESTO shares	603.944.593	
Value	599.568.906,08	

**Table on calculation of the average weighted market price of shares of AB Lietuvos Dujos
over the last 6 months (calculating the trading period from 1 January 2015 to 30 June 2015,
inclusive)**

LD		
Period: 2015.01.01 - 2015.06.30		
Currency: EUR		
Date	Number of shares	Turnover
2015-01-02	0	0,00
2015-01-05	0	0,00
2015-01-06	3.500	2.277,50
2015-01-07	150	98,25
2015-01-08	0	0,00
2015-01-09	782	512,21
2015-01-12	1.360	890,80
2015-01-13	2.000	1.306,00
2015-01-14	0	0,00
2015-01-15	9.930	6.395,92
2015-01-16	2.282	1.471,89
2015-01-19	0	0,00
2015-01-20	500	325,00
2015-01-21	0	0,00
2015-01-22	3.388	2.161,23
2015-01-23	3.100	1.978,80
2015-01-26	5.991	3.824,38
2015-01-27	9.238	5.824,02
2015-01-28	11.731	7.274,22
2015-01-29	20.689	12.696,50
2015-01-30	7.599	4.674,29
2015-02-02	2.540	1.565,67
2015-02-03	1.000	625,43
2015-02-04	0	0,00
2015-02-05	6.500	4.093,05
2015-02-06	4.100	2.588,35
2015-02-09	1.626	1.016,25
2015-02-10	1.000	616,00

Annex No 7 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-02-11	2.421	1.525,43
2015-02-12	6.777	4.270,29
2015-02-13	62.434	39.984,59
2015-02-16	0	0,00
2015-02-17	2.155	1.398,60
2015-02-18	5.185	3.324,54
2015-02-19	500	322,50
2015-02-20	130	84,24
2015-02-23	4.705	3.039,36
2015-02-24	7.193	4.706,42
2015-02-25	7.315	4.797,24
2015-02-26	5.451	3.594,65
2015-02-27	3.380	2.230,75
2015-03-02	4.240	2.792,53
2015-03-03	53.940	36.165,33
2015-03-04	28.121	19.815,69
2015-03-05	24.800	17.913,70
2015-03-06	32.551	23.611,56
2015-03-09	19.035	13.459,96
2015-03-10	4.971	3.512,92
2015-03-11	0	0,00
2015-03-12	4.738	3.374,66
2015-03-13	10.119	7.175,27
2015-03-16	3.580	2.538,25
2015-03-17	10.291	7.248,45
2015-03-18	15.407	10.732,48
2015-03-19	7.320	5.203,20
2015-03-20	2.375	1.688,69
2015-03-23	2.808	2.000,00
2015-03-24	3.250	2.323,25
2015-03-25	2.950	2.114,15
2015-03-26	37.730	27.461,29
2015-03-27	4.089	3.026,28
2015-03-30	17.382	12.952,87
2015-03-31	22.022	17.006,80
2015-04-01	8.349	6.553,51
2015-04-02	3.760	2.930,78
2015-04-07	83.769	68.654,86

Annex No 7 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-04-08	52.569	43.862,05
2015-04-09	45.820	38.621,02
2015-04-10	18.650	15.714,97
2015-04-13	12.560	10.605,20
2015-04-14	1.860	1.570,70
2015-04-15	1.000	840,00
2015-04-16	4.234	3.575,73
2015-04-17	5.970	5.037,82
2015-04-20	9.631	8.155,51
2015-04-21	6.050	5.122,15
2015-04-22	33.883	29.009,99
2015-04-23	3.226	2.846,69
2015-04-24	9.386	8.287,57
2015-04-27	500	444,50
2015-04-28	19.233	16.742,31
2015-04-29	15.361	13.641,34
2015-04-30	8.210	7.302,98
2015-05-04	5.993	5.362,43
2015-05-05	7.214	6.475,13
2015-05-06	2.477	2.215,90
2015-05-07	10.678	9.505,07
2015-05-08	22.029	19.679,78
2015-05-11	0	0,00
2015-05-12	6.265	4.990,35
2015-05-13	17.052	13.563,77
2015-05-15	5.535	4.306,00
2015-05-18	10.146	8.181,25
2015-05-19	11.195	9.091,06
2015-05-20	7.440	5.998,79
2015-05-21	6.937	5.590,39
2015-05-22	0	0,00
2015-05-25	2.700	2.173,63
2015-05-26	10.655	8.592,89
2015-05-27	22.313	18.102,83
2015-05-28	2.505	2.062,08
2015-05-29	9.248	7.679,20
2015-06-01	6.600	5.524,83
2015-06-02	4.444	3.733,01

Annex No 7 to the Terms of Reorganization of AB
LESTO and public limited liability company Lietuvos Dujos

2015-06-03	7.024	5.970,87
2015-06-04	832	713,58
2015-06-05	10.350	8.818,86
2015-06-08	16.175	13.724,37
2015-06-09	4.166	3.489,94
2015-06-10	950	805,00
2015-06-11	4.500	3.863,79
2015-06-12	4.078	3.516,17
2015-06-15	2.200	1.875,50
2015-06-16	3.150	2.686,95
2015-06-17	1.300	1.117,70
2015-06-18	1.200	1.020,00
2015-06-19	4.952	4.158,50
2015-06-22	1.000	850,00
2015-06-23	300	250,80
2015-06-25	325	275,78
2015-06-26	500	421,65
2015-06-29	1.000	849,00
2015-06-30	964	806,38
Amount for the last six calendar months (01-01-2015 – 30-06-2015)	1.098.784	841.174,61
Price per share	0,7655504722	
Number of LD shares	290.685.740	
Value	222.534.605,52	

Table of comparison of the key performance indicators of AB LESTO and public limited liability company Lietuvos Dujos

Comparison of some financial indicators of LESTO and LD		LESTO	LD	Difference
		2015 Half 1	2015 Half 1	
Revenue	thousand EUR	292,632	30,675	261,957
Purchase expenses of electricity, natural gas and other related services	thousand EUR	180,344	2,525	177,819
Operating expenses (1)	thousand EUR	41,264	14,694	26,570
EBITDA (2)	thousand EUR	71,024	13,444	57,580
EBITDA margin (3)	%	24.27%	43.83%	-19.56%
Net profit (loss)	thousand EUR	43,039	7,678	35,361
		2015 Half 1	2015 Half 1	
Net assets	thousand EUR	832,806	195,849	636,957
Equity	thousand EUR	425,309	145,386	279,923
Financial debt	thousand EUR	219,117	0	219,117
Net financial debt (4)	thousand EUR	203,983	-15,734	219,717
Equity level (5)	%	51.07%	74.23%	-23.16%
Net financial debt / EBITDA, 12 months	%	156.74%	- *	
Net financial debt / Equity ratio	%	47.96%	- *	

* LD has no financial debt, thus the indicator is not calculated.

1) Operating expenses (OPEX) = operating expenses, except for purchase expenses of electricity and other related services, depreciation and amortization expenses, impairment expenses and write-offs of fixed assets;

2) EBITDA (profit before interest, taxes, depreciation, and amortization) = profit (loss) before tax + interest expenses - interest income - dividends received + depreciation and amortization expenses + impairment expenses + write-offs of fixed assets;

3) EBITDA margin = EBITDA / Revenue;

4) Net financial debt = financial debt - cash and cash equivalents - short-term investments and term deposits - part of other fixed assets, which is comprised of investments into debt securities;

5) Equity level = equity at the end of the period / net assets at the end of the period;

Annex No 9 to the Terms of Reorganization of AB LESTO
and public limited liability company Lietuvos Dujos

**Approval from the Register of Legal Entities of the Republic of Lithuania regarding the
performance of assessment of the Terms of Reorganization by the audit company common for
both Companies**

[See attached]

RECEIVED by AB Lietuvos Dujos on 1 July 2015
No 10-1530

STATE ENTERPRISE CENTRE OF REGISTERS

V. Kudirkos g. 18, LT-03105 Vilnius, tel. (8 5) 268 8202, fax. (8 5) 268 8311, e-mail info@registrucentras.lt
Data collected and stored in the Register of Legal Entities, code 124110246

To: Liudas Liutkevičius
Chief Executive Officer
of the public limited liability company
Lietuvos Dujos
Aguonų g. 24, 03212 Vilnius

01-07-2015 No. (1.11.9.)s-3250
Ref. 26-06-2015 No. 12220-1477/7-14-575

RE: CONSENT TO THE APPOINTMENT OF COMMON EXPERT

The state enterprise Centre of Registers has examined the application of the public limited liability company LESTO (code 302577612) and the public limited liability company Lietuvos Dujos (code 120059523) for giving consent to the appointment of a common expert for the assessment of their terms of reorganization.

Pursuant to paragraph 2 of Article 2.100 of the Civil Code of the Republic of Lithuania and paragraph 2 of Article 63 of the Law on Companies of the Republic of Lithuania, we consent to the appointment of a common expert – audit company UAB Grant Thornton Rimess (code 300056169) and auditors Genadij Makušev (auditor's certificate No. 000162) and Arvydas Ziziliauskas (auditor's certificate No. 000467) – for the assessment of the terms of reorganization of the public limited liability company LESTO (code 302577612) and the public limited liability company Lietuvos Dujos (code 120059523).

Director

/signature/

Kęstutis Sabaliauskas

Irena Grušnytė, (8 5) 268 8385, e-mail. irena.grusnyte@registrucentras.lt

RECEIVED by AB LESTO on 1 July 2015
No CB-5195

STATE ENTERPRISE CENTRE OF REGISTERS

V. Kudirkos g. 18, LT-03105 Vilnius, tel. (8 5) 268 8202, fax. (8 5) 268 8311, e-mail info@registrucentras.lt
Data collected and stored in the Register of Legal Entities, code 124110246

To: Aidas Ignatavičius
Chief Executive Officer
of AB LESTO
Aguonų g. 26, 03212 Vilnius

01-07-2015 No. (1.11.9.)s-3251
Ref. 26-06-2015 No. 12220-1477/7-14-575

RE: CONSENT TO THE APPOINTMENT OF COMMON EXPERT

The state enterprise Centre of Registers has examined the application of the public limited liability company LESTO (code 302577612) and the public limited liability company Lietuvos Dujos (code 120059523) for giving consent to the appointment of a common expert for the assessment of their terms of reorganization.

Pursuant to paragraph 2 of Article 2.100 of the Civil Code of the Republic of Lithuania and paragraph 2 of Article 63 of the Law on Companies of the Republic of Lithuania, we consent to the appointment of a common expert – audit company UAB Grant Thornton Rimess (code 300056169) and auditors Genadij Makušev (auditor's certificate No. 000162) and Arvydas Ziziliauskas (auditor's certificate No. 000467) – for the assessment of the terms of reorganization of the public limited liability company LESTO (code 302577612) and the public limited liability company Lietuvos Dujos (code 120059523).

Director

/signature/

Kęstutis Sabaliauskas

Irena Grušnytė, (8 5) 268 8385, e-mail. irena.grusnyte@registrucentras.lt

**ARTICLES OF ASSOCIATION
OF
AB ENERGIJOS SKIRSTYMO OPERATORIUS**

I. GENERAL PART

1. The company name is AB Energijos Skirstymo Operatorius (hereinafter referred to as the Company).
2. The Company is an independent private legal entity of limited civil liability established for an indefinite period and operating in accordance with the laws of the Republic of Lithuania. The Company's authorised capital is divided into parts called shares.
3. In pursuing its activities the Company follows laws and other regulations as well as the present Articles of Association. The Articles of Association of the Company is the main document of the Company of the highest legal force.
4. The Company and its parent company as well as the legal entities directly and indirectly controlled by the parent company constitute a group of companies (hereinafter referred to as the "group of companies"). The group of companies is not a legal entity. The Company is not liable for the obligations of the group of companies and the group of companies – for the Company's obligations.
5. Following the requirements of the legislation and the present Articles of Association, the parent company has the right to approve the guidelines and rules for the operation of the Company, annual financial plan, annual rate of return on assets and maximum amount of liabilities as well as to establish other operational parameters of the Company which must be followed by the Company.
6. The legal form of the Company is public limited liability company.
7. The financial year of the Company is calendar year.
8. The bodies of the Company are the General Meeting of Shareholders, collegial supervisory body - the Supervisory Board, collegial management body - the Management Board and the sole governing body - Chief Executive Officer.

II. OBJECTIVES AND OBJECT OF ACTIVITIES OF THE COMPANY

9. The objective of the Company's activities is reliable and efficient performance of the functions of the operator of electricity and natural gas distribution system and the public supplier of electrical energy in order to secure the interests of the Company and its shareholders.
10. The object of the Company's activities is the following:

- 10.1. reliable and safe transmission of electrical energy to consumers via distribution networks,
 - 10.2. reliable and safe transportation and delivery of natural gas to consumers via distribution networks,
 - 10.3. operation, maintenance, control and development of natural gas distribution system and electricity distribution networks,
 - 10.4. public supply of electrical energy,
 - 10.5. guarantee supply of electrical energy and natural gas to consumers,
 - 10.6. catering to other needs of electricity consumers and the users of natural gas system,
 - 10.7. other activities which are consistent with the Company's operational objectives and laws of the Republic of Lithuania.
11. The bodies of the Company and their members act to the best interests of the Company and all the shareholders of the Company. The Company's management bodies must strive to achieve the Company's operational objectives in accordance with laws, other legislation, the present Articles of Association and internal documents of the Company.

III. AUTHORISED CAPITAL AND SHARES

12. The authorised capital of the Company amounts to EUR 259,442,796.57 (two hundred fifty nine million four hundred forty two thousand seven hundred and ninety six Euro 57 ct). The Company's authorised capital is divided into 894,630,333 (eight hundred ninety four million six hundred thirty thousand three hundred thirty three) ordinary registered shares with the par value of EUR 0.29 EUR (twenty nine cents) each. One ordinary registered share amounting to EUR 0.29 (twenty nine cents) grants its owner one vote at the General Meeting of Shareholders.
13. The Company issues one class shares, namely ordinary registered shares. All shares of the Company are uncertificated. They are recorded as entries in personal securities accounts of shareholders.

IV. SHAREHOLDERS AND RIGHTS OF SHAREHOLDERS

14. The shareholders have property and non-property rights provided for in laws, other legislation and these Articles of Association.
15. The management bodies of the Company provide proper conditions for the implementation of the rights of the Company's shareholders.

V. GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY

16. The General Meeting of Shareholders is the supreme body of the Company.
17. The competence of the General Meeting of Shareholders, the procedure for convening thereof and decision-making is laid down in laws, other legislation and the present Articles of Association.
18. Additional competence of the General Meeting of Shareholders is the following:
- 18.1. decision-making on the conclusion of contracts with members of the Supervisory Board of the Company and the Chairman of the Supervisory Board provided for in Articles 24 and 32 of the Articles of Association and the terms and conditions thereof as well as the

- appointment of a person authorised to sign such contracts on behalf of the Company;
- 18.2. decision-making on approval or disapproval of the Company's annual report and interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year.

VI. SUPERVISORY BOARD OF THE COMPANY

19. The Supervisory Board is a collegial body performing supervision of the activities of the Company.
20. The Supervisory Board consists of 3 (three) members – natural persons. The Supervisory Board consists of at least 1/3 (one third) of independent members, and more than a half of members of the Supervisory Board must not be in the employment relationship with the Company. The Supervisory Board is elected for the term of office of four (4) years by the General Meeting of Shareholders. The Supervisory Board or members thereof begin and end their activities according to the procedure and within the time limits set forth in legislation.
21. When nominating candidates to members of the Supervisory Board, the person nominating such candidates must submit to the General Meeting of Shareholders written explanations regarding the qualifications, experience in managerial position, eligibility for holding the position of a member of the Supervisory Board with regard to the restrictions set out in Article 23 hereof.
22. Each candidate to members of the Supervisory Board must furnish the General Meeting of Shareholders with a written consent to stand as a candidate for the position of a member of the Supervisory Board and the candidate's declaration of interests indicating all circumstances which could lead to a conflict of interest between the candidate and the Company. In case of emergence of new circumstances which could lead to a conflict of interests between the member of Supervisory Board and the Company, a member of Supervisory Board must immediately inform the Supervisory Board and the Company about such new circumstances in writing.
23. The following persons cannot be the members of the Supervisory Board:
- 23.1. the Chief Executive Officer of the Company;
 - 23.2. a member of the Board of the Company;
 - 23.3. a member of the supervisory body, management body or the administration of the legal entity engaged in electrical energy or natural gas transmission or production (extraction) activities, or of another legal entity engaged in natural gas and/or electrical energy supply activities;
 - 23.4. a person who has no right to hold the office according to the legislation.
24. The Supervisory Board members may be subject to a contract on the activities in the Supervisory Board which set out their rights, duties and responsibilities. Upon decision of the General Meeting of Shareholders, independent members of the Supervisory Board may be paid remuneration for their activities in the Supervisory Board. The terms and conditions of the contracts concluded with the members of the Supervisory Board and the criteria of independence of Supervisory Board members are defined by the General Meeting of Shareholders in accordance with statutory requirements and good corporate governance practice.
25. A member of the Supervisory Board may resign from office before the expiry of his term of

office by giving a written notice thereof to the Company in accordance with the procedure prescribed by laws.

26. If a member of the Supervisory Board is recalled from office, resigns or discontinues the performance of his duties for other reasons and the shareholders whose shares carry at least 1/10 of all votes object to the election of individual members of the Supervisory Board, the Supervisory Board loses its powers, and the entire Supervisory Board becomes subject to election. Where individual members of the Supervisory Board are elected, they are elected only until the expiry of the term of office of the current Supervisory Board.
27. The Supervisory Board is managed by its Chairman. The Supervisory Board elects the Chairman of the Supervisory Board from among its members. Chairman of the Supervisory Board convenes meetings of the Supervisory Board and chair them. If the Chairman of Supervisory Board is absent or unable to hold his office, meetings of the Supervisory Board are convened and chaired by the oldest member of the Board in terms of age.
28. The competence of the Supervisory Board includes the following:
 - 28.1. to elect members of the Management Board and recall them from office;
 - 28.2. to supervise the activities of the Management Board and the Chief Executive Officer;
 - 28.3. to present to the General Meeting of Shareholders comments and proposals on:
 - 28.3.1. the set of annual financial statements, draft of profit/loss appropriation and the annual report of the Company;
 - 28.3.2. decision-making on draft allocation of dividends for a period shorter than the financial year;
 - 28.3.3. the interim set of annual financial statements drawn up for decision-making on allocation of dividends for a period shorter than the financial year, and on an interim report;
 - 28.3.4. activities of the Board or the Chief Executive Officer;
 - 28.4. to submit proposals to the Management Board and the Chief Executive Officer to revoke their decisions which are in conflict with laws and other legislation, the present Articles of Association of the Company or the decisions of the General Meeting of Shareholders;
 - 28.5. to address other issues assigned to the scope of powers of the Supervisory Board by the Articles of Association of the Company as well as by decisions of the General Meeting of Shareholders regarding the supervision of the activities of the Company and its management bodies.
29. Additional competence of the Supervisory Board includes the following:
 - 29.1. to make decisions on the terms and conditions of the contracts provided for in Article 42 hereof with members of the Management Board and the Chairman of the Management Board on the activities in the Management Board, including establishment of the remuneration for work at the Management Board, and appointment of the person authorised to sign such contracts on behalf of the Company;
 - 29.2. to submit comments and proposals to the Management Board on decisions to be made and/or already made and documents and/or drafts referred to in Articles 47.1, 47.2, 47.7, 47.8, 48.2 and 48.3 hereof, respectively;
 - 29.3. to provide comments and proposals to the decisions made or planned to be made by the Management Board and/or the Chief Executive Officer upon request of the Management Board and/or the Chief Executive Officer;

- 29.4. to submit its opinion to the Board on the candidacies of the management bodies of Chief Executive Officer, companies in which the Company is a shareholder, branches and representative offices.
30. The Supervisory Board does not have the right to assign or transfer the functions attributed to its competence by laws and the Articles of Association to any other bodies of the Company.
31. The Supervisory Board is entitled to ask the Management Board of the Company and the Chief Executive Officer of the Company to submit the documents related to the activities of the Company and the Management Board, and the Chief Executive Officer must ensure that the documents and information were submitted to the Supervisory Board within a reasonable period of time.
32. The Supervisory Board members must keep commercial (industrial) secrets and confidential information they obtained while holding the office of members of the Supervisory Board. Members of the Supervisory Board may be subject to confidential information protection agreements the terms and conditions whereof are approved by the General Meeting of Shareholders.
33. Decision-making and working procedure of the Supervisory Board:
- 33.1. the working procedure of the Supervisory Board is laid down in the Rules of Procedure of the Supervisory Board adopted thereby;
- 33.2. the Supervisory Board takes its decisions during the meetings of the Supervisory Board. Minutes must be taken of meetings of the Supervisory Board;
- 33.3. meetings of the Supervisory Board are held at least once per quarter. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board. Meetings of the Supervisory Board may also be convened by the decision of at least 1/3 (one third) of members of the Supervisory Board. The Supervisory Board must provide an opportunity to be present in its meetings and provide explanations for the Board members, the Chief Executive Officer and other employees when dealing with their activity-related issues;
- 33.4. if one or more members of the Management Board, the Chairman of the Management Board or the entire Management Board resign or are removed from office, a meeting of the Supervisory Board, where new members of the Board or the entire Board are to be elected, is convened immediately;
- 33.5. the Supervisory Board may take decisions, and its meeting are considered to have been held if attended by more than a half of members of the Supervisory Board;
- 33.6. a decision of the Supervisory Board is taken if the number of votes cast for it exceeds the number of votes cast against. Where equal votes are cast "for" and "against", the Chairman of the Supervisory Board has the casting vote. A decision to remove a member of the Board from office may be taken if at least 2/3 (two thirds) of the Supervisory Board members present at the meeting vote for it;
- 33.7. the Supervisory Board members must be present in the meetings of the Supervisory Board and vote for or against each issue in question. A Supervisory Board member is entitled to refuse to vote or abstain from voting, except the cases where a conflict of interest between a member of the Supervisory Board and the Company may occur or on other grounds set forth in these Articles of Association or the legislation. A member of the Supervisory Board is entitled to grant a power of attorney in a simple written form to another member of the Supervisory Board to represent him during the voting at the Supervisory Board meeting;

- 33.8. the Supervisory Board members who are unable to personally be present at the Supervisory Board meeting must vote in advance in writing or vote by electronic means if the security of information transmitted is guaranteed and the voting person can be identified. The Supervisory Board members who voted in advance in writing or by means of electronic communications are considered to have participated in the Supervisory Board meeting.
34. The Company must ensure proper conditions for the work of the Supervisory Board and the Supervisory Board members during the meetings of the Supervisory Board by providing them with necessary technical and organisational means. The Chief Executive Officer appoints an employee of the Company to carry out the service functions during the Supervisory Board meetings.

VII. MANAGEMENT BOARD OF THE COMPANY

35. The Board is a collegial management body of the Company.
36. The Board is elected and recalled by the Supervisory Board in accordance with the procedure set forth herein and in the legislation. The Board is accountable to the Supervisory Board and the General Meeting of Shareholders.
37. The Management Board consists of five (5) members who are elected for the term of office of four (4) years. The office of the Management Board commences and expires under the procedure and within the time limits provided for in laws.
38. When nominating candidates to the members of the Management Board, the person nominating such candidates must submit to the General Meeting of Shareholders written explanations regarding the qualifications, experience gained while holding a managerial position, eligibility for holding the position of a member of the Management Board with regard to the restrictions set out in Article 40 hereof.
39. Each candidate to members of the Management Board must furnish the Supervisory Board with a written consent to stand as a candidate to the position of the member of the Management Board and the candidate's declaration of interests indicating all circumstances which could lead to a conflict of interests between the candidate and the Company. In case of emergence of new circumstances which could lead to a conflict of interests between the member of the Management Board and the Company, the member of the Management Board must immediately inform the Management Board and the Supervisory Board about such new circumstances in writing.
40. The member of the Management Board may not be:
- 40.1. a member of the Supervisory Board of the Company or the parent company;
 - 40.2. a member of the supervisory body, management body or the administration of the legal entity engaged in electrical energy or natural gas transmission or production (extraction) activities, or of another legal entity engaged in natural gas and/or electrical energy supply activities;
 - 40.3. a person who has no right to hold the office according to legislation.
41. The Management Board members may not be engaged in other work or hold another office

which would be incompatible with their work at the Management Board, including managerial positions in other legal persons (except for the duties and work in the Company and the group of companies), work as a civil servant as well as work at statutory service. The members of the Board are allowed to hold another office or have another job, except for the positions in the Company, group of companies and other legal entities, where the Company is a member, as well as educational, creative and author's activities only with a prior consent of the Supervisory Board.

42. Prior to commencing holding their offices, members of the Management Board may be subject to a contract on the activity at the Management Board which sets out their rights (including the right to remuneration for the activities at the Board, if a decision to pay such remuneration has been made), duties and responsibilities. The terms and conditions of the contracts with the members of the Management Board are determined by the Supervisory Board.
43. The Management Board elects the Chairman of the Management Board from among its members.
44. If the Management Board is recalled from office, resigns or otherwise ceases to hold the office before the expiry of the term of office, a new Board is elected for a new term of office of the Management Board. If individual members of the Management Board are elected, they are elected only until the expiry of the term of office of the current Management Board.
45. A member of the Management Board may resign before the expiry of his term of office by giving a written notice to the Company in accordance with the procedure prescribed by laws.
46. The competence of the Management Board, the procedure for decision-making, election and removal of its members are defined by laws, other legislation, the present Articles of Association and the Rules of Procedure of the Management Board.
47. The Board considers and approves the following:
 - 47.1. the operating strategy of the Company;
 - 47.2. the operating budget of the Company;
 - 47.3. the Company's management and organisational structure, job descriptions of employees, and the maximum number of positions;
 - 47.4. positions whereto employees are recruited through competition;
 - 47.5. the regulations of branches and representative offices of the Company;
 - 47.6. a list of confidential information and commercial (industrial) secrets;
 - 47.7. the Company's annual report;
 - 47.8. the Company's interim report made for the decision-making on the allocation of dividends for a period shorter than the financial year;
 - 47.9. natural gas distribution prices;
 - 47.10. the prices of guaranteed natural gas supply;
 - 47.11. electrical energy distribution prices presented by the Chief Executive Officer, specific electrical energy distribution prices and tariffs, also the prices and tariffs of public supply services and of public electrical energy, if the Company is engaged in public supply of electrical energy, and the procedure for the application thereof;
 - 47.12. the method of depreciation and depreciation rates as well as procedure for further use of depreciated or unused long-term tangible assets applicable by the Company.

48. The Board analyses and evaluates the following:
- 48.1. the implementation of the operating strategy of the Company;
 - 48.2. the set of annual financial statements of the Company, the draft of the Company's profit (loss) distribution;
 - 48.3. the set of interim financial statements of the Company drawn up to decide on the allocation of dividends for a period shorter than the financial year and a draft decision on dividends for a period shorter than the financial year;
 - 48.4. the organisation of the Company's activities;
 - 48.5. the financial status of the Company;
 - 48.6. results of business activities of the Company, income and expenditure estimates, the stocktaking and other accounting data of changes in the assets.
49. The documents referred to in Articles 47.1 and 47.2 and/or the drafts thereof are submitted by the Management Board to the Supervisory Board and documents and/or draft documents referred to in Articles 47.7, 47.8, 48.2 and 48.3 hereof are presented by the Board to the Supervisory Board and the General Meeting of Shareholders.
50. The Board makes decisions on conclusion of the following transactions (except for the cases when transactions meeting such criteria are foreseen in the operating budget of the Company, or the approved financial plan of the Company is implemented through conclusion of such transactions):
- 50.1. decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds EUR 3,000,000 (three million Euro) (calculated individually for every type of transaction);
 - 50.2. decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds EUR 3,000,000 (three million Euro) (calculated for the total amount of transactions);
 - 50.3. decisions on surety or guarantee for the discharge of obligations of third parties the amount whereof exceeds EUR 3,000,000 (three million Euro);
 - 50.4. decisions on acquisition of fixed assets at a price greater than EUR 3,000,000 (three million Euro), except for cases when the Company acquires such assets for the connection of electrical equipment of consumers, producers or other persons to electricity grids or the reconstruction (removal) of the Company's electrical equipment at the request of third persons;
 - 50.5. decisions on the conclusion of other transactions the value whereof exceeds EUR 3,000,000 (three million).
- When adopting the decisions referred to in this Article of the Articles of Association, the Board approves the essential terms and conditions of such transactions.
51. The Board decides on:
- 51.1. becoming of the Company an incorporator or member of other legal persons;
 - 51.2. establishment of branches and representative offices of the Company and termination of the activities thereof as well as the approval and amendment of their regulations;
 - 51.3. any assignment of shares (parts, stocks) held by the Company or the rights granted thereby to other persons or restriction thereof;
 - 51.4. approval of the candidates to the management bodies of companies in which the Company is a shareholder, the company's branches and representative offices considering the opinion provided by the Supervisory Board;

- 51.5. presence and voting at the General Meetings of Shareholders of the companies in which the Company is a shareholder and the appointment of a person who would implement the decision of the Management Board in a particular General Meeting of Shareholders of the company in which the Company is a shareholder.
52. The Board makes the following decisions:
- 52.1. to issue debentures of the Company (except for convertible debentures);
 - 52.2. to approve the procedure for allocating support and charity;
 - 52.3. to provide support or charity, or otherwise dispose of assets free of charge according to the procedure approved by the Management Board;
 - 52.4. on other issues assigned to the competence of the Management Board by laws, these Articles of Association or the General Meeting of Shareholders, as well as on the issues (including conclusion of transactions) wherefor the Chief Executive Officer applies to the Management.
53. If, under the Articles of Association or the laws, the approval of the General Meeting of Shareholders is required for the decisions of the Management Board, the decisions of the Management Board may be implemented only after the approval of the General Meeting of Shareholders is obtained.
54. The Management Board is responsible for the convocation and organisation of the General Meetings of Shareholders in due time.
55. Considering the opinion of the Supervisory Board, the Management Board elects and removes from office the Chief Executive Officer of the Company, sets his salary and other terms of the employment contract, approves his job description, provides incentives for and imposes penalties on him.
56. All members of the Management Board have equal rights and duties, except for the cases laid down by laws and other legislation.
57. In its activity the Board follows laws, other legislation, the present Articles of Association, decisions of the General Meeting of Shareholders, decisions of the Supervisory Board and the Rules of Procedure of the Management Board.
58. The Management Board members must keep commercial (industrial) secrets and confidential information of the Company and the group of companies which they learned while holding the office of members of the Management Board.
59. Decision-making and working procedure of the Management Board:
- 59.1. the working procedure of the Management Board is determined in the Rules of Procedure adopted thereby;
 - 59.2. each Management Board member is responsible for the analysis of the issues assigned to his competence, i.e. the field under his supervision directly related to work at the Management Board on which the respective decision must be made, and presentation of all relevant information to other members of the Management Board so that the necessary decisions of the Board would be made in a timely manner. Specific areas of competence of the Management Board members are set out in the Rules of Procedure of the Management Board;

- 59.3. the Management Board takes decisions during the meetings of the Management Board. Minutes must be taken of the meetings of the Management Board;
 - 59.4. meetings of the Management Board must be held at least once every two calendar weeks. The Rules of Procedure of the Management Board may establish other regularity of the meetings of the Management Board;
 - 59.5. the Board meetings are convened and chaired by the Chairman of the Management Board. In the absence of the Chairman of the Management Board, the Management Board is convened and chaired by the oldest member of the Board in terms of age;
 - 59.6. the Board may make decisions and the meeting is deemed to have taken place when 4 (four) or more members of the Management Board are present at the meeting. The Board members having voted in advance are deemed to be present at the meeting;
 - 59.7. a decision of the Board is adopted if more than a half of Board members vote for it. Where equal votes are cast “for” and “against”, the Chairman of the Management Board has the casting vote;
 - 59.8. the Management Board members must be present in the meetings of the Management Board and vote for or against each issue in question. The Management Board member is not entitled to refuse to vote or abstain from voting, except for cases where a conflict of interests between a member of the Management Board and the Company may occur or on other grounds set forth in the Articles of Association or the legislation;
 - 59.9. a member of the Management Board is entitled to vote when the meeting of the Board solves an issue related to his activity in the Board or an issue under his responsibility;
 - 59.10. a member of the Management Board has the right to grant a power of attorney in a simple written form to another member of the Board to represent him during the voting at the Management Board meeting;
 - 59.11. the Management Board members who are unable to personally be present at the Management Board meeting must vote in advance in writing or vote by electronic means if the security of information transmitted is guaranteed and the voting person can be identified. The Management Board members who voted in advance in writing or by means of electronic communications are considered to have participated in the Management Board meeting.
60. The Company must ensure proper conditions for the work of the Management Board and Management Board members during the meetings of the Management Board by providing them with necessary technical and organisational means. The Chief Executive Officer appoints an employee of the Company to carry out the service functions during the Management Board meetings.

VIII. CHIEF EXECUTIVE OFFICER

61. The Chief Executive Officer is the sole managing body of the Company. The Chief Executive Officer organises the activities of the Company, manages them, acts on behalf of the Company and transacts at his own discretion, except for cases provided for in these Articles of Association and laws.
62. The competence of the Chief Executive Officer, the procedure for his election and removal from office is laid down in laws, other legislation and the present Articles of Association.
63. The Chief Executive Officer may not be:
- 63.1. a person who has no right to hold the office according to the legislation;
 - 63.2. a member of the supervisory body, management body or the administration of the legal

entity engaged in electrical energy or natural gas transmission or production (extraction) activities, or of another legal entity engaged in natural gas and/or electrical energy supply activities.

64. A candidate for the office of the Chief Executive Officer must submit a written consent to stand as a candidate for election to the position of the Chief Executive Officer and the declaration of interests of the candidate, indicating all the circumstances which could lead to a conflict of interests between the candidate and the Company therein. In case of emergence of new circumstances which could lead to a conflict of interests between the Chief Executive Officer and the Company, the Chief Executive Officer must immediately notify the Management Board of such new circumstances in writing.
65. The Chief Executive Officer starts holding the office as of the day of his election, if the employment contract concluded with him does not provide for otherwise. The employment contract with the Chief Executive Officer is signed by a person authorised by the Management Board.
66. The Chief Executive Officer is entitled to resign from the office by giving a written notice to the Management Board and the Supervisory Board in accordance with the procedure prescribed by laws.
67. In his activities the Chief Executive Officer follows laws and other legislation, these Articles of Association, decisions of the General Meeting of Shareholders, decisions of the Supervisory Board and the Management Board, and his job description.
68. The Chief Executive Officer must keep commercial (industrial) secrets of the Company and the group of companies, as well as the confidential information learnt while holding his office.
69. The Chief Executive Officer:
 - 69.1. ensures the implementation of the operating strategy of the Company;
 - 69.2. implements the decisions of the Management Board;
 - 69.3. issues orders regulating the activities of the Company;
 - 69.4. approves the Rules of Procedure of the Company;
 - 69.5. hires and fires employees, concludes and terminates employment contracts therewith, provides incentives and imposes penalties;
 - 69.6. opens and closes the bank accounts and disposes of the Company's funds available therein;
 - 69.7. grants powers of attorney and procuracies;
 - 69.8. ensures protection of assets of the Company, establishment of proper working conditions for employees of the Company, protection of commercial secrets and confidential information of the Company;
 - 69.9. is responsible for drafting a set of annual financial statements of the Company and drawing up an annual report of the Company;
 - 69.10. is responsible for drawing up the draft allocation of dividends for a period shorter than the financial year, drafting a set of interim financial statements and preparation of an interim report for the decision-making on the allocation of dividends for a period shorter than the financial year;
 - 69.11. submits proposals to the Management Board on the operating budget of the Company;
 - 69.12. publishes the information defined by legislation in accordance with these Articles of Association;

- 69.13. ensures submission of documents and data of the Company to the Registrar of the Register of Legal Entities under the procedure set forth in legislation;
 - 69.14. provides the shareholders, the Supervisory Board or the Management Board with information on their request in the cases provided for by laws and the Articles of Association;
 - 69.15. is responsible for handling personal securities accounts of shareholders, except for cases when accounting of intangible shares is transferred to account managers;
 - 69.16. concludes a contract with an audit company and ensures submission of all necessary documents of the Company for auditing when an audit is mandatory under these Articles of Association and the legislation;
 - 69.17. performs other functions prescribed by laws, these Articles of Association, decisions of the General Meeting of Shareholders, decisions of the Supervisory Board and the Management Board as well as the job description of the Chief Executive Officer, and deals with other Company's activity-related matters which are not assigned to the competence of other bodies of the Company by laws or the present Articles of Association.
70. If, according to laws or these Articles of Association, a decision and/or approval of another body of the Company is needed for entering into transactions or making other decisions of the Company, the Chief Executive Officer may transact for the Company and make such other decisions only after the decision and/or approval of the respective body of the Company has been adopted.
71. The Chief Executive Officer may hold other office or do another job, except for his office at the Company, the parent company of the Company and other legal entities where the Company is a member or a parent company, and be engaged in educational, creative or author's activities in respect of which the consent is not required, only with a prior consent of the Management Board.

IX. PLANNING OF ACTIVITIES OF THE COMPANY, AUDIT AND FINANCES OF THE COMPANY

72. The organisational structure of the Company and job descriptions must be suitable for the targeted operations of the Company.
73. The activities of the Company are planned, and the operating budget of the Company is drawn up.
74. A set of financial statements of the Company must be drawn up in accordance with the International Financial Reporting Standards.
75. The Company's internal audit function may be ensured in accordance with the procedure established by the parent company.

X. PROCEDURE FOR ANNOUNCEMENT OF NOTICES

76. The notices of the Company which must be made public in the cases provided for in the Law on Companies of the Republic of Lithuania are published in the electronic publication published by the registrar of the Register of Legal Entities for announcement of public notices in accordance with the procedure prescribed by the Government.
77. Other notices of the Company that must be made public in accordance with the Law on

Securities of the Republic of Lithuania and other legislation (notifications about major events, etc.) are published in the Central Database of Regulated Information and on the Company's website.

XI. PROCEDURE FOR PRESENTING DOCUMENTS AND OTHER INFORMATION TO SHAREHOLDERS, MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

78. At a shareholder's written request and within 7 (seven) days from the receipt of the request, the Company grants to the shareholder access to and/or submits to him copies of the following documents: the Articles of Association of the Company, sets of annual and interim financial statements, the annual and interim reports of the Company, the auditor's opinions and audit reports, minutes of General Meetings of Shareholders, the Supervisory Board and the Board or other documents recording decisions of the Company's bodies, recommendations and responses of the Supervisory Board to General Meetings of Shareholders, lists of shareholders, members of the Supervisory Board or the Management Board, and other documents of the Company which must be made public according to laws, unless such documents contain any commercial (industrial) secrets or confidential information.
79. A shareholder or a group of shareholders having or controlling more than 1/2 (a half) and more of shares and having presented to the Company a written pledge in the form prescribed thereby not to disclose a commercial (industrial) secret or confidential information, also any member of the Supervisory Board or the Management Board have the right to access all the documents of the Company and subsidiaries thereof as well as all the information of the Company and subsidiaries thereof (including information on draft decisions of management bodies of the Company that have not been adopted yet, and the information about the target transactions and investments), which is structured according to the criteria indicated by the person receiving the information and on his request. If the Company does not have the documents or information of the subsidiary companies requested by the persons indicated in this Article, the management bodies of the Company must take immediate actions for the Company to obtain such documents or information using the rights granted by the shares of subsidiaries. Information and documents provided on the basis of this Article of the Articles of Association must be submitted without delay, but not later than within 5 (five) working days from the receipt of the respective request. The entities referred to in this Article of the Articles of Association have the right to demand and the Company is obliged to ensure that certain specific information and documents were provided periodically without a separate request of the respective entity.
80. All the information and documents referred to in Articles 78 and 79 hereof must be presented to the shareholders, members of the Supervisory Board and the Management Board free of charge.

XII. FINAL PROVISIONS

81. The Articles of Association of the Company are amended in accordance with the procedure established in the Law on Companies of the Republic of Lithuania following the decision of the General Meeting of Shareholders made by the majority vote which is not less than 2/3 (two thirds) of the voting rights carried by the shares of the shareholders present at the meeting.
82. Following the decision by the General Meeting of Shareholders to amend the Articles of Association of the company, the full text of the amended Articles of Association is drawn up and

signed by the person authorised by the General Meeting of Shareholders.

- 83. The present Articles of Association were signed on 2015.
- 84. In case of any changes in the provisions of laws which result in certain discrepancies between the provisions of the present Articles of Association and the provisions of laws, the provisions of the amended legislation must be followed.
- 85. The Articles of Association take effect as of the date of registration thereof in the Register of Legal Entities.

The person authorised by the General Meeting of Shareholders:

REPORT
ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO
AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS

To:

AB LESTO

Aguonų g. 26, Vilnius

PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS

Aguonų g. 24, Vilnius

STATE ENTERPRISE CENTER OF REGISTERS

V. Kudirkos str. 18, Vilnius

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**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

I. SCOPE AND PROCEDURES OF ASSESSMENT OF REORGANIZATION TERMS

We have conducted an assessment of the accompanying Reorganization Terms of AB LESTO, code of a legal entity is 302577612, located in Aguonų g. 26, Vilnius and public company Lietuvos dujos, code of a legal entity is 120059523, located in Aguonų g. 24, Vilnius (hereinafter – Reorganization Terms), approved on 31 August 2015 by the Boards of Reorganized Companies, as the 63rd article of the Law on Companies of the Republic of Lithuania requires.

Boards of Reorganized Companies are responsible for the preparation of these Reorganization Terms in accordance with the requirements of the Law on Companies and other legal acts of the Republic of Lithuania.

Our responsibility is to express an opinion on these Reorganization Terms based on our assessment.

We conducted our assessment under ISAE 3000 “Assurance engagements other than audits or reviews of historical financial information” as well as our professional experience.

We conducted the assessment of Reorganization Terms and prepared the report on assessment of Reorganization Terms indicating, *inter alia*, the following:

- 1) report whether the share exchange ratio is fair and justified;
- 2) methods used to determine the share exchange ratio and the conclusions on the appropriateness of these methods for and their impact on the determination of the value of the shares;
- 3) description of the difficulties encountered during the assessment.

While conducting the assessment of Reorganization Terms, we have reviewed the following documents:

- Decision of the general meeting of shareholders of AB LESTO on 29 May 2015 regarding the approval of drafting of the Reorganisation Terms.
- Decision of the general meeting of shareholders of public limited liability company Lietuvos Dujos on 29 May 2015 regarding the approval of drafting of the Reorganisation Terms.
- Table on calculation of the share exchange ratio.
- Interim condensed audited financial statements of AB LESTO for Q2 2015 and H1 2015 and condensed consolidated pre-audited financial statements of AB LESTO Group.
- Audit firm’s UAB PricewaterhouseCoopers auditor’s report on 19 August 2015 of AB LESTO H1 2015 condensed interim financial information;
- Interim condensed audited financial statements of public limited liability company Lietuvos Dujos for Q2 2015 and H1 2015.
- Audit firm’s UAB PricewaterhouseCoopers auditor’s report on 17 August 2015 of public company’s Lietuvos Dujos H1 2015 condensed interim financial information;

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

- Table on calculation of the average weighted market price of shares of AB LESTO over the last 6 months (trading period from 1 January 2015 to 30 June 2015 (inclusive)).
- Table on calculation of the average weighted market price of shares of public limited liability company Lietuvos Dujos over the last 6 months (trading period from 1 January 2015 to 30 June 2015 (inclusive)).
- Table of comparison of the key performance indicators of AB LESTO and public limited liability company Lietuvos Dujos.
- Approval from the Register of Legal Entities of the Republic of Lithuania regarding the performance of the assessment of the Reorganisation Terms by the audit company common for both Companies.
- Draft Articles of Association of AB Energijos skirstymo operatorius.
- ABLESTO consolidated and Company's financial statements for the year 2014;
- Audit firm's UAB PricewaterhouseCoopers auditor's report of AB LESTO financial statements for the year 2014;
- AB LESTO consolidated and Company's financial statements for the Q1 2015;
- Report on assessment of long-term tangible assets of AB LESTO (the date of assessment is 02 February 2015);
- public company's Lietuvos Dujos Company's financial statements for the year 2014;
- Audit firm's UAB „Ernst & Young Baltic“ auditor's report of public company's Lietuvos Dujos financial statements for the year 2014;
- public company's Lietuvos Dujos pre-audited condensed financial statements for the Q1 2015;

When assessing the Reorganization Terms the following procedures were performed:

- We assessed the compliance of Reorganization Terms with the requirements of the 63rd article of the Law on Companies of the Republic of Lithuania;
- We assessed the methods, used to determine the share exchange ratio, in respect to their suitability and influence on determining the value of the shares; the mathematical correctness of the calculations, presented by the management, the application of the chosen valuation methods and the suitability of the assumptions used;
- We have assessed the correctness and validity of the share exchange ratio given in the Reorganization Terms.

Conducting the assessment we considered the following:

- 1) Companies' business specifics and history;
- 2) Companies' historical financial position, earnings and volumes of cash flows;
- 3) Tendencies of prices of Companies' shares in AB NASDAQ OMX Vilnius Stock Exchange.

This report on assessment of Reorganization Terms cannot be used for any other purposes except the reorganization of AB LESTO and public company Lietuvos dujos.

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

II. METHODS USED TO DETERMINE THE SHARE EXCHANGE RATIO

On the basis of the Reorganization Terms, the Companies are reorganized by way of merger, as laid down in Section 2.97 (4) of the Civil Code of the Republic of Lithuania, merging the Reorganized Companies which will cease their existence as legal entities after Reorganization into a new legal entity AB Energijos skirstymo operatorius that will begin its operation after Reorganization and will be the successor to all assets, rights and obligations of the Reorganized Companies.

As of the day of these Reorganization Terms the authorized capital of AB LESTO is EUR 175,143,931.97 and is divided into 603,944,593 ordinary registered shares of EUR 0.29 nominal value each.

As of the day of these Reorganization Terms the authorized capital of public company Lietuvos dujos is EUR 84,298,864.60 and is divided into 290,685,740 ordinary registered shares of EUR 0.29 nominal value each.

The authorized capital of AB Energijos skirstymo operatorius to be active after Reorganization will be equal to EUR 259,442,796.57, i.e. the authorized capitals of Reorganized Companies will be aggregated. The authorized capital of AB Energijos skirstymo operatorius will be divided into EUR 894,630,333 ordinary registered shares of EUR 0.29 nominal value each.

The calculation of the rate of conversion of AB LESTO and public company's Lietuvos dujos shares into AB Energijos skirstymo operatorius shares was based on two methods – the book value of net asset as of 30 June 2015 and average weighted market price of the Companies' shares over the last 6 months on the market where AB LESTO and public company's Lietuvos dujos securities are traded.

The method of book value of net asset was chosen for the following reasons: this method is based on the latest financial statements audited by the auditors and prepared in accordance with International Financial Reporting Standards as of 30 June 2015

The calculation of the average weighted market price of the Reorganized Companies' shares over the last 6 months (the value of shares is calculated using market prices for the period since 1 of January 2015 to 30 of June 2015) was chosen for the following reasons: this method reflects the value of AB LESTO and public company's Lietuvos dujos shares on the market, reflects the expectations of investors and the information held about the Companies, including their regulatory environment, as it comprises the recent data of AB NASDAQ OMX Vilnius Stock Exchange.

As a result of fluctuations of the market price of the Companies' shares (on AB NASDAQ OMX Vilnius Stock Exchange), also due to the changes in the power sector, as well as other factors which are likely to affect the market price of the Companies' shares at a certain moment, the boards of the Companies decided to use not the market capitalization of AB LESTO and public company Lietuvos dujos on a certain particular day but the average weighted market price of the Reorganized Companies' shares over the last 6 months.

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

III. SHARE EXCHANGE RATIO

In view of the book values of Reorganized Companies' net asset as of 30 June 2015, the allocation of dividends to shareholders have been removed from the total value of LD and LESTO shares and the values of all shares of public company Lietuvos dujos and AB LESTO Group were EUR 135,038 thousand and EUR 403,646 thousand respectively.

In view of average weighted market price of the Reorganized Companies' shares over the last 6 months (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)), the total value of public company's Lietuvos dujos and AB LESTO shares is EUR 222,535 thousand and EUR 599,569 thousand respectively.

Therefore, for the purposes of establishing the final ratio of conversion of public company's Lietuvos dujos and AB LESTO shares into AB Energijos skirstymo operatorius shares the arithmetic mean of values of shares calculated using the methods mentioned above was used. Thus the obtained total value of all public company's Lietuvos dujos and AB LESTO shares is EUR 178,787 thousand and EUR 501,608 thousand respectively, and the proportion of all AB Lietuvos dujos and AB LESTO shares is 26.276942 : 73.723058.

The calculation of the ratio of conversion of public company's Lietuvos dujos and ABLESTO shares into AB Energijos skirstymo operatorius shares is given below:

	Public company Lietuvos dujos	AB LESTO
Value of shares calculated using the method of book value of net asset in 30 June, 2015	EUR 135,038 thousand	EUR 403,646 thousand
Value of shares calculated using the method of average weighted market price of the Reorganized Companies' shares over the last 6 months	EUR 222,535 thousand	EUR 599,569 thousand
The arithmetic mean of value of shares calculated using the methods mentioned above	EUR 178,787 thousand	EUR 501,608 thousand
Ratio of values of shares	26.276942 : 73.723058	
AB Energijos skirstymo operatorius authorised capital	EUR 259,442,797	
Proportional share of AB Energijos skirstymo operatorius authorised capital attributable to the Company	EUR 68,173,633	EUR 191,269,164
Proportional share of AB Energijos skirstymo operatorius shares attributable to the Company	235,081,494	659,548,839
Number of shares	290,685,740	603,944,593
1 share exchange ratio	0.80871354	1.09206846

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

In view of the ratio of values of public company's Lietuvos dujos and AB LESTO shares, which is 26.276942 : 73.723058, AB LESTO shares will be converted into the shares of AB Energijos skirstymo operatorius, the company to be active after Reorganization, at the following ratio: 1 share of AB LESTO will equal to 1.09206846 AB Energijos skirstymo operatorius share, rounding as follows:

- If a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of AB Energijos skirstymo operatorius shares issued to a shareholder of AB LESTO after Reorganization will be rounded up to the whole number;
- If a fractional part of the total number of shares per shareholder is less than 0.5, the number of AB Energijos skirstymo operatorius shares issued to a shareholder of AB LESTO after Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated in money).

In view of the ratio of values of public company's Lietuvos dujos and AB LESTO shares, which is 26.276942 : 73.723058, public company's Lietuvos dujos shares will be converted into the shares of AB Energijos skirstymo operatorius, the company to be active after Reorganization, at the following ratio: 1 share of public company Lietuvos dujos will equal to 0.80871354 AB Energijos skirstymo operatorius share, rounding as follows:

- If a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of AB Energijos skirstymo operatorius shares issued to a shareholder of public company Lietuvos dujos after Reorganization will be rounded up to the whole number;
- If a fractional part of the total number of shares per shareholder is less than 0.5, the number of AB Energijos skirstymo operatorius shares issued to a shareholder of public company Lietuvos dujos after Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated in money).

IV. DESCRIPTION OF THE DIFFICULTIES ENCOUNTERED DURING THE ASSESSMENT

Assessment of Value of the Companies' Net Asset

By decisions of the Boards of the Companies dated 31 August 2015, extraordinary general meetings of shareholders of the Companies are to be convened, which are aimed at offering the shareholders of the Companies to allocate dividends for the period shorter than the financial year. The offer is to allocate dividends in the amount of EUR 21,742 thousand to AB LESTO shareholders and EUR 10,348 thousand to public company Lietuvos dujos shareholders. Given the aforementioned decisions and offers and seeking to determine the value of AB LESTO and public company Lietuvos dujos shares as accurately as possible, the amounts specified in this paragraph for the allocation of dividends to shareholders have been removed from the total value of public company Lietuvos dujos and AB LESTO shares which is presented according to the book value of net assets on 30 June 2015.

**REPORT ON ASSESSMENT OF REORGANIZATION TERMS OF
AB LESTO AND
PUBLIC LIMITED LIABILITY COMPANY LIETUVOS DUJOS**

The book value of the assets of Reorganized Companies was set taking into consideration the dividends expected to be paid. If the company's shareholders does not approve the rate of payment of dividends, the share exchange rate will change.

**V. REPORT ON FAIRNESS AND JUSTIFICATION OF SHARE EXCHANGE
RATIO**

In our opinion, except for the possible effects of the matters mentioned in the section No. IV, the methods used to assess the exchange ratio of the shares are in all material respects suitable and the calculated exchange ratio of the shares provided in the Reorganization Terms, is fair and justified.

Director Auditor
Genadij Makušev
Auditor's certification No. 000162



31 August, 2015
A. Goštauto 40B, Vilnius

UAB „Grant Thornton Rimess”
Audit company's certification No. 001410

REPORT ON INTENDED REORGANIZATION

OF THE BOARD OF

**PUBLIC LIMITED LIABILITY COMPANY
LIETUVOS DUJOS**

**VILNIUS
2015**

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1. DEFINITIONS

1.1. Capitalized words in this report on intended reorganization of the Board of public limited liability company Lietuvos Dujos shall have the following meanings, except for cases where they have a different meaning in a particular context:

1.1.1. **Companies** shall collectively refer to AB LESTO and public limited liability company Lietuvos Dujos being reorganized, whereas the **Company** shall mean any of the aforementioned companies individually.

1.1.2. **ESO** shall stand for a new company, namely, AB Energijos Skirstymo Operatorius established by merging the Companies during the reorganizational process, to which all assets, rights and obligations of the merged Companies are transferred.

1.1.3. **Reorganization** shall mean the reorganization of the Companies performed in compliance with the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania and other respective legal acts of the Republic of Lithuania, by merging two public companies, namely, AB LESTO and public limited liability company Lietuvos Dujos, which terminate their individual activity after the Reorganization and cease to exist as legal entities, into a new legal entity, i.e. ESO.

1.1.4. **Reorganization Terms** shall mean the document prepared and approved by managing bodies of the Companies, including all annexes, supplements, amendments to the Reorganization Terms as well as other documents which are attached to the Reorganization Terms and (or) are considered their integral part.

1.1.5. **Reorganized Companies** shall mean the companies which terminate their activity after the Reorganization and cease to exist as legal entities, namely, AB LESTO and public limited liability company Lietuvos Dujos.

1.1.6. **LD** shall stand for public limited liability company Lietuvos Dujos incorporated and operating in accordance with the legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 120059523 at the address Aguonų St. 24, Vilnius.

1.1.7. **LESTO** shall mean public limited liability company AB LESTO incorporated and operating in accordance with the legislation of the Republic of Lithuania, registered with the Register of Legal Entities of the Republic of Lithuania under the legal entity code 302577612 at the address Aguonų St. 26, Vilnius.

1.1.8. **Licences** shall mean licences for the distribution of natural gas as well as distribution and public supply of electrical energy.

1.1.9. **Transferred Assets, Rights and Obligations** shall mean all fixed and current assets of LESTO and LD, also long-term and current financial and other liabilities, accounts receivable and payable in accordance with agreements concluded by LESTO and LD or obligations arising from other bases, as well as all rights to licences, permits and certificates used by LESTO and LD, if legislation provides for the possibility to transfer such rights, and other rights and obligations of LESTO and LD assumed according to other transactions and obligations arising from other bases (including the rights and obligations under collective and

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

1.1.10. **Date of Transfer** shall mean the date before the moment the Licences come into effect on which ESO takes over all Transferred Assets, Rights and Obligations from the Companies.

1.2. In this report of the Board of LD on intended Reorganization, words importing the singular meaning shall, where the context so admits, include the plural meaning and vice versa. Similarly, the words importing the masculine gender may, where the context so admits, include the feminine gender and vice versa. Any names used in the report on intended Reorganization of the Board of LD are included for convenience only and shall have no effect on the meaning or interpretation of the report on intended Reorganization of the Board of LD. Every time such words as “include”, “among them” or “including” or words of similar meaning are used in the report on intended Reorganization of the Board of LD, it shall be deemed that they are followed by the phrase “but not limited to”.

1.3. A reference to a specific article, paragraph or subparagraph shall mean the reference to that specific article, paragraph or subparagraph of the report on intended Reorganization of the Board of LD, unless otherwise specified.

1.4. References to laws or other legislation made in the report on intended Reorganization of the Board of LD shall mean references to respective editions of the law or other piece of legislation of the Republic of Lithuania which is in effect at that time (unless the context requires otherwise).

2. LEGAL BASIS FOR REORGANIZATION

Based on the Reorganization Terms drafted upon instruction of the Company General Meeting of Shareholders held on 29 May 2015 and approved by decisions of the Boards of LESTO and LD adopted in the Board meetings of LESTO and LD held on 31 August 2015, LESTO and LD participating in Reorganization shall be merged and on the basis of the assets, rights and obligations of these Companies a new legal entity of the same legal form, namely ESO, shall be formed.

The report on intended Reorganization of the Board of LD is drafted in accordance with Article 2.99(3) of the Civil Code of the Republic of Lithuania and Article 64 of the Law on Companies.

This report on intended Reorganization of the Board of LD was approved by the decision of LD Board adopted in the Board meeting of LD held on 31 August 2015.



Liudas Liutkevičius

Chairman of the Board of public limited liability company Lietuvos Dujos

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

3.1. The reorganized companies:

3.1.1. LD

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

3.1.2. LESTO

- legal entity name – AB LESTO;
- legal form of the legal entity – public limited liability company;
- registered address of the legal entity – Aguonų St. 26, Vilnius, the Republic of Lithuania;
- legal entity code – 302577612;
- register where information about a legal entity is collected and kept – the Register of Legal Entities of the Republic of Lithuania, Registrar – SE Centre of Registers, Vilnius branch;
- value added tax payer's code – LT100005809812;
- authorised capital – EUR 175,143,931.97 divided into 603 944 593 ordinary registered shares with the nominal value of EUR 0.29 each, the ISIN code of the issue of shares being LT0000128449;
- paid up capital – EUR 175,143,931.97;
- LESTO is considered an issuer in accordance with the Law on Securities of the Republic of Lithuania, its shares are listed on the Official Trading List of NASDAQ OMX Vilnius, AB. All regulated information announced by LESTO, including the historical financial details for 2012, 2013 and 2014 as well as

interim financial information is available for familiarisation on the website of LESTO www.lessto.lt, also on the website of NASDAQ OMX Vilnius, AB www.nasdaqomxbaltic.com and in the Central Storage Facility on the website www.crib.lt;

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

- legal entity name – AB Energijos Skirstymo Operatorius;
- legal form of the legal entity – public limited liability company;
- registered address of the legal entity – Aguonų St. 24, Vilnius, the Republic of Lithuania;
- legal entity code – to be attributed in accordance with the procedure established in the legislation of the Republic of Lithuania following the registration of ESO with the Register of Legal Entities;
- register where information about a legal entity is collected and kept – the Register of Legal Entities of the Republic of Lithuania, Registrar – SE Centre of Registers, Vilnius branch;
- the ISIN code of the issue of shares will be attributed following the registration of the issue of ESO shares with the Central Securities Depository;
- authorised capital – EUR 259,442,796.57.

4. MODE OF REORGANIZATION. THE COMPANIES CEASING THEIR EXISTENCE AFTER REORGANIZATION AND A NEW COMPANY TO BE ACTIVE AFTER REORGANIZATION

- 4.1. On the basis of the Reorganization Terms, the Companies are reorganised by way of merger, as laid down in Article 2.97 (4) of the Civil Code of the Republic of Lithuania, merging the Reorganised Companies which will cease their existence as legal entities after the Reorganization into ESO which will begin its operation after the Reorganization and will be the successor to all assets, rights and obligations of the Reorganised Companies, i.e. the new legal entity ESO will result from the Companies ceasing their existence and will continue the activities. The Reorganization may be appealed to the court under the procedure established by legal acts of the Republic of Lithuania and may be declared null and void on the grounds provided for in the legislation of the Republic of Lithuania.
- 4.2. The Companies ceasing their existence after Reorganization: LESTO and LD.
- 4.3. The new company which will be incorporated and will commence its activities after the Reorganization: ESO.

5. GOAL OF REORGANIZATION

- 5.1. The Reorganization is aimed at the reduction of operating costs as a result of operational synergies. The Reorganization of the Company is also aimed at more efficient organization of activities, process optimization, elimination of duplication of activities and at more efficient investment planning.

6. REORGANIZATION TERMS. LEGAL AND ECONOMIC GROUNDS OF REORGANIZATION

- 6.1. Legal grounds of Reorganization. The Reorganization Terms have been drafted by the Boards of the Companies upon instruction of the Companies' General Meetings of Shareholders held on 29 May 2015 (Reorganization Terms were considered and approved by the decision of LD's Board meeting held on 31 August 2015 and by the decision of LESTO's Board meeting held on 31 August 2015). The Reorganization Terms were drawn up in accordance with the provisions of the Civil Code of the Republic of Lithuania, the Law on Companies and other respective legal acts of the Republic of Lithuania.
- 6.2. Economic grounds of Reorganization. As indicated in paragraph 5.1 of the report, the Reorganization is aimed at the reduction of operating costs as a result of operational synergies. The conducted analysis revealed that the most savings will be achieved as a result of the following:
 - 6.2.1. More efficient organization of activities and more convenient management - upon the merger of the Companies, their management and organization of activities will be ensured by one (rather than two) team of executives and administration. Correspondingly, a single and uniform process of approval of budget, strategy, action plans and goals will be implemented. For the above reasons, the management of ESO will be simpler and more efficient, and costs of administration will decrease.
 - 6.2.2. Optimization of processes and elimination of duplication of activities - upon the merger of the Companies, the organization of activities will be more efficient because of the merging of administration processes of the Companies, namely, finance management, legal activities, communication, human resource management, occupational safety and office administration. After the merger of the Companies, the plan is to search for synergies in core activities and to merge certain network operation processes.
 - 6.2.3. More efficient organization of work – more efficient organization of activities and optimizations of processes will result in the reduction of the costs of rent and maintenance of premises and vehicles, set-up of workplaces, etc.
 - 6.2.4. One-stop shop for customers – the consolidation of the customer service function will allow serving customers more efficiently - duplication of customer service standards and of the functions of formation of quality requirements, purchase and ordering of services and service control will be avoided.
 - 6.2.5. Economies of scale as a result of more efficient procurement procedures – joint procurement in the administration area will lead to a fewer procurement procedures and, respectively, decreased costs of services of the organization of procurement procedures.
 - 6.2.6. More efficient investment planning – different investment planning principles and methods of the Companies will be replaced by a uniform investment planning model. In light of the needs of development of networks, investment planning process itself

as well as investment project management and implementation control will be improved.

6.3. Authorised capital and establishment of share exchange ratio.

- 6.3.1. As of the day of drawing up the Reorganization Terms the authorized capital of LD is EUR 84,298,864.6 and is divided into 290,685,740 ordinary registered shares of EUR 0.29 nominal value each.
- 6.3.2. As of the day of drawing up the Reorganization Terms the authorized capital of LESTO is EUR 175,143,931.97 and is divided into 603,944,593 ordinary registered shares of EUR 0.29 nominal value each.
- 6.3.3. The authorized capital of ESO to be active after Reorganization will be equal to EUR 259,442,796.57, i.e. the authorized capitals of LD and LESTO will be aggregated. The authorized capital of ESO will be divided into 894,630,333 ordinary registered shares of EUR 0.29 nominal value each.
- 6.3.4. The calculation of the exchange ratio of LD and LESTO shares for the shares of ESO was based on the values of the Companies' shares. The Boards of the Companies sought to establish true values of both Companies' shares and while assessing the Companies took into account the financial situation of the Companies in Half 1 of 2015 as well as the valuation of the Companies on the market because both Companies are public interest companies whose shares are traded on AB NASDAQ OMX Vilnius Stock Exchange. For the purposes of establishing the exchange ratio of shares of LD and LESTO for the shares of ESO two methods were employed: (i) book value of net assets as of 30 June 2015, and (ii) average weighted price of the Companies' shares over the last 6 months on the market (the value of shares calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)) where LD and LESTO securities are traded.
- 6.3.5. The method of net assets book value was chosen for the following reasons: this method is based on the latest audited interim financial statements of the Companies drawn up in accordance with International Financial Reporting Standards as of 30 June 2015. Tangible fixed assets of LESTO and LD correspond to its true value:
- 6.3.5.1. tangible fixed assets of LESTO are accounted for at revalued amounts in accordance with International Accounting Standard (IAS) 16 "Property, Plant and Equipment". In pursuance of the provision of Article 31 of IAS 16, LESTO had the valuation of tangible fixed assets carried out on 31 December 2014 by way of receipts and expenditure (R&E) method of valuation on the basis of report on valuation of tangible fixed assets provided by Ernst & Young Baltic, UAB. More details are available in 2014 consolidated financial statements of LESTO online at: http://www.nasdaqomxbaltic.com/upload/reports/les/2014_ar_lt_ltl_con_ias.pdf.
- 6.3.5.2. Before 31 December 2014, all tangible fixed assets of LD were accounted for by way of cost approach. Following the change of accounting policy of LD according to the accounting policy of the group of companies of Lietuvos Energija, UAB, as of 31 December 2014, part of LD's tangible fixed assets, namely, distribution pipelines and their facilities, gas technology equipment and buildings, computer,

communications and other organisational technology as well as incomplete construction, have continued to be accounted for by way of cost approach, meanwhile, the remaining part of the assets has been accounted for by way of revaluation method. Having accounted part of the assets by revaluation method, a more accurate and true view of the economic value of tangible fixed assets is presented. LD applied the exception provided for in IAS 8, namely, to account for any changes in accounting estimates on a prospective basis rather than retrospectively.

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

More details are available in 2014 financial statements of LD online at: http://www.nasdaqomxbaltic.com/upload/reports/ldj/2014_ar_lt_ltl_con_ias.pdf.

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

- 6.3.6. The calculation of the average weighted market price of the Company's shares over the last 6 months (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)) was chosen for the following reasons: this method reflects the value of LD and LESTO shares on the market, reflects the expectations of investors and the information held about the Companies, including their regulatory environment, as it comprises the most recent trade data of AB NASDAQ OMX Vilnius Stock Exchange.
- 6.3.7. In the opinion of the Boards of the Companies, the application of two methods presents the values of LD and LESTO shares more objectively. As a result of fluctuations of the market price of the Companies' shares (on AB NASDAQ OMX Vilnius Stock Exchange), also due to the changes in the energy sector as well as other factors which are likely to affect the market price of the Companies' shares at a certain moment, it was decided to use the average weighted market price of the Companies' shares using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive) rather than market capitalization of LESTO and LD on a specific day.
- 6.3.8. According to the book values of net assets of LD Company and LESTO Group of 30 June 2015 recorded in interim financial statements dated 30 June 2015, the total value of LD and LESTO shares is EUR 145,386 thousand and EUR 425,388 thousand respectively. By decisions of the Boards of the Companies dated 31 August 2015, extraordinary general meetings of shareholders of the Companies are to be convened, which are aimed at offering the shareholders of the Companies to allocate dividends for the period shorter than the financial year. The offer is to allocate dividends in the amount of EUR 21,742 thousand to LESTO shareholders and EUR 10,348 thousand to LD shareholders. Given the aforementioned decisions and offers and seeking to determine the value of LESTO and LD shares as accurately as possible, the amounts

specified in this paragraph for the allocation of dividends to shareholders have been removed from the total value of LD and LESTO shares which is presented according to the Companies' book value of net assets on 30 June 2015. In this way, the adjusted value of shares of LD and LESTO is EUR 135,038 thousand and EUR 403,646 thousand, accordingly. Given the capitalisation of the Companies on the market over the trading period from 1 January 2015 to 30 June 2015 (inclusive) and the average weighted market price of the Companies' shares (the value of shares was calculated using the data of the trading period from 1 January 2015 to 30 June 2015 (inclusive)), the total value of shares of LD and LESTO is EUR 222,535 thousand and EUR 599,569 thousand, respectively.

6.3.9. In establishing the final exchange ratio of LD and LESTO shares for shares of ESO, the arithmetic mean of the results provided in paragraph 6.3.8 was used. Thus the obtained total value of all LD and LESTO shares is EUR 178,787 thousand and EUR 501,608 thousand respectively, and the ratio between the values of all LD and LESTO shares is 26.276942:73.723058.

6.3.10. Different values of the Companies' shares have been determined by significant differences in their financial indicators as well as different regulatory environment of the Companies. According to the data of interim financial statement of Half 1 2015 of the Companies, LESTO's EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) in Half 1 2015 amounted to EUR 71,024 thousand, whereas LD's EBITDA of the same period amounted to EUR 13,444 thousand. At the end of Half 1 2015, total assets of LESTO amounted to EUR 832,806 thousand, meanwhile, total assets of LD for the same period amounted to EUR 195,849 thousand. The afore-specified financial indicators considerably affected the differences between the values of the Companies' shares during the valuation of the shares of the Companies.

6.4. Rules of distribution of shares among shareholders.

6.4.1. In view of the ratio between the values of all LD and LESTO shares, which is 26.276942:73.723058, LESTO shares will be exchanged for the shares of ESO, the company to be active after the Reorganization, at the following ratio: 1 LESTO share will equal to 1.09206846 ESO share, rounding as follows:

6.4.1.1. if a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of ESO shares issued to a shareholder of LESTO after the Reorganization will be rounded up to the whole number;

6.4.1.2. if a fractional part of the total number of shares per shareholder is less than 0.5, the number of ESO shares issued to a shareholder of LESTO after the Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated).

6.4.2. In view of the ratio between the values of all LD and LESTO shares, which is 26.276942:73.723058, LD shares will be exchanged for the shares of ESO, the company to be active after the Reorganization, at the following rate: 1 LD share will equal to 0.80871354 ESO shares, rounding as follows:

- 6.4.2.1. if a fractional part of the total number of shares per shareholder equals to or is more than 0.5, the number of ESO shares issued to a shareholder of LD after the Reorganization will be rounded up to the whole number;
- 6.4.2.2. if a fractional part of the total number of shares per shareholder is less than 0.5, the number of ESO shares issued to a shareholder of LD after the Reorganization will be rounded down to the whole number (in such a case, any difference occurring between the whole number and its fractional part will not be compensated).
- 6.4.3. In case the number of shares calculated to shareholders in accordance with paragraphs 6.4.1. and 6.4.2. exceeds the authorized capital of ESO, the company to be active after the Reorganization, the number of shares calculated to a shareholder who will get the biggest number of shares in accordance with paragraphs 6.4.1. and 6.4.2. will be decreased by the number equal to the difference between the number of shares calculated to shareholders in accordance with paragraphs 6.4.1. and 6.4.2. and the authorized capital of ESO, the company to be active after the Reorganization.
- 6.4.4. Solely the persons who are the shareholders of LD and LESTO on the day when the Registrar of the Register of Legal Entities registers a newly incorporated company, i.e. ESO, shall have the right to obtain ESO shares.
- 6.4.5. For at least 5 (five) working days after the general meetings of shareholders of LD and LESTO, considering the approval of the Reorganisation Terms, trading of LD and LESTO shares will not be suspended in order for the shareholders of LD and LESTO to assess the reorganisation terms and conditions and take the decision, whether to sell or not to sell the shares of LESTO and LD held by them.
- 6.4.6. Upon the lapse of the term specified in paragraph 6.4.5 the trading of LD and LESTO shares will be terminated in the Official Trading List of NASDAQ OMX Vilnius, AB and these shares will be removed from the mentioned trading list.
- 6.4.7. After the Reorganization, an application will be filed with AB NASDAQ OMX Vilnius for inclusion of ESO shares into trading on AB NASDAQ OMX Vilnius Stock Exchange.

7. CONTINUITY OF ACTIVITIES, REORGANIZATION TERMS AND CONDITIONS

- 7.1. The main activities of LESTO are distribution and public supply of electrical energy according to the procedure prescribed by laws.
- 7.2. When performing the activities indicated in paragraph 7.1, LESTO shall:
- 7.2.1. be responsible for distribution networks owned by LESTO from the point of connection of transmission network equipment to the point of connection of consumer or producer equipment, as well as safety, reliability, operation, maintenance, management and development thereof pursuant to the needs of distribution network users; also, for the transmission of electrical energy via distribution networks to the customers in the territory indicated in the electrical energy distribution licence issued

- to LESTO, for the quality of the electrical energy transmitted, the accounting of electrical energy transmitted and its installation;
- 7.2.2. be obliged to supply electrical energy under the procedure defined by legal acts to the consumers in the territories indicated in the electrical energy public supply licence issued to LESTO, also to the objects of customers who requested the public supply of electrical energy, and to ensure guarantee supply of electrical energy to customers who have not selected an independent electrical energy supplier, or in cases where their existing independent supplier does not perform its obligation to supply electrical energy under conditions agreed upon with the customer;
 - 7.2.3. perform other functions related to the distribution and public supply of electrical energy.
- 7.3. The main activities of LD are distribution of natural gas and, in cases provided for by laws, guarantee supply of natural gas.
- 7.4. When performing the activities indicated in paragraph 7.3, LD shall:
- 7.4.1. be responsible for a long-term capacity of the natural gas distribution system to meet reasonable natural gas distribution needs, while operating, maintaining and developing safe, reliable and efficient natural gas distribution system in a cost-effective manner considering environmental requirements and the efficiency of energy consumption;
 - 7.4.2. ensure guarantee supply of natural gas to customers within the territory established in the distribution licence issued thereto in cases and in accordance with the procedure prescribed by laws;
 - 7.4.3. perform other functions related to natural gas distribution and guarantee supply of natural gas.
- 7.5. The terms of activities in the electrical energy sector are governed by the European Union legislation (Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, Directive No 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, etc.), and national legislation (the Law on Energy of the Republic of Lithuania, the Law on Electrical Energy of the Republic of Lithuania, the Law on Energy from Renewable Sources of the Republic of Lithuania, resolutions of the Government of the Republic of Lithuania, orders of the Minister of Energy of the Republic of Lithuania, decisions of National Commission for Energy Control and Prices, and other legislation).
- 7.6. The terms of activities in the natural gas sector are governed by the European Union legislation (Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005, Directive of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC, etc.) and national legislation (the Law on Natural Gas of the Republic of Lithuania, Law on the Territorial Administrative Units of the Republic of Lithuania and their Boundaries, resolutions of the Government of the Republic of

Lithuania, orders of the Minister of Energy of the Republic of Lithuania, decisions of National Commission for Energy Control and Prices, and other legislation).

- 7.7. ESO, the company to be active after Reorganization, will take over all the Transferred Assets, Rights and Obligations of LESTO and LD on the Date of Transfer and will continue the activities of the Reorganized Companies indicated in paragraphs 7.1 and 7.3 of this report on intended Reorganization of the Board of LD. ESO will also ensure the compliance of the conducted activities with the requirements of applicable laws, including but not limited to: (i) the requirement to provide to the users of electricity distribution networks the services of transmission of electrical energy via distribution networks and to the users of natural gas distribution system - the services of natural gas distribution (transportation) via distribution networks, (ii) to technically operate, maintain, manage and develop the electricity distribution networks and natural gas distribution system, (iii) to ensure reliable functioning of energy equipment and objects, (iv) to conduct the activities of the public supplier ensuring safe and reliable supply of electrical energy to end-users and guarantee supply of natural gas and electrical energy in cases and in accordance with the procedure prescribed by laws, (v) to comply with environmental protection requirements, (vi) to ensure the independence of the activities of the operator of electricity distribution networks and natural gas distribution system, (vii) to guarantee the protection of customer interests and carry out other functions established by legislation.
- 7.8. ESO will take over all the Transferred Assets, Rights and Obligations from the Companies, and all transactions of LESTO and LD will be included in the accounting of ESO on the Date of Transfer. Accordingly, as of this moment the Transferred Assets, Rights and Obligations will be considered as those of ESO including the rights and obligations under employment contracts. In addition, as of the moment of registration of ESO, on the basis of the Reorganization Terms, ESO shall be granted the right to use all the assets and enjoy all the rights and other resources of LESTO and LD (including human resources) free of charge to the extent it is necessary for obtaining the Licences and any other authorisations, certificates, licences as required for the activities of ESO, their coming into effect, and fulfilment of the related obligations and compliance with the related requirements laid down in legal acts as well as for ensuring uninterrupted and high-quality public supply of electrical energy, distribution of electrical energy and natural gas as well as provision of other services to consumers.
- 7.9. The prices of services provided by the Companies are regulated through price caps imposed by the National Commission for Energy Control and Prices.
- 7.10. Seeking to ensure the continuity and stability of LESTO and LD activities, transactions with third parties and other legally significant actions in relation to the activities of LESTO and LD until the Date of Transfer will be concluded and performed on behalf of LESTO and (or) LD unless a specific situation requires otherwise, and later they will be transferred to ESO along with the Transferred Assets, Rights and Obligations.
- 7.11. After the Date of Transfer, on the basis of the Reorganization Terms, LESTO and LD shall be granted the right to use all the assets and enjoy the rights and other resources of ESO (including human resources) free of charge to the extent that it is necessary

for the fulfilment of the obligations and compliance with the requirements laid down in legal acts in connection with the Licences as well as for uninterrupted and high-quality provision of services to consumers.

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

tangible fixed assets of the Reorganized Companies and, accordingly, the value of the Companies' shares. Should the aforementioned legal acts have a considerable effect on the value of fixed assets of one or both Companies, the terms of the reorganization of the Companies (including but not limited to the exchange ratio of the Reorganized Companies' shares) may be amended in accordance with the procedure, terms and conditions established in legislation. Any changes shall be reported to the shareholders by LESTO and LD in accordance with the procedure and on the terms established in legislation.

- 7.17. The intended commencement of ESO's activities after the takeover of the Transferred Assets, Rights and Obligations from LESTO and LD is 1 January 2016.

8. INFORMATION ABOUT DRAFTING OF THE REPORT ON ASSESSMENT OF REORGANIZATION TERMS

The Reorganization Terms will be assessed and a report on the assessment of the Reorganization Term will be drawn up by a common expert, namely, the audit company Grant Thornton Rimess, UAB (code 300056169, address A. Goštauto St. 40B, Vilnius, auditor's licence number 001332) and auditor Genadij Makušev (auditor's licence No 000162) approved by the Registrar of the Register of Legal Entities of the Republic of Lithuania SE Centre of Registers on 1 July 2015. The report on assessment of the Reorganization Terms will be completed and submitted not later than on the first day of public announcement about the prepared Reorganization Terms.