To The Securities Commision of the Republic of Lithuania
Konstitucijos Ave. 23
LT-08105 Vilnius

31-08-2011

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, Arvydas Tarasevičius, Chief Executive Officer of LESTO AB, and, Ramutė Ribinskienė, Director of Finance and Administration Division, hereby do confirm that, to the best of our knowledge, the Interim Consolidated Unaudited Financial Statements of the six months of the year 2011 of LESTO AB have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of LESTO AB and the Group.

Chief Executive Officer — Arvydas Tarasevičius

Director of Finance and Administration Division — Ramutė Ribinskienė

LESTO AB

CONSOLIDATED AND THE COMPANY’S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2011
(UNAUDITED)

CONTENTS Page

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Report on review of interim financial information

To the shareholders and Board of Directors of LESTO AB

Introduction

We have reviewed the accompanying stand alone and consolidated condensed interim statement of financial position of LESTO AB ("the Company") and its subsidiaries (collectively "the Group") as at 30 June 2011 and the related stand alone and consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed interim explanatory notes set out on pages 5 – 18. Management is responsible for the preparation and presentation of this stand alone and consolidated condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this stand alone and consolidated condensed interim financial information based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 5 to the stand alone and consolidated condensed interim financial information, the amendments to the legislation may have a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 4,712 million and LTL 4,734 million, respectively, as at 30 June 2011 (LTL 4,821 million and LTL 4,845 million, respectively, as at 31 December 2010) in the Company's and the Group's condensed interim statement of financial position, or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the stand alone and consolidated condensed interim financial information.

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Qualified conclusion

Except for the adjustments to the stand alone and consolidated condensed interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying stand alone and consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34, "Interim financial reporting").

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Director

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
22 August 2011

Condensed interim statement of financial position

	Note	GROUP		COMPANY	
ASSETS		2011 06 30	2010 12 31	2011 06 30	2010 12 31
Non-current assets					
Property, plant, and equipment	5	4 899 211	5 011 037	4 711 774	4 820 852
Intangible assets		4 357	4 871	4 347	4 859
Prepayments for property, plant, equipment and intangible assets		430	2 233	430	2 233
Investments in subsidiaries		-	-	191 018	191 018
Investments in associates		19 502	18 693	21 570	21 569
Investment property		121 545	122 622	-	-
Deferred income tax assets		50	168	-	-
Non-current amounts receivable		10 087	10 096	10 087	10 096
		5 055 182	**5 169 720**	**4 939 226**	**5 050 627**
Current assets					
Inventories		14 920	13 867	9 528	11 121
Trade and other receivables	6	159 123	202 234	154 403	199 163
Prepayments, deferred charges and accrued income		27 586	30 003	27 040	29 655
Prepaid income tax		22	7	-	-
Time deposits	7	75 000	5 500	70 000	5 500
Cash and cash equivalents	7	4 313	139 621	1 274	130 132
		280 964	391 232	262 245	375 571
Non-current assets classified as held for sale		760	760	-	-
		281 724	**391 992**	**262 245**	**375 571**
Total assets		**5 336 906**	**5 561 712**	**5 201 471**	**5 426 198**
EQUITY					
Equity attributable to owners of the Company					
Share capital		603 945	603 945	603 945	603 945
Revaluation reserve		1 951 539	2 068 003	1 916 478	2 032 898
Legal reserve		60 465	60 574	60 394	60 394
Other reserves		-	271	-	-
Retained earnings		927 047	897 623	966 998	939 141
		3 542 996	**3 630 416**	**3 547 815**	**3 636 378**
Non-controlling interest		**134 016**	**133 601**	**-**	**-**
Total equity		**3 677 012**	**3 764 017**	**3 547 815**	**3 636 378**
LIABILITIES					
Non-current liabilities					
Borrowings	11	188 849	219 322	188 849	219 322
Deferred income tax liability		413 795	432 675	409 153	428 324
Deferred income		349 135	356 912	349 135	356 912
Grants and subsidies		51 697	50 867	51 697	50 867
Non-current employee benefits		4 353	4 326	4 247	4 247
Other non-current liabilities		958	593	958	593
		1 008 787	**1 064 695**	**1 004 039**	**1 060 265**
Current liabilities					
Borrowings	11	303 703	320 592	303 051	320 592
Trade and other payables	9	248 538	341 479	249 690	339 756
Advances received, accrued charges and deferred income	10	85 944	66 665	83 954	64 943
Derivative financial instruments		649	1 229	649	1 229
Income tax payable		12 273	3 035	12 273	3 035
		651 107	**733 000**	**649 617**	**729 555**
Total liabilities		**1 659 894**	**1 797 695**	**1 653 656**	**1 789 820**
Total equity and liabilities		**5 336 906**	**5 561 712**	**5 201 471**	**5 426 198**

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

The condensed interim financial information on pages 5 to 18 was approved by the Company's Chief Executive Officer and the Director of the Finance and Administrative Department on 22 August 2011.

Chief Executive Officer	Arvydas Tarasevičius	
Director of Finance and Administrative Department	Ramutė Ribinskienė	

Condensed interim statement of comprehensive income

	Note	Group				Company			
		1st half of 2011	**Q2 of 2011**	**1st half of 2010**	**Q2 of 2010**	**1st half of 2011**	**Q2 of 2011**	**1st half of 2010**	**Q2 of 2010**
Revenue	15	1 137 619	521 771	1 255 870	561 216	1 124 800	515 944	1 255 168	560 542
Purchase of electricity	15	(804 978)	(352 623)	(906 939)	(383 567)	(804 978)	(352 623)	(906 939)	(383 567)
Depreciation and amortisation	15	(217 828)	(108 746)	(225 370)	(113 727)	(212 539)	(106 140)	(223 406)	(112 792)
Employee benefits and related social security contributions	15	(79 796)	(38 124)	(87 579)	(43 184)	(67 030)	(32 039)	(77 905)	(37 939)
Repair and maintenance expenses		(27 673)	(15 431)	(29 193)	(18 746)	(28 685)	(15 873)	(36 322)	(22 904)
Transportation expenses		(2 875)	(1 363)	(622)	(322)	(9 675)	(4 548)	(4 393)	(2 235)
Other expenses		(35 244)	(24 895)	(28 285)	(13 439)	(33 795)	(24 289)	(27 437)	(13 188)
Operating profit/(loss)		**(30 775)**	**(19 411)**	**(22 118)**	**(11 769)**	**(31 902)**	**(19 568)**	**(21 234)**	**(12 083)**
Finance income		2 318	734	5 053	1 950	2 287	714	5 763	2 661
Finance costs		(4 722)	(2 657)	(7 058)	(4 493)	(4 723)	(2 658)	(7 041)	(4 484)
Finance costs – net		**(2 404)**	**(1 923)**	**(2 005)**	**(2 543)**	**(2 436)**	**(1 944)**	**(1 278)**	**(1 823)**
Profit/(loss) on investments in associates		810	414	-	-	-	-	-	-
Profit/(loss) before income tax		**(32 369)**	**(20 920)**	**(24 123)**	**(14 312)**	**(34 338)**	**(21 512)**	**(22 512)**	**(13 906)**
Income tax		6 362	2 799	3 281	2 261	6 773	3 195	3 460	2 337
Profit/(loss) for the period		**(26 007)**	**(18 121)**	**(20 842)**	**(12 051)**	**(27 565)**	**(18 317)**	**(19 052)**	**(11 569)**
Total comprehensive income/(expense) for the period		**(26 007)**	**(18 121)**	**(20 842)**	**(12 051)**	**(27 565)**	**(18 317)**	**(19 052)**	**(11 569)**
Profit/(loss) for the period attributable to:									
Owners of the Company		(26 422)	(18 145)	(20 842)	(12 051)	(27 565)	(18 317)	(19 052)	(11 569)
Non-controlling interest		415	24	-	-	-	-	-	-
		(26 007)	**(18 121)**	**(20 842)**	**(12 051)**	**(27 565)**	**(18 317)**	**(19 052)**	**(11 569)**
Total comprehensive income/(expense) for the period attributable to:									
Owners of the Company		(26 422)	(18 145)	(20 842)	(12 051)	(27 565)	(18 317)	(19 052)	(11 569)
Non-controlling interest		415	24	-	-	-	-	-	-
		(26 007)	**(18 121)**	**(20 842)**	**(12 051)**	**(27 565)**	**(18 317)**	**(19 052)**	**(11 569)**
Basic and diluted earnings/(deficit) per share (in LTL) attributable to owners of the Company		(0,044)	(0,030)	(0,035)	(0,020)	(0,046)	(0,030)	(0,032)	(0,019)

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Condensed interim statement of changes in equity

Group	Note	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of the Company							
Balance at 1 January 2010		**603 945**	**2 290 175**	**60 705**	**1 638**	**847 470**	**3 803 933**	**-**	**3 803 933**
Comprehensive income									
Profit/(loss) for the period		-	-	-	-	(20 842)	(20 842)	-	(20 842)
Other comprehensive income:									
Transfers to retained earnings (depreciation transfer, net of deferred income tax)		-	(103 885)	-	-	103 885	-	-	-
Total comprehensive income		**-**	**(103 885)**	**-**	**-**	**83 043**	**(20 842)**	**-**	**(20 842)**
Transactions with owners									
Reserves utilised		-	-	(67)	(1 367)	1 434	-	-	-
Dividends relating to 2009						(105 919)	(105 919)		
Total transactions with owners		**-**	**-**	**(67)**	**(1 367)**	**(104 485)**	**(105 919)**	**-**	**(105 919)**
Balance at 30 June 2010		**603 945**	**2 186 290**	**60 638**	**271**	**826 028**	**3 677 172**	**-**	**3 677 172**
Balance at 1 January 2011		**603 945**	**2 068 003**	**60 574**	**271**	**897 623**	**3 630 416**	**133 601**	**3 764 017**
Comprehensive income									
Profit/(loss) for the period		-	-	-	-	(26 422)	(26 422)	415	(26 007)
Other comprehensive income:									
Transfers to retained earnings (depreciation transfer, net of deferred income tax)		-	(116 464)	-	-	116 464	-	-	-
Total comprehensive income		**-**	**(116 464)**	**-**	**-**	**90 042**	**(26 422)**	**415**	**(26 007)**
Transactions with owners									
Transfer to reserves		-	-	70	-	(70)	-	-	-
Reserves utilised		-	-	(179)	(271)	450	-	-	-
Dividends relating to 2010	8					(60 998)	(60 998)		
Total transactions with owners		**-**	**-**	**(109)**	**(271)**	**(60 618)**	**(60 998)**	**-**	**(60 998)**
Balance at 30 June 2011		**603 945**	**1 951 539**	**60 465**	**-**	**927 047**	**3 542 996**	**134 016**	**3 677 012**

Company	Note	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2010		**603 945**	**2 284 558**	**60 394**	**-**	**854 283**	**3 803 180**
Comprehensive income							
Profit/(loss) for the period		-	-	-	-	(19 052)	(19 052)
Other comprehensive income:							
Transfers to retained earnings (depreciation transfer, net of deferred income tax)		-	(103 856)	-	-	103 856	-
Total comprehensive income		**-**	**(103 856)**	**-**	**-**	**84 804**	**(19 052)**
Transactions with owners							
Dividends relating to 2009		-	-	-	-	(105 919)	(105 919)
Total transactions with owners		**-**	**-**	**-**	**-**	**(105 919)**	**(105 919)**
Balance at 30 June 2010		**603 945**	**2 180 702**	**60 394**	**-**	**833 168**	**3 678 209**
Balance at 1 January 2011		**603 945**	**2 032 898**	**60 394**	**-**	**939 141**	**3 636 378**
Comprehensive income							
Profit/(loss) for the period		-	-	-	-	(27 565)	(27 565)
Other comprehensive income:							
Transfers to retained earnings (depreciation transfer, net of deferred income tax)		-	(116 420)	-	-	116 420	-
Total comprehensive income		**-**	**(116 420)**	**-**	**-**	**88 855**	**(27 565)**
Transactions with owners							
Dividends relating to 2010	8	-	-	-	-	(60 998)	(60 998)
Total transactions with owners		**-**	**-**	**-**	**-**	**(60 998)**	**(60 998)**
Balance at 30 June 2011		**603 945**	**1 916 478**	**60 394**	**-**	**966 998**	**3 547 815**

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

Condensed interim statement of cash flows

	Note	Group		COMPANY	
		1st half of 2011	**1st half of 2010**	**1st half of 2011**	**1st half of 2010**
Cash flows from operating activities					
Profit/(loss) for the period		(26 007)	(20 842)	(27 565)	(19 052)
Adjustments for:					
– Income tax expense/(income)		(6 362)	(3 281)	(6 773)	(3 460)
– Depreciation and amortisation		218 901	226 744	213 612	224 400
– Amortisation of grants		(1 073)	(994)	(1 073)	(994)
– Gain/(loss) on disposal and write-off of property, plant and equipment		3 912	793	3 981	874
– (Profit)/loss on investments in associates		(810)	-	-	-
– Dividend income		-	-	-	(710)
– Finance (income)		(2 318)	(5 053)	(2 287)	(5 052)
– Finance costs		4 722	7 009	4 723	6 992
Changes in working capital:					
– Trade and other receivables		29 386	31 283	32 799	31 283
– Inventories, prepayments, deferred charges and accrued income		(1 062)	(4 183)	1 593	(1 614)
– Trade and other payables, advances received, accrued charges and deferred income		(57 553)	(57 492)	(58 015)	(57 734)
Cash generated from operations		**161 736**	**173 984**	**160 995**	**174 933**
– Income tax paid		(3 160)	(12 625)	(3 160)	(12 600)
Net cash generated from operating activities		**158 576**	**161 359**	**157 835**	**162 333**
Cash flows from investing activities					
– Purchase of property, plant and equipment and intangible assets		(127 486)	(60 907)	(124 235)	(60 530)
– Proceeds from sale of property, plant and equipment		377	723	-	639
– Loan repayments received		46	8 177	46	8 177
– Time deposits		(58 836)	(82 500)	(53 836)	(82 500)
– Dividends received		-	-	-	710
– Interest received		1 558	4 743	1 525	4 742
Net cash used in investing activities		**(184 341)**	**(129 764)**	**(176 500)**	**(128 762)**
Cash flows from financing activities					
– Proceeds from borrowings		-	16 004	-	16 004
– Repayments of borrowings		(64 784)	(54 120)	(64 784)	(54 120)
– Dividends paid to the Company's shareholders		(46 863)	(28 473)	(46 863)	(28 473)
– Interest paid		(4 655)	(5 234)	(4 653)	(5 218)
Net cash used in financing activities		**(116 302)**	**(71 823)**	**(116 300)**	**(71 807)**
(Decrease) in cash and cash equivalents		(142 067)	(40 228)	(134 965)	(38 236)
Cash and cash equivalents at beginning of year	7	111 370	68 594	101 880	65 826
Cash and cash equivalents at end of the period	**7**	**(30 697)**	**28 366**	**(33 085)**	**27 590**

The notes on pages 9 to 18 are an integral part of this condensed interim financial information.

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 on 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:

Žvejų g. 14,
LT-09310 Vilnius,
Lithuania.

The Company was established following the reorganisation of Rytų Skirstomieji Tinklai AB (hereinafter "RST") and VST AB (hereinafter "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 dated 13 December 2010, a transfer-acceptance act was signed on 31 December 2010, on the basis of which the Company took over all assets, rights and obligations of RST and VST. The moment of the take-over of assets, rights and obligations by the Company is 1 January 2011, 00:00 am.

The core business of the Company includes electric power supply and distribution. The Company, owning a medium and low voltage electricity distribution network, is the sole provider of electricity distribution services to consumers in the entire territory of Lithuania.

Under the 29 October 2010 decision of the National Control Commission for Prices and Energy the following price caps on the electricity distribution service for 2011–2013 applicable to the Company were set:
- ✓ via medium voltage networks – 4.89 ct/kWh;
- ✓ via low voltage networks – 6.39 ct/kWh.

Under the 5 November 2010 decision of the National Control Commission for Prices and Energy the price cap on the public supply service for 2011–2013 applicable to the Company was set at 0.37 ct/kWh.

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

Activities of the Company and the Group are not materially affected by seasonal fluctuations.

The shareholders of the Company were as follows:

	At 30 June 2011		At 31 December 2010	
	Number of shares held	**Ownership interest in %**	**Number of shares held**	**Ownership interest in %**
Visagino Atominė Elektrinė UAB	499 026 209	82.63 %	499 026 209	82.63 %
E.ON Ruhrgas International AG (Germany)	71 040 473	11.76 %	71 040 473	11.76 %
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 2011, Visagino Atominė Elektrinė UAB was the parent of the Company. Visagino Atominė Elektrinė UAB is wholly-owned by the Lithuanian Government (ultimate controlling party).

All the Company's shares with the nominal value of LTL 1 are ordinary shares and they were fully paid as at 30 June 2011 and 31 December 2010. The Company does not have any other classes of shares than ordinary shares mentioned above, there are no restrictions of share rights or special control rights for the shareholders set in the Articles of Association of the Company. The Company and its subsidiaries do not hold own shares.

The consolidated group

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

Subsidiary or associate	Country	Year of acquisition	Ownership interest held by the Group (%) At 30 June 2011	At 31 December 2010	Type of activities
Elektros Tinklo Paslaugos UAB	Lithuania	2004	71.13 %	71.13 %	Power network engineering, construction, repair, maintenance and customer connection to the grid services
NT Valdos UAB (named Kruonio Investicijos UAB until 28 October 2010)	Lithuania	2010	57.93 %	57.93 %	Real estate management services
Rytra UAB (wholly-owned by NT Valdos UAB)	Lithuania	2004	57.93 %	57.93 %	Transportation services
Technologijų ir Inovacijų Centras UAB	Lithuania	2010	43.03 %	43.03 %	IT and communication services
Public Institution Centre of Training for Energy Specialists (wholly-owned by Technologijų ir Inovacijų Centras UAB)	Lithuania	2010	43.03 %	43.03 %	Training services
Tetas UAB	Lithuania	2005	38.87 %	38.87 %	Power network engineering, construction, repair, maintenance and customer connection to the grid services
Energetikos Pajėgos UAB (wholly-owned by Tetas UAB; merged with Tetas UAB on 1 April 2011)	Lithuania	2010	-	38.87 %	Preparation of energy projects, technical maintenance of construction works

There were 3 640 employees in the Group as at 30 June 2011 (3 678 as at 31 December 2010); 2 913 employees in the Company as at 30 June 2011 (2 985 employees as at 31 December 2010).

2. Basis of preparation

This consolidated and the Company's condensed interim financial information for the first half of 2011 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

The consolidated and the Company's condensed interim financial information for the first half of 2011 should be read in conjunction with the separate annual financial statements of RST and VST for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU).

This consolidated and the Company's condensed interim financial information has been reviewed, not audited.

3. Accounting policies

Except as described below, the accounting policies and calculation methods applied in the preparation of this consolidated and the Company's condensed interim financial information are consistent with those of the separate annual financial statements of RST and VST for the year ended 31 December 2010. These policies have been consistently applied to all the periods presented.

Income tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

New and amended standards, and interpretations

(a) New or amended standards and interpretations effective in 2011 that are relevant to the Group and the Company

- IAS 24, 'Related party disclosures' (amended in November 2009; effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

The Group and the Company early adopted this standard from the financial period which started from 1 January 2010. The standard was applied retrospectively. The amended standard does not require government-related entities to disclose transactions and balances arising from these transactions, including off-balance sheet liabilities, conducted with the state or state related companies. The adoption of the standard did not significantly affect the disclosure of transactions with related parties and balances arising from these transactions in the condensed interim financial information.

- Improvements to International Financial Reporting Standards (issued in May 2010; effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011). Improvements did not have a significant impact on the Group's and the Company's condensed interim financial information.

(b) New standards, amendments to standards and interpretations effective in 2011, but not relevant to the Group and the Company

The following new and amended standards, and interpretations as adopted by the EU are mandatory for accounting periods beginning on or after 1 January 2011, but are not relevant to the Group's and the Company's operations:

- Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation'.

- Prepayments of a minimum funding requirement – Amendment to IFRIC 14.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

- Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1.

(c) New and amended standards, and interpretations that are mandatory for the Group's and the Company's accounting periods beginning on or after 1 January 2012 and which the Group and the Company have not early adopted

- IFRS 9, 'Financial instruments' (issued in November 2009; effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Group and the Company do not expect the standard to have a significant impact on the financial statements.

- IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces all of the guidance on control and consolidation in IAS 27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities'. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group and the Company do not expect the standard to have a significant impact on the financial statements.

- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard replaces IAS 31 'Interests in joint ventures" and SIC-13 'Jointly controlled entities – non-monetary contributions by ventures'. Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The standard will not have any impact on the Group's and the Company's financial statements.

- IFRS 12, 'Disclosure of interests in other entities' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company's management does not expect the standard to have a significant impact on the financial statements of the Group and the Company.

- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company's management does not expect the standard to have a significant impact on the financial statements of the Group and the Company.

- IAS 19 (revised 2011), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company's management does not expect the standard to have a significant impact on the financial statements of the Group and the Company.

- IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company's management does not expect the standard to have a significant impact on the financial statements of the Group and the Company.

- IAS 28 (revised 2011), 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). The Company's management does not expect the standard to have a significant impact on the financial statements of the Group and the Company.

- Disclosures—Transfers of financial assets – Amendments to IFRS 7 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The Company's management does not expect the amendments to have a significant impact on the financial statements.

- Deferred Tax: Recovery of underlying assets – Amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU). The Company's management does not expect the amendment to have a significant impact on the financial statements.

- Severe hyperinflation and removal of fixed dates for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). This amendment will not have any impact on the Group's and the Company's financial statements.

- Presentation of items of other comprehensive income – Amendment to IAS 1 (effective for annual periods beginning on or after 1 July 2012; not yet adopted by the EU). The Company's management does not expect the amendment to have a significant impact on the financial statements.

<u>Combination of businesses under common control</u>

A combination of businesses under common control is accounted for by the predecessor method of accounting. When entities are being merged, i.e. in case when neither of the entities being merged gains control over another, the amounts of assets, liabilities, income and expenses of entities being merged are combined for all the periods presented in the financial statements.

4. Critical accounting estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 key sources of estimation uncertainty used in the preparation of this consolidated and the Company's condensed interim financial information are consistent with those of the annual financial statements of RST and VST for the year ended 31 December 2010.

5. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
6 month period ended 30 June 2010							
Net book amount at 1 January 2010	514	437 670	4 563 679	51 556	114 802	70 476	5 238 697
Additions	-	133	3 128	305	7 006	55 298	65 870
Disposals	-	(435)	(126)	(448)	(26)	-	(1 035)
Write-offs	-	(43)	(3 652)	(29)	(56)	(137)	(3 917)
Reversal of impairment	-	-	-	1	-	-	1
Impairment charge	-	-	-	-	(100)	-	(100)
Reclassifications between groups	-	2 737	63 143	-	(2 918)	(62 982)	(20)
Depreciation charge	-	(12 735)	(195 371)	(5 599)	(13 136)	-	(226 841)
Net book amount at 30 June 2010	514	427 327	4 430 801	45 786	105 572	62 655	5 072 655
6 month period ended 30 June 2011							
Net book amount at 1 January 2011	459	385 368	4 413 097	49 253	91 942	70 918	5 011 037
Additions	-	33	1 863	398	6 122	101 468	109 884
Disposals	-	-	(3)	(303)	-	-	(306)
Write-offs	-	-	-	(4 121)	-	-	(4 121)
Reclassifications between groups	(6)	2 570	80 957	-	(2 946)	(80 060)	515
Depreciation charge	-	(10 743)	(193 393)	(3 319)	(10 343)	-	(217 798)
Net book amount at 30 June 2011	453	377 228	4 302 521	41 908	84 775	92 326	4 899 211

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
6 month period ended 30 June 2010							
Net book amount at 1 January 2010	514	425 471	4 561 307	36 936	114 162	70 430	5 208 820
Additions	-	133	2 606	7	6 964	55 298	65 008
Disposals	-	(435)	(126)	(446)	(26)	-	(1 033)
Write-offs	-	(43)	(3 651)	(29)	(55)	(137)	(3 915)
Reversal of impairment	-	-	-	1	-	-	1
Impairment charge	-	-	-	-	(100)	-	(100)
Reclassifications between groups	-	2 545	63 142	-	(2 727)	(62 980)	(20)
Depreciation charge	-	(12 387)	(194 977)	(4 105)	(13 029)	-	(224 498)
Net book amount at 30 June 2010	514	415 284	4 428 301	32 364	105 189	62 611	5 044 263
6 month period ended 30 June 2011							
Net book amount at 1 January 2011	279	279 723	4 383 804	275	88 370	68 401	4 820 852
Additions	-	-	1 755	-	6 112	100 242	108 109
Disposals	-	-	(3)	-	-	-	(3)
Write-offs	-	-	(4 111)	-	-	-	(4 111)
Reclassifications between groups	(6)	1 762	80 687	-	(2 946)	(80 060)	(563)
Depreciation charge	-	(10 077)	(192 398)	(25)	(10 010)	-	(212 510)
Net book amount at 30 June 2011	273	271 408	4 269 734	250	81 526	88 583	4 711 774

A significant increase in the number of new connections to the distribution network as well as a higher number of reconstructions of 110-35 kV and 10-0.4 kV electricity lines resulted in the increase in construction in progress.

Write-offs mainly represent write-offs of structures and electricity network equipment which had been damaged or replaced during the reconstruction (repair).

Revaluation and impairment of property, plant and equipment

The Group and the Company designate property, plant and equipment at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'. Fair value of mostly all items of property, plant and equipment due to their specific nature was measured using a depreciated replacement cost approach at 31 December 2008.

If the value of assets is measured based on a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require a periodical review of property, plant and equipment for impairment. When the carrying amount of property, plant and equipment stated in the balance sheet is higher than its value in use or fair value, less selling expenses, the value of property, plant and equipment should be reduced. In other words, the value of property, plant and equipment recorded in the balance sheet should be written down to higher of the two indicators: value of future benefits of assets expected from their use or value of proceeds expected to be received from immediate disposal of assets.

The previous version of the Lithuanian Law on Electricity valid as at 31 December 2008 stipulated that the price caps of electricity transmission, distribution and public supply services were determined based on the value of assets used in licensed activities of the service provider with values being established on the grounds of data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment effective from 1 June 2009 the Law on Electricity (No. XI-198) now requires the price caps of electricity transmission, distribution and public supply services to be determined based on the value of assets used in licensed activities of the service provider with values being estimated and approved by the National Control Commission for Prices and Energy in accordance with the principles of determination of the value of assets used in licensed activities of the service provider that have been drafted by the Commission and approved by the Government.

According to the Resolution of the Government of the Republic of Lithuania (2009-09-09 No. 1142) on the Methodology of Determination of the Value of Assets used in Licensed Activities of the Electricity Service Provider, the determination of the price caps of electricity transmission, distribution and public supply services is to include the value of assets used in licensed activities of the service provider which is equal to net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of investments implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated by the Lithuanian Law on Income Tax.

The aforementioned amendments to regulatory legislation may have a significant negative impact on fair value of property, plant and equipment. Due to the reasons specified, values of property, plant and equipment reported in this condensed interim financial information may materially differ from those that would be determined if the valuation of assets was performed by external independent appraisers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Group's and the Company's activities and the shareholders' equity reported in the financial statements for the year 2010 and condensed interim financial information for the six month period ended 2011.

Determination of fair values of property, plant and equipment as at 31 December 2009 was not performed by external independent appraisers, as the above-mentioned amendments to regulatory legislation came in force only on 1 January 2010 and their impact on the future revenue generated by the Group and the Company could not be accurately estimated. In 2010 a significant reorganisation in the whole energy sector took place and RST was merged with VST as from the beginning of 2011. Therefore, based on the decision of management, valuation of property, plant and equipment was not performed by external independent appraisers as at 31 December 2010 and 30 June 2011 either.

6. Trade and other receivables

	Group		**Company**	
	2011 06 30	**2010 12 31**	**2011 06 30**	**2010 12 31**
Trade receivables	175 638	210 518	175 638	210 518
Trade and other receivables from related parties (Note 12)	8 804	25 972	5 502	23 414
Current portion of mortgage loans	346	350	346	350
Other receivables	16 732	9 240	15 264	8 675
Less: impairment of doubtful receivables	(42 397)	(43 846)	(42 347)	(43 794)
Total	159 123	202 234	154 403	199 163

7. Cash and cash equivalents, and time deposits

	Group		Company	
	2011 06 30	**2010 12 31**	**2011 06 30**	**2010 12 31**
Time deposits with maturity of up to 3 months	-	117 941	-	117 941
Cash at bank	4 271	21 670	1 274	12 191
Cash in transit	42	10	-	-
	4 313	139 621	1 274	130 132

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

	Group		Company	
	2011 06 30	**2010 12 31**	**2011 06 30**	**2010 12 31**
Cash and cash equivalents	4 313	139 621	1 274	130 132
Bank overdraft (Note 11)	(35 010)	(28 251)	(34 359)	(28 252)
	(30 697)	111 370	(33 085)	101 880

As a result of changed conditions on the financial markets, in the first half of 2011 the Company invested in bank deposits with maturities exceeding three months. As at 30 June 2011, such deposits at the Group and the Company amounted to LTL 75 000 thousand LTL 70 000 thousand, respectively (31 December 2010: LTL 5 500 thousand at the Group and the Company). In 2010, the Group and the Company invested in time deposits with maturities of three months or less.

8. Dividends

At the ordinary general meeting of the Company's shareholders held on 29 April 2011 it was resolved to distribute the Company's profit (loss) and make a appropriation of LTL 60 998 thousand for the payment of dividends. Dividends amounted to LTL 0.101 per share.

9. Trade and other payables

	Group		Company	
	2011 06 30	**2010 12 31**	**2011 06 30**	**2010 12 31**
Trade payables	93 559	149 508	85 731	139 651
Amounts payable to subsidiaries (Note 12)	-	-	12 609	11 119
Amounts payable to related companies (Note 12)	132 671	174 807	132 326	173 744
Total trade payables	226 230	324 315	230 666	324 514
Taxes (other than income tax)	3 679	1 650	3 345	554
Employment-related liabilities	8 988	7 109	7 081	6 170
Other current liabilities	9 641	8 405	8 598	8 518
Total other amounts payable	22 308	17 164	19 024	15 242
Trade and other payables	248 538	341 479	249 690	339 756

The Group's and the Company's trade payables at 30 June 2011 decreased due to the decrease in amounts payable to electricity suppliers. As users choose independent electricity suppliers, the need for electricity purchases is declining.

10. Advances received, accrued charges and deferred income

	Group		Company	
	2011 06 30	2010 12 31	2011 06 30	2010 12 31
Accrued charges	19 129	16 813	17 193	15 262
Current portion of deferred income from customer connection fees	21 707	15 444	21 707	15 444
Advances received	45 108	34 408	45 054	34 237
	85 944	66 665	83 954	64 943

11. Borrowings

	Group		Company	
	2011 06 30	2010 12 31	2011 06 30	2010 12 31
Non-current borrowings				
Bank borrowings	188 849	219 322	188 849	219 322
Current borrowings				
Bank overdraft	35 010	28 251	34 359	28 252
Bank borrowings	268 693	292 341	268 692	292 340
	303 703	320 592	303 051	320 592
Total borrowings	492 552	539 914	491 900	539 914

The maturity of non-current borrowings is as follows:
The maturity of non-current borrowings is as follows:

	Group		Company	
	2011 06 30	2010 12 31	2011 06 30	2010 12 31
1 to 2 years	107 072	95 474	107 072	95 474
2 to 5 years	68 147	107 492	68 147	107 492
Over 5 years	13 630	16 356	13 630	16 356
	188 849	219 322	188 849	219 322

12. Related-party transactions

There were no changes with regard to related parties of the Group and the Company in 2011.

Transactions with related parties are presented below.

Sales of goods and services to:

	Group		Company	
	1 January – 30 June		1 January – 30 June	
	2011	2010	2011	2010
Subsidiaries	-	-	1 328	1 354
Associates	1 027	-	117	-
Companies of Visagino Atominė Elektrinė UAB group (until 4 June 2010 – LEO LT, AB)	1 583	8 125	990	7 748
Other entities controlled by the Ministry of Energy of Lithuania	1 302	103	1 302	103
	3 912	8 228	3 737	9 205

Purchases of goods, services and property, plant and equipment from:

	Group		Company	
	1 January – 30 June		1 January – 30 June	
	2011	2010	2011	2010
Subsidiaries	-	-	30 954	30 757
Associates	25 223	-	25 079	-
Companies of Visagino Atominė Elektrinė UAB group (until 4 June 2010 – LEO LT, AB)	660 216	779 715	659 114	779 677
	685 439	779 715	715 147	810 434

Compensation of key management personnel

	Group		Company	
	1 January – 30 June		1 January – 30 June	
	2011	2010	2011	2010
Salaries and other short-term employee benefits	879	970	879	970

Key management of the Company included 8 members in 2011 (2010: 8 members).

Receivables from related parties (Note 6)

	Group		Company	
	2011 06 30	2010 12 31	2011 06 30	2010 12 31
Subsidiaries	-	-	388	594
Associates	1 473	918	8	207
Companies of Visagino Atominė Elektrinė UAB group (until 4 June 2010 – LEO LT, AB)	7 116	24 876	4 891	22 435
Other entities controlled by the Ministry of Energy of Lithuania	215	178	215	178
	8 804	25 972	5 502	23 414

Payables to related parties (Note 9)

	Group		Company	
	2011 06 30	2010 12 31	2011 06 30	2010 12 31
Subsidiaries	-	-	12 609	11 119
Associates	6 104	13 974	5 880	13 195
Companies of Visagino Atominė Elektrinė UAB group (until 4 June 2010 – LEO LT, AB)	126 567	160 833	126 446	160 549
	132 671	174 807	144 935	184 863

Dividends paid by the Company to Visagino Atominė Elektrinė UAB on 31 May 2011 amounted to LTL 50 401 647.11. The Company's obligation to pay to Visagino Atominė Elektrinė UAB dividends in the amount of LTL 13 980 208.60 was settled by offsetting the obligation of Visagino Atominė Elektrinė UAB arising under the loan agreement of 3 December 2009 to repay to the Company the outstanding amount of the loan equal to LTL 13 980 208.60. After the offsetting, the obligation of Visagino Atominė Elektrinė UAB to repay the loan granted by the Company under the loan agreement of 3 December 2009 is regarded as fulfilled.

13. Fair value measurement

There were no significant changes in the business and economic environment in 2011 that could affect the fair value of the Group's and the Company's financial assets and financial liabilities.

14. Business combinations

A business combination (merger) between RST and VST was accounted for by the predecessor method of accounting. During the merger process of the companies (neither of the companies being merged gained control over another), the amounts of assets, liabilities, income and expenses of companies being merged were combined for all the periods presented in the financial statements.

The Company's condensed interim financial information

The amounts presented in the Company's statement of financial position as at 31 December 2010 and in the statement of comprehensive income for the six-month period ended 30 June 2010 are equal to the sum of amounts presented in the respective financial statements of RST and VST.

Consolidated condensed interim financial information

After the merger of RTS and VST NT Valdos UAB became subsidiary of the Group (as at 31 December 2010 was associate of RST and VST). In addition, the share in the associated entity Technologiju ir Inovaciju Centras UAB has changed (as at 31 December 2010 was associate of RST and VST accounted for the investment as available for sale). As a result, amounts presented in the consolidated statement of financial position as at 31 December 2010 and in the consolidated statement of comprehensive income for the six-month period ended 30 June 2010 are equal to the sum of amounts presented in the consolidated financial statements of RST and financial statements of VST for the respective periods, as adjusted by the above changes. These changes resulted in the following adjustments in the consolidated statement of financial position as at 31 December 2010 as compared to the sum of the amounts presented in the respective consolidated statement of financial position of RST and statement of financial positions of VST: long term assets increased by LTL 122 119 thousand, short term assets increased by LTL 10 023 thousand, equity increased by LTL 124 992 thousand and liabilities increased by LTL 7 150 thousand.

The above changes in the Group structure had no effect on the consolidated statement of comprehensive income for the six-month period ended 30 June 2010.

15. Significant changes relating to items of the condensed interim statement of comprehensive income

A significant decrease in revenue of the Group and the Company during the first half of 2011 compared to the first half of 2010 was caused by electricity users choosing an independent supplier. The Company provides only electricity distribution services to users who have chosen an independent supplier. Lower electricity consumption resulted in lower volume of purchases of electricity.

Employee benefits expenses decreased due to the effect of the merger of RST with VST, i.e. part of employees were made redundant in 2010.

16. Commitments

As at 30 June 2011, the Group's and the Company's capital expenditure contracted for at the balance sheet date but not recognised in the condensed interim financial information amounted to LTL 24 255 thousand (31 December 2010: LTL 110 533 thousand).

AB LESTO group
Interim report
for the six months of 2011

31 August 2011

CONTENTS

GENERAL INFORMATION

Reporting period covered by the report

Report covers January to June of 2011.

Key data on issuer

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

Information availability

This report and other documents based on which it has been prepared are available at the company's office at Žvejų str. 14, Vilnius, Corporate Communication department (office No.118) from 7.30 to 16.30 Monday to Thursday and from 7.30 to 15.15 on Fridays. Report is available on company's website www.lesto.lt and on Stock exchange market NASDAQ OMX Vilnius website http://www.nasdaqomxbaltic.com.

Public announcements that AB LESTO must announce according to the valid Laws of the Republic of Lithuania, are published via Register of Legal Entities electronic edition for public announcements. Company also publishes announcements via company's website www.lesto.lt and Stock exchange market NASDAQ OMX Vilnius website www.nasdaqomxbaltic.com.

Persons responsible for the information provided in the report

Office	Name, surname	Telephone
Chief Executive Officer	Arvydas Tarasevičius	+370 5 251 7524
Director of Finance and Administration division	Ramutė Ribinskienė	+370 5 251 7524
Director of Finance department	Artūras Jočius	+370 5 251 7524
Director of Accounting department	Zina Chmieliauskienė	+370 5 251 7524

Report is prepared in accordance with Law on Securities of the Republic of Lithuania, decision of the Securities Commission of the Republic of Lithuania No. 1K-6 (29 July, 2010) on Rules of Drawing up and the Submission of the Periodic and Additional Information, and other valid laws and legal acts.

Report signature date

Report was prepared and signed on 31 August, 2011.

LESTO activities

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

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

LESTO values

COOPERATION: We work and take responsibility as a team.

RESPECT: We respect each individual and the surrounding environment.

DEDICATION: We are proud to represent energy sector and serve our community.

POSITIVE ATTITUDE: We are always looking ahead and constantly spread good mood.

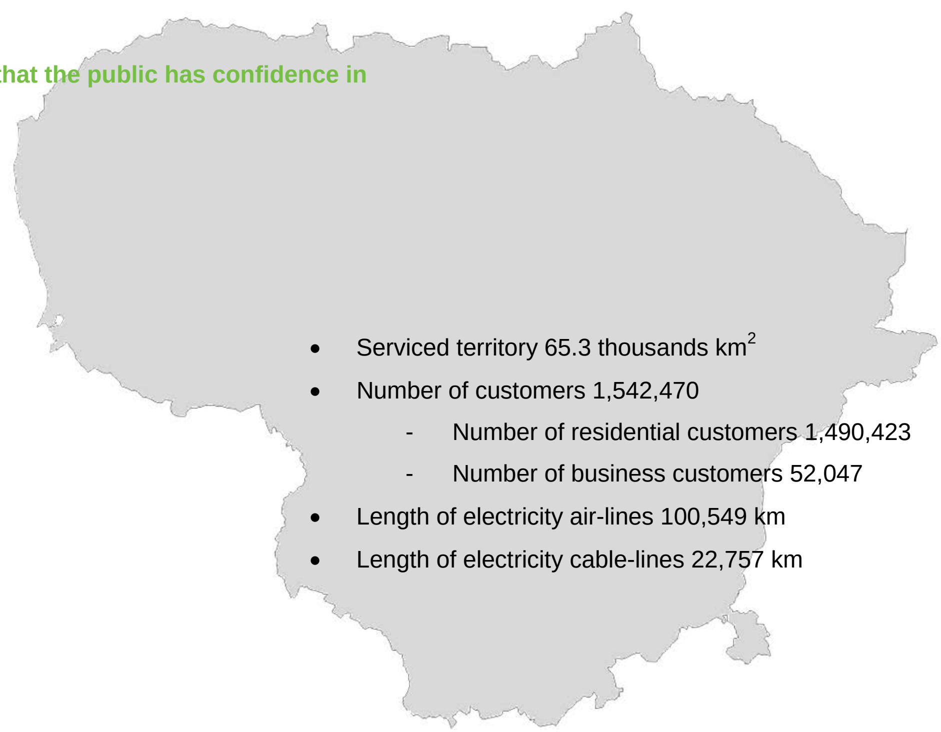
INNOVATIVENESS: We are seeking perfection and initiating changes.

LESTO mission

Reliable electricity for a meaningful life of everyone

LESTO vision

A model company that the public has confidence in



- Serviced territory 65.3 thousands km^2
- Number of customers 1,542,470
    - Number of residential customers 1,490,423
    - Number of business customers 52,047
- Length of electricity air-lines 100,549 km
- Length of electricity cable-lines 22,757 km

LESTO company group

LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdos UAB and associated companies Technologijų ir inovacijų centras UAB, TETAS UAB make up LESTO company group (hereinafter – LESTO group).

Key data on subsidiaries and associated companies

	Elektros tinklo paslaugos UAB	NT Valdos UAB	Technologijų ir inovacijų centras UAB	TETAS UAB
Address	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	A.Juozapavičiaus str. 13, Vilnius	Senamiesčio str. 102B, Panevėžys
Registration date	8 December 2004	18 January 2007	9 July 2010.	8 December 2005
Company code	300072351	300634954	302527488	300513148
Telephone	+370 5 210 6809	+370 5 210 6539	+370 5 278 2272	+370 5 504 670
Fax	+370 5 216 7875	+370 5 210 6543	+370 5 278 2299	+370 5 504 684
E-mail	etp@rst.lt	info@valdos.eu	info@etic.lt	tetas@rst.lt
Website	-	www.valdos.eu	www.etic.eu	-
LESTO ownership, %	71.13	57.92	43.03	38.87
Profile of activities	Power network engineering, construction, repair, maintenance and customer connection to the grid services.	Real estate and transport rental and administration services.	IT and communication services.	Power network engineering, construction, repair, maintenance and customer connection to the grid services

LESTO management

LESTO management bodies include General Meeting of Shareholders, Board and Chief Executive Officer. LESTO does not have Supervisory Board.

General Meeting of Shareholders

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

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

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

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

Board

LESTO Board is a collegiate managing body of the Company.

The competence of the Board, the procedure for adoption of decisions and election and recall of members are governed by the laws, other legal acts and Articles of Association. The Board consists of five Board members that are elected by the General Meeting of Shareholder for the term of four years. The Board members elect the chairman of the Board out of its members.

During the reporting period the Board of the Company consisted of the chairman of the Board Arvydas Darulis and Board members: Kęstutis Žilėnas, Dalius Misiūnas, Aloyzas Vitkauskas, Šarūnas Vasiliauskas.

On 29 April, 2011 Board member Dalius Misiūnas was recalled from the LESTO Board and Arvydas Tarasevičius was elected to the Board by the decision of General Meeting of Shareholders.

On the report signature day the Board of the Company consists of the chairman of the Board Arvydas Darulis and Board members: Kęstutis Žilėnas, Arvydas Tarasevičius, Aloyzas Vitkauskas, Šarūnas Vasiliauskas.

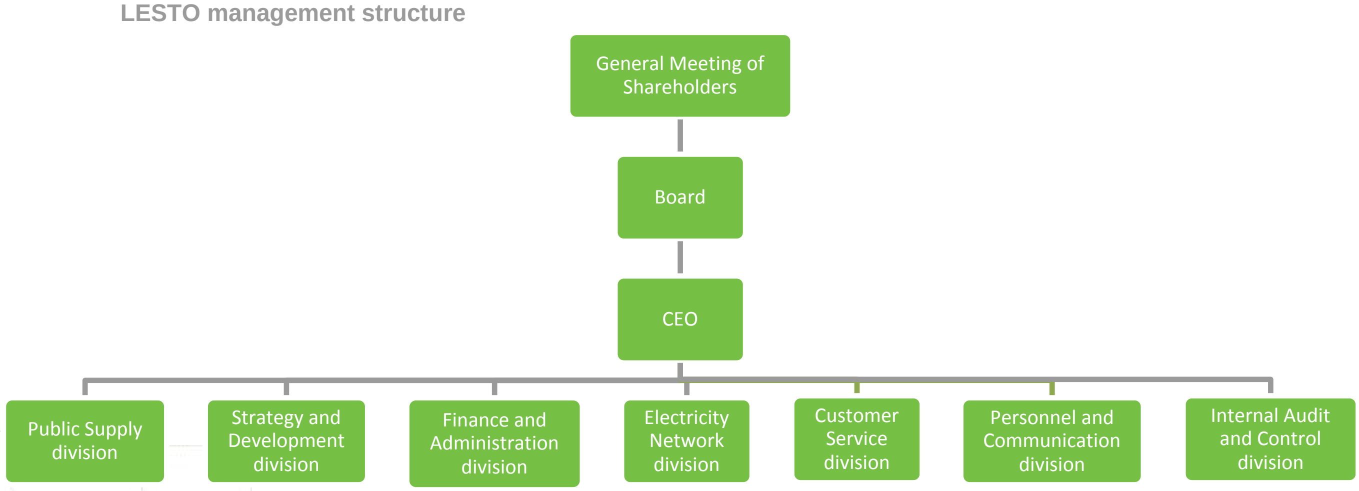
Chief Executive Officer

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

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

On 13 December, 2010 Arvydas Tarasevičius was elected as a CEO of LESTO.

LESTO management structure



LESTO Board and CEO

Arvydas Darulis
Chairman of the Board
In this position: since 13 December, 2010
Education:
Vilnius University, Economist degree.
Dalhousie University, Baltic economic management training programme.
Main occupation: Ministry of Energy of the Republic of Lithuania, Vice-minister

Kęstutis Žilėnas
Member of the Board
In this position: since 13 December, 2010
Education:
Mykolas Romeris University, Master in Law.
Kaunas University of Technology, Computer systems and network engineer qualification.
Main occupation: Ministry of Energy of the Republic of Lithuania, Head of the Energy Resources, Electricity and Heat division

Aloyzas Vitkauskas
Member of the Board
In this position: since 13 December, 2010
Education:
Vilnius Engineering Construction Institute, Technological sciences.
Vilnius Engineering Construction Institute, Master in Civil Engineering.
Main occupation: Ministry of Finance of the Republic of Lithuania, Vice-minister

Šarūnas Vasiliauskas
Member of the Board
In this position: since 13 December, 2010
Education:
Vilnius University, Master in Natural Sciences.
Main occupation: Visagino atominė elektrinė UAB , CEO

Arvydas Tarasevičius
Member of the Board
In this position: since 29 April, 2011*
Education:
Vilnius University, Doctor of Social Sciences.
Vilnius University, Economist-mathematician.
Main occupation: LESTO AB, CEO

*On 29 April, 2011 General Meeting of Shareholders ellected Arvydas Tarasevičius instead of recalled member of the Board Dalius Misiūnas.

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

Name, surname	Name of organisation, position	Capital held, %	Share of votes, %
	Board		
Arvydas Darulis	LESTO AB, chairman of the Board	-	-
	Ministry of Energy of the Republic of Lithuania, Vice-minister		
	Klaipėdos nafta AB, member of the Board	-	-
	Lietuvos energija AB, chairman of the Board	-	-
	Visagino atominė elektrinė UAB, chairman of the Board	-	-
Kęstutis Žilėnas	LESTO AB, member of the Board	-	-
	Ministry of Energy of the Republic of Lithuania, Head of the Energy Resources, Electricity and Heat division	-	-
	Klaipėdos nafta AB, member of the Board	-	-
	Lietuvos energija AB, chairman of the Board	-	-
	ELEKTROS TINKLO PASLAUGOS UAB, chairman of the Board	-	-
	TETAS UAB, chairman of the Board	-	-
Aloyzas Vitkauskas	LESTO AB, member of the Board	-	-
	Ministry of Finance of the Republic of Lithuania, Vice-minister	-	-
	Lietuvos energija AB, member of the Board	-	-
	Visagino atominė elektrinė UAB, member of the Board	-	-
	State Enterprise Turto bankas, chairman of the Board	-	-
	State Enterprice Valstybės turto fondas, chairman of the Board	-	-
Šarūnas Vasiliauskas	LESTO AB, member of the Board	-	-
	Lietuvos energija AB, member of the Board	-	-
	Visagino atominė elektrinė UAB, CEO and member of the Board	-	-
Arvydas Tarasevičius	LESTO AB, CEO and member of the Board*	-	-
	Technologijų ir inovacijų centras UAB, member of the Board	-	-
	NT Valdos UAB, member of the Board	-	-
	LITHUANIAN ELECTRIC ENERGY ASSOCIATION, member of the Council	-	-
	Homestead cooperative Žemyna, member of the Board	-	-
	CEO		
Arvydas Tarasevičius	Look for the information above	-	-
	Chief Accountant, Director of Accounting department		
Zina Chmieliauskienė	-	-	-

*On 29 April, 2011 General Meeting of Shareholders ellected Arvydas Tarasevičius instead of recalled member of the Board Dalius Misiūnas.

Information on payments to LESTO Board members, CEO and Chief Financer over reporting period

	Salaries, LTL	Other payments,LTL
CEO	119,086.73	-
Chief Accountant	75,208.70	-

*Salaries for the activities at the LESTO Board for the Board members were not paid.

LESTO personnel

Employees play the major role ensuring realization of the strategic purposes of LESTO. Company orientated personnel policy towards raising employees' credentials, formation of organizational culture and creation of additional value for customers, partners and community.

The number of employees at LESTO group over reporting period decreased insignificantly. On 30 June, 2011 LESTO group had 30 contracts less with employees compared to the establishment of LESTO. Change in number of employees was determined by the structural changes in the organizations.

LESTO group employees

Company	Number of employees		Change, %
	30 06 2011	31 12 2010	
LESTO AB	2,913	2,983*	-2,4
NT Valdos UAB	144	135	6,3
ELEKTROS TINKLO PASLAUGOS UAB	454	441	2,9
TETAS UAB	406	384	5,7
Technologijų ir inovacijų centras UAB	216	220	-1.8

*Employees of Rytų skirstomieji tinklai AB and VST AB were transferred to LESTO on 1 January, 2011.

Optimization of management structure and separation of indirect functions allowed to reduce the number of managers and workers. During the first half of 2011 the number of specialists increased by 5,5 %.

LESTO employees by category

Category of employees	Number of employees		Change, %
	30 06 2011	31 12 2010*	
Managers	228	301	-24,2
Specialists	2,026	1920	5,5
Workers	659	762	-13,5
All employees	2,913	2,983	-2,4

* Employees of Rytų skirstomieji tinklai AB and VST AB were transferred to LESTO on 1 January, 2011.

Development of employees competences

Improvement of leadership skills was one of the directions of personnel management in 2011. According to the leaders education programme, basic competences of leader were defined. Managers of the middle line were instructed to follow these competences.

During the first half of 2011, LESTO organized trainings intended to improve professional competences. Company also implemented internal training programs that were led by the employees of the Company. At the beginning of the year LESTO initiated IT systems training sessions (APAP, TEVIS, GIS, Bilingas, etc.).

Remuneration policy

Remuneration policy of LESTO allows Company to be among the most progressive companies of the country - salary of the employees depends on results achieved, additional value created for the organization. LESTO remuneration policy is based on the methodology of Hay Group. This methodology ensures objective evaluation of working positions according to education required, complexity of the problems and level of responsibilities taken.

Average salary of LESTO employees

Category of employees	Average gross salary, LTL		
	2011 January-June	2010 Rytų skirstomieji tinklai AB	2010 VST AB
Managers and specialists	3,137	3,351	2,765
Workers	2,458	2,275	2,246
All employees	2,984	3,125	2,605

Collective agreement

The collective agreement was confirmed in the Conference of LESTO employees on 10 March, 2011. The purpose of this agreement is to ensure effective activities of the Company and to represent LESTO employees' rights. The collective agreement specifies a scheme of remuneration of LESTO employees, working, economic and social conditions as well as additional guarantees applicable to employees.

Internship

LESTO cooperates with education institutions and gives the possibility to students to adopt theoretical knowledge and learn useful practical skills from the employees of the Company. During the first half of 2011, 114 students completed their internship and gained useful experience at LESTO.

LESTO customer service

Development of customer service channels

One of the main targets of LESTO strategy is development of customer service channels. Company owes one of the biggest customer service networks in Lithuania. LESTO has customer service centers in 50 towns and all of them adopted their working hours to meet the needs of customers since the beginning of the year. In April LESTO created integrated IT system that allows to service customer in any centre despite his residence.

Changes in the self-service system ensure higher level of protection of customer's data. Tariff plan calculator was installed on self-service website My Electricity which allows to determine and choose the most suitable tariff plan. It caused expanded use of self-service website by 1.5 times. 85 % of LESTO business customers use electronic invoices.

In 2011 LESTO continued to inform customers by email and SMS messages about changes of tariffs and planned electricity disconnections, prepared technical specifications, payment terms of invoices and other useful information. Auto-call that infom about payments for electricity was introduced to LESTO customers.

Since the begining of 2011 all LESTO customers are able to use contact centre telephone number 1802 to get useful information about electricity consumption and payments, tariff plans, direct debit payments, electricity distribution problems and order payment books.

Customer service quality

In 2011 one of the main objectives of LESTO activities was the improvement of customer service. In order to achieve this objective, customer survey was carried out. 90 % of customers which participated in survey were satisfied with quality of service.

Customer service specialists of the Company were trained to improve their competences highlighting the attention for customers needs. The changes of internal customer service guidelines and processes schemes allowed to find out more about the customers needs and expectations. Customers are encouraged to express their opinion, suggestion about LESTO services.

During the first half of 2011 the number of reasonable complaints decreased by 40 % compared to the same period last year. LESTO improved its activity depending on customer's needs and expectations.

New payment plans

On 1 April, 2011 LESTO introduced new payment plans for private customers. The major difference between the new plans and the old ones is that the price of one kWh consumed is not fixed. Average price depends on the consumption of electricity.

Plan Home benefits customers that consume more than 250 kWh every month (annually – 3,000 kWh), plan Home Plus benefits those who consume over 500 kWh monthly (annually 6,000 kWh).

2,126 customers have chosen these plans over the period of three months.

LESTO social responsibility and environmental protection

LESTO is a member of the biggest voluntary social responsibility initiative - Global Compact. The purpose of Global Compact is to encourage companies to act responsible, include initiative principles into strategy of the company and contribute to the economic growth.

LESTO, being a socially responsible company, considers the direction of the sustainable development to be one of its strategic directions. Taking into consideration the agreements with the Ministry of Energy (On Increasing of Energy Consumption Efficiency as of 2010, LESTO implements the following initiatives of social responsibility:

- encouragement of the rational consumption of energy;
- reduction of losses in the distribution network;
- educational preventive promotion of safety and encouragement of use of environment-friendly technologies;
- environment protection: harmonious development, prevention of pollution.

Programmes provided for in the National Energy Strategy:

- energy efficiency increase initiatives: annual 1.5% increase in final energy consumption efficiency;
- following the tendencies of advanced technologies, among which are the electromobiles, CO_2 capture;
- encouragement of creation of energy-saving society, preparation of programmes for positive influence on habits of energy consumption in the society.

Encouragement of the rational electricity consumption

In 2011 LESTO continued the initiative, which encourages the rational consumption of electricity *Tiek, kiek reikia* (*To the Extent Required*). The initiative has the constantly updating website www.tiekkiekreikia.lt, which provides information about the projects being implemented, recommendations for rational consumption, and answers for questions of visitors of the website.

In 2009 and 2010 the initiative was dedicated to households, and since 2011 it was joined by organizations. LESTO took notice of electricity consumption efficiency of business companies and state educational institutions.

FOR BUSINESS

Practical conference about electricity consumption, which was organized in February, attracted 200 business representatives. At the conference, the partners of which were *Verslo žinios, UAB* and the Nordic Council of Ministers Office in Lithuania, with participation of the experts of rational consumption from the United Kingdom and Ireland, the issues concerning sustainable development and optimization of energy consumption, world and Lithuanian tendencies of electricity consumption, problems at the companies and ways of solving them were discussed.

During the conference, the Green Protocol, which was initiated by LESTO, was introduced; it is a voluntary agreement, by which companies express the intention to act in a more responsible way, to use resources more rationally, to implement measures of energy consumption efficiency, to contribute to environment protection of Europe and the whole world, to reduce emissions of greenhouse gas (CO_2) and to contribute to creation of the energy-saving society.

In April the members of the Green Protocol were invited to participate in the competition and to see, which one manages to reduce CO_2 emissions the most. The competition will be won by the company, which manages to achieve the best result in comparison with the same period (April – September) last year, i.e. evaluating the chosen rational decisions, the most efficient result of use of the kilowatt hour.

FOR SCHOOLS

In order to draw attention to the rational electricity consumption in the state educational institutions, LESTO launched the initiative *Tiek, kiek reikia MOKYKLOMS* (*To the Extent Required FOR SCHOOLS*). The Company noticed that the largest amount of electricity at the educational institutions is used for lighting of the premises, and that the electricity systems used for that purpose do not conform to the modern needs and technical requirements, and the lamps are not energy-saving.

By the initiative of the Company, in May and June in three typical schools from different regions the evaluation of the condition of electrical installations and consumption of electricity was carried out. In accordance with the evaluation it is planned to conduct a universal public electricity consumption optimization study, for many companies, which plan to optimize their electrical environment, to use.

Project partners: the Ministry of Education and Science of the Republic of Lithuania, European Commission Representation in Lithuania, premises evaluation experts, suppliers of lighting equipment and installations.

In order to demonstrate the effectiveness and benefit of the modern technical solutions, it is planned to equip classrooms with the model lighting in schools, which participated in the project, and to initiate active educational campaigns on electricity consumption in all schools.

Reduction of losses in the distribution network

Continuing the long-term residents' education initiative *Operation 2020*, which is dedicated to reduction of technological losses in the electricity distribution networks and to promoting of citizenship and responsibility, the agreement on cooperation with the Lithuanian *The Association of Chiefs of Local Authorities of Lithuania* was renewed.

On the basis of this agreement in March and April LESTO specialists attended meetings with chiefs of local authorities in the whole country to discuss the most typical problems: organization of trimming of trees and excavation works. To trim the trees in time and to coordinate the planned excavation works is especially important for protection of overhead electricity lines and cable lines of the distribution networks.

In order to assist the chiefs of local authorities in informing the citizens about their rights and responsibilities as electricity consumers and to teach safe conduct with electricity, the Company issued 60 thousand copies of *The Manual on Responsible Use of Electricity*. The manuals are distributed at the Elderships and LESTO Customer Service Centres.

In March the posters of the project were prepared and printed; they encourage the citizens to pay attention to their responsibilities to inform about negative consequences of negligence. Also information flyers with visual information for police employees and buyers of scrap metal, showing, which objects are parts of equipment of distribution networks, were prepared.

Citizens are encouraged to be responsible and inform the Company by calling the trust line about the noticed disorderly equipment of the network, the cases of illegal electricity use. Due to the confirmed calls on the trust line, during the first half of 2011, every month on average more than 5.4 thousand litas from the illegal consumption of electricity were returned.

In June, in order to encourage and increase the activity of communities, a competition of projects of the state chiefs of local authorities, which will continue till the 31st of October, was launched; it is meant for solving topical local communities' problems related to electricity.

Promotion of educational prevention safety and environment-friendly and prospective technologies

Many minors suffer as a result of irresponsible behaviour with electricity or electrical equipment or installations every year, thus, the education via educational institutions decreases the risk of accidents, which happen as a consequence of careless conduct with electricity. In 2011 LESTO continued the long-term project for children and youth *Elektromagija* (*Electro-Magic)*.

The website of the project: www.elektromagija.lt; it is aimed at deepening the knowledge about electricity, its origin, sources and safe conduct. The website is constantly provided with new information on the renewable and alternative sources of energy.

Environment protection: harmonious development, pollution prevention

STORKS

Alongside with the Lithuanian Ornithological Society and the Institute of Ecology of Nature Research Centre and partners LESTO continues the project of the EU's financial instrument *LIFE+* titled *The White Stork (Ciconia ciconia) Protection in Lithuania* (project No. LIFE07 NAT/LT/000531).

In 2011 LESTO established a record of preserved stork nests: the number of them till April reached 4,000 units. Last year in Lithuania 1,189 stork nests were preserved. In the spring of this year 386 stork nests were preserved.

INVOLVEMENT OF EMPLOYEES IN THE ENVIRONMENT PROTECTION INITIATIVES

The employees of the Company participate in the universal environmental management campaigns, which encourage environmental thinking, citizenship, social activeness and sociality.

On the 16th of April more than 400 LESTO employees together with participants in the campaign *Darom 2011* (*Let's Do It, 2011*) cleaned up the environment in 25 Lithuanian cities in the Regions of Alytus, Kaunas, Klaipėda, Panevėžys, Šiauliai, Vilnius and Utena.

LESTO social responsibility activities are acknowledged at the National Responsible Business Awards

In April the *National Responsible Business Awards* awarded the most advanced Lithuanian companies, which contribute to creation of social welfare and decrease of the negative impact on the environment. LESTO was nominated for the award in *The Most Community Oriented Company of 2010* category, and won the special newly-established debut of the year award in this nomination.

INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL

Authorised capital structure

Type of shares	Number of shares	Nominal value, LTL	Total nominal value, LTL	Share in authorized capital, %
Ordinary registered shares	603,944,593	1	603,944,593	100,00

Rights and obligations granted by shares

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

Shareholders

On June 30, 2011 the number of LESTO shareholders totaled – 7,843.

On 1 January, 2011 number of LESTO shareholders amounted to 7,999.

Shareholders of Rytų skirstomieji tinklai AB and VST AB that owned shares on 27 December, 2010 became LESTO shareholders. According to reorganization terms, one VST AB share granted 68.21 of LESTO shares and one Rytų skirstomieji tinklai AB share – 0.71 of LESTO share.

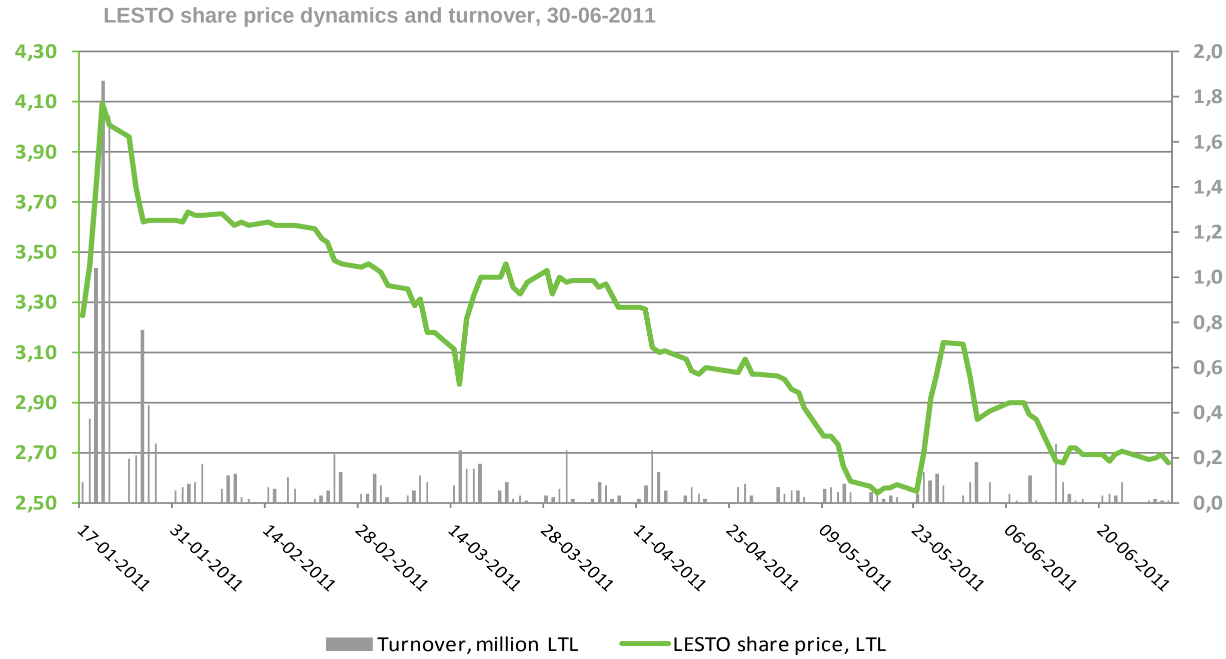
Shareholders who owned more than 5 % of the issuer's authorized capital on 30 June, 2011.

Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Visagino atominė elektrinė, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	82.63
E.ON Ruhrgas International Gmbh, Huttropstrasse 60, Essen, Germany HRB No 10974	71,040,473	11.76	11.76

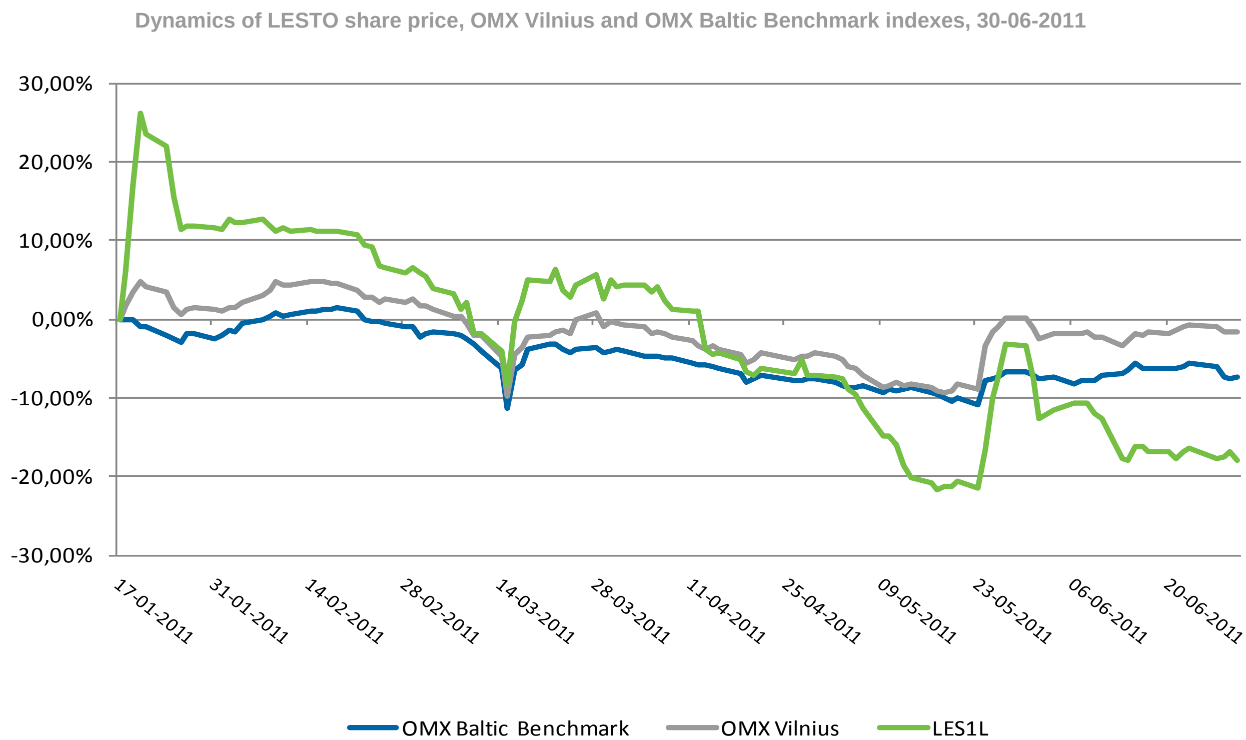
Information on issuer's securities

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

ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. Start of trading in LESTO shares attained attention of large and small investors, within four trading days the price of LESTO share grew by 26.2 % and on 20 January, 2011 reached the highest point during the reporting period - LTL 4.09. When the initial attention cooled down, the share price was impacted by the negative events in the world's macroeconomics: nuclear crisis in Japan, threat of Greece default, tension due to the USA debt ceiling. LESTO share price reached the lowest point (LTL 2.54) on 17 May, 2011. During the reporting period LESTO share price dropped by 18 %. On 30 June, 2011 price of LESTO share was LTL 2.66. The average price of LESTO share during the first half of the year – LTL 3.18.



LESTO shares are included in both OMX Vilnius and OMX Baltic Benchmark indexes. Index OMX Vilnius consists of all the shares listed on the Main and Secondary lists of the Vilnius exchange market. The weight of LESTO shares in this index contains 15.74%.

OMX Baltic Benchmark index consists of a portfolio of the largest and most traded shares, representing all sectors available on the NASDAQ OMX Baltic Market. LESTO represents the utility sector. Since the beginning of trading in LESTO shares until the 30 June, 2011 index OMX Vilnius dropped by 1.5%, OMX Baltic Benchmark declined by 7%, while price of LESTO share decreased by 18 %.The drop of indexes was absorbed due to transaction in the pharmacy sector.

LESTO securities account manager

"Swedbank", AB is official manager of LESTO security account.

Contact details of Swedbank, AB:

Konstitucijos ave. 20A, LT-03502 Vilnius

Tel. 1884, +370 5 268 4444, fax +370 5 258 2700

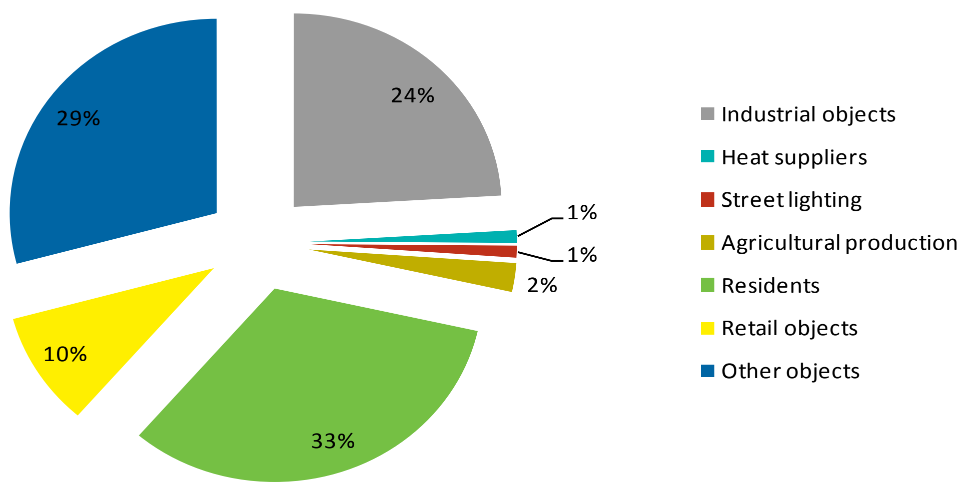
FINANCIAL RESULTS ANALYSIS

Activity results analysis

Activity indicators	2011 January-June
Amount of electricity received to the distribution network, million. kWh	4,297
Technological losses in the distribution network, million kWh	371
Volume of network service, million kWh	3,926
Amount of electricity sold, million. kWh	2,218
SAIDI, minutes	135.1
SAIFI, times	0.96

During the six months of 2011 the amount of LESTO network service reached 3,926 million kWh. Electricity sales made up 56.4% of this amount, to the rest customers LESTO granted only network service. LESTO electricity sales in high voltage electricity grids during the first half made up 2 million kWh. Technological losses experienced by the Company amounted to 371 million kWh. Technological losses in the distribution network during the second quarter of 2011 made up only 6.32 % of electricity received to the distribution network. During the first quarter of 2011 technological losses totaled to 10.53 %.

Structure of network service volumes by objects



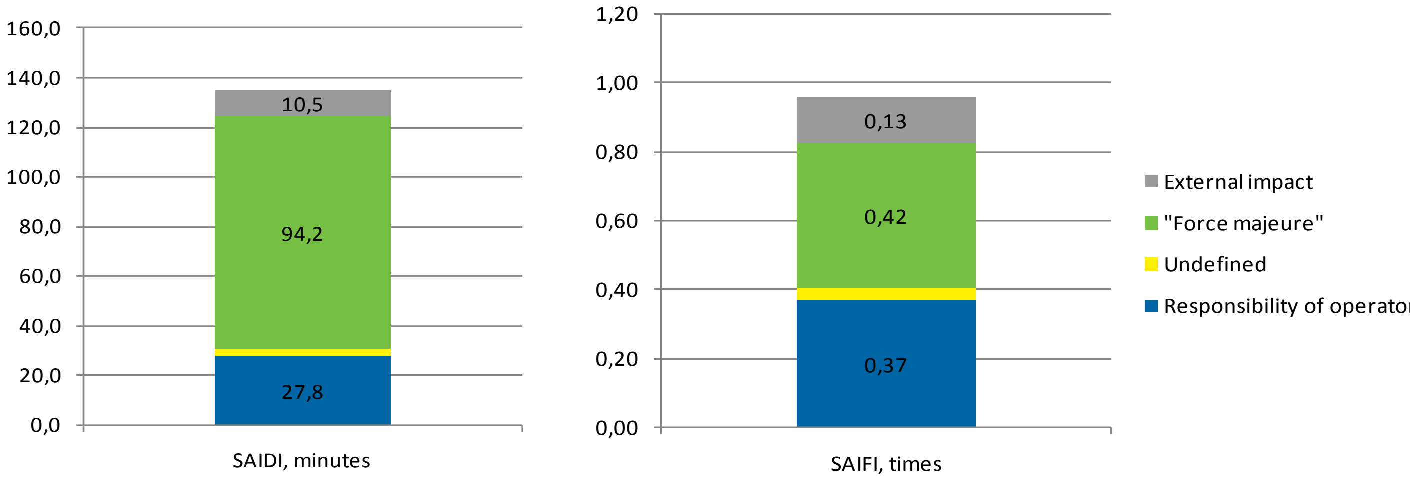
Almost one third of electricity network service volume was allocated to residents. Industrial and retail objects consumed 24% and 10% respectively. The structure of electricity network service during the first half of 2011 changed insignificantly compared to the first quarter of 2011. The share of network service volume to the industrial objects increase by 2 % points, the share of electricity serviced to other objects wents down by 3.1 % points.

Indexes for measurement of distribution network reliability:

- SAIDI, minutes - System average interruption duration index. Indicates average duration of electricity supply interruptions to one costumer during the reporting period.
- SAIFI, times - System average interruption frequency. Indicates average number of electricity supply interruptions to one costumer during the reporting period.

During the first half of 2011 LESTO SAIDI index made up 135.1 minutes, SAIFI – 0.96 time. The main reason for electricity supply interruptions were caused by events under the category „Force majeure“ (natural disasters). SAIDI index stood at 30.4 minutes and SAIFI – 0.41 times.

Distribution network reliability indexes



Income, costs and profitability

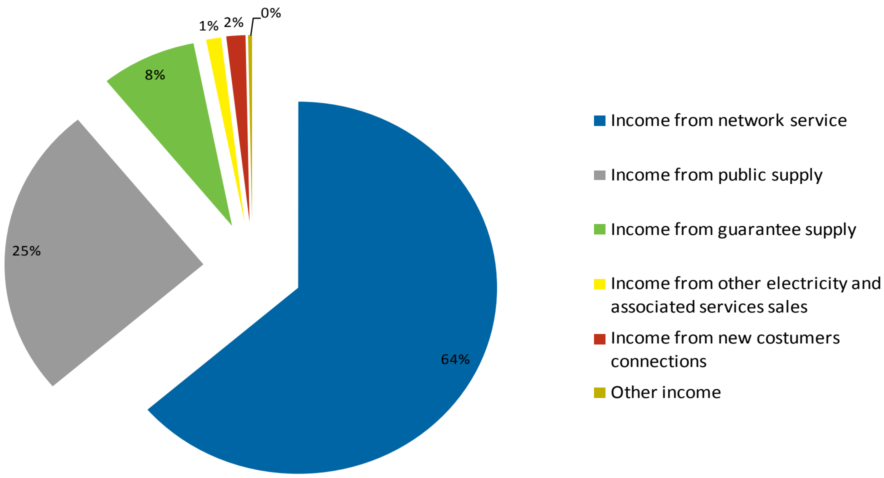
LESTO group profitability ratios	2011 January – June	2011 January – March	2010 January – June
Net profit margin	-2.29 %	-1.28 %	-1.66 %
Operating profit margin	-2.71 %	-1.85 %	-1.76 %
EBITDA, LTL thousand	187,053	97,718	203,252
EBITDA margin	16.44 %	15.87 %	16.18 %
ROA	-0.49 %	-0.15 %	-
ROE	-0.71 %	-0.21 %	-

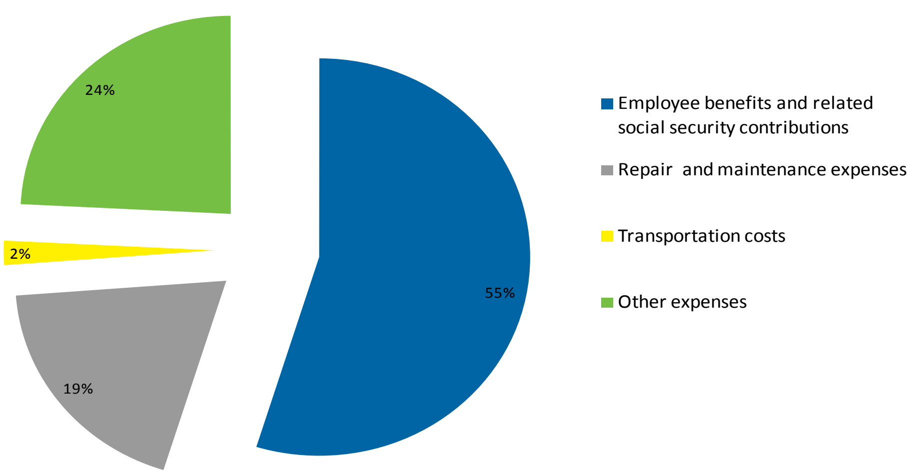
During the first half of 2011 LESTO group earned LTL 1,137.6 million, Company's income share made up 98.9% i.e. LTL 1 124.8 million. LESTO group income decrased by 9.4 % due to the electricity market liberalization that caused drop of revenue from electricity sales.

The main source of Company's income is income from network service that made up 64% of total income, income from public supply service consisted 25%, income from guarantee supply for the customers that have not chosen independent supplier amounted to 8 % of Company's income. Income from connection of new customers, other electricity and associated services and income form other sources made up only 3 %. During the reporting period, electricity purchase costs made up LTL 805 million i.e. 68.9% of total costs. Depreciation and amortization accounted to 18.6% of total costs and the rest costs of the group that made up 12.5% are classified as activity costs.

In 2011 EBITDA of LESTO group reached LTL 187.1 million, EBITDA margin made up 16.4% of income. LESTO group experienced net loss of LTL 26 million during six months of 2011. Net loss of Company made up LTL 27.6 million. Company's losses were caused by increased prices of electricity purchase, lower electricity distribution price caps and lower volume of electricity network service than forecasted.

LESTO income structure





Other financial ratios and investments

LESTO group liquidity ratios	30-06-2011	31-03-2011	31-12-2010
Current liquidity ratio	0.43	0.53	0.53
Acid test ratio	0.41	0.51	0.52
Cash liquidity ratio	0.12	0.15	0.20
Working capital, LTL thousand	-369,383	-294,580	-341,008
Working capital to total assets ratio	-0.07	-0.05	-0.06

LESTO group financial leverage ratios	30-06-2011	31-03-2011	31-12-2010
Total liabilities to total assets ratio	0.31	0.31	0.32
Debt to equity ratio	0.13	0.13	0.14
Net financial debt, LTL thousand	413,239	393,704	394,793
Net financial debt to equity ratio	0.11	0.10	0.10

The value of LESTO group assets at the end of reporting period made up LTL 5,336.9 million. Non-current assets share in total assets was equal to 94.7%. Value of LESTO group assets shrank because of investments that were less than depreciation. Short-term deposits and cash with cash equivalents accounted to LTL 79.3 million i.e. 28.2% of total current assets. Due to the paid out dividends for 2010, the amount of short term deposits and cash with cash equivalents decreased by LTL 65.8 million. compared to the end of 2010.

Equity of LESTO group exceeded liabilities 2.22 fold. At the end of reporting period financial debts made up LTL 492.6 million or 29.7% of total liabilities. Current borrowings overweigh non-current borrowings by LTL 114.9 million due to the large amount of loans that will come to maturity within one year. At the end of reporting period LESTO current borrowings made up LTL 651.1 million.

Current liabilities exceeded current assets by LTL 369.4 million. Current liquidity ratio stood at 0.43. Inventories made up only 5.3% of current assets, consequently acid test ratio do not differ significantly from current liquidity ratio. Financial debt reduced by the amount of the most liquid assets (short-term deposits and cash with cash equivalents) indicates net financial debt. Net financial debt of the LESTO group amounted to LTL 413.2 million and consisted only 11% of equity.

During the reporting period, LESTO invested LTL 108 million. Main part of investments was devoted for electricity network expansion. Investments in connection of new customers made up LTL 56.9 million, while buyout of electricity objects amounted to LTL 1.6 million. During the first quarter of 2011 Company allocated LTL 23.5 million for maintenance of low voltage electricity grid. Maintenance of medium voltage electricity grid cost LTL 22.1 million.

LESTO investment, LTL thousand

	2011 January - June		Structure	
Investments in expansion		**58,475**		**54.1 %**
Connection of new customers	56,853		97.2 %	
Buyout of electricity objects	1,621		2.8 %	
Investments in maintenance		**49,538**		**45.9 %**
Low voltage electricity grid	23,486		47.4 %	
Medium voltage electricity grid	22,067		44.6 %	
Other investments	3,985		8.0 %	
Total		**108,013**		

RISKS

Economic risk factors

Important risk factor is related to the market price of electricity generation/import, which has a direct effect on the cost of electricity. Public supply price is regulated and fixed irrespective of the electricity price prevailing in the market.

Since the beginning of 2010, liberalisation of the electricity market has started and customers have started actively using the opportunity to choose an independent supplier. As a result of this LESTO is experiencing loss of part of its income from supply operations.

LESTO income and profit from the electricity transmission and supply operations directly depend on the transmission/consumption volumes. Economic situation of the country has direct influence on electricity sales - trends in connections of new objects and costumer's solvency.

While operating and expanding distributive network, LESTO purchase electricity equipment and components, which price depends on the trends of the market. LESTO investments and financial result depends on these market prices.

Political risk factors

The electricity distribution and supply activities are regulated by Law on Electricity of the Republic of Lithuania. Amendments to this law and other related legislation may have an impact upon LESTO operations and results.

Governmental policy toward electricity prices is also important. Service prices are regulated, with the price caps set and controlled by the National Control Commission for Prices and Energy. LESTO performance results may depend upon such regulatory decisions.

Technological risk factors

Distribution of electricity involves technological costs and commercial losses. Technological costs depend on the technical characteristics and optimum use of the distribution network. Commercial losses result from unsanctioned connection to the network as well as electricity thefts through illegal damage of electricity meters and metering system elements.

One of the key factors characterising the activities of the distribution network operator is the reliability of electricity distribution, which is evaluated according to the duration and number of customer disconnections. Unpredictable external factors such as natural disasters pose the risk that LESTO may fail to ensure reliable power supply to customers and to receive expected income, and that the elimination of respective malfunctions will entail additional operating expenses.

In order to enhance quality and reliability of the energy supply, LESTO earmarks the largest part of its investments for the reconstruction of distribution grids and transformer substations and for the installation of state-of-the-art equipment meeting the modern quality standards, and seeks technological solutions that would ensure continuous control over the condition of distribution networks, effective elimination of problems, and prevention of disruptions in the electricity supply.

Ecological risk factors

LESTO is an electricity supply and distribution company. The levels of environmental pollution caused by the Company are low. The probability of imposition of restrictions on or suspension of the Issuer's operations is low.

ESSENTIAL EVENTS

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

LESTO essential events over reporting period

Date	Essential event
17-01-2011	Regarding trading of AB LESTO shares on the Main list of NASDAQ OMX Vilnius.
20-01-2011	Regarding authorized stock account manager of the LESTO AB.
15-02-2011	Regarding change of AB LESTO licences for activities of the electricity distribution and electricity supply.
04-03-2011	Regarding the establishment of the Audit Committee of Visagino atominė elektrinė UAB.
01-04-2011	Notice Regarding Financial Indicators to be Achieved by LESTO AB in 2011 as Proposed by Ministry of Finance.
07-04-2011	Regarding of the Ordinary General Meeting of Shareholders of LESTO AB.
12-04-2011	Draft decisions of the Ordinary General Meeting of Shareholders of LESTO AB to be held on 29 April 2011.
29-04-2011	Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 29 April 2011.
29-04-2011	Annual information of VST AB and Rytu skirstomieji tinkai AB (2010).
18-05-2011	Social responsibility report of Rytu Skirstomieji Tinklai AB and VST AB of 2010.
25-05-2011	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB.
31-05-2011	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB.
31-05-2011	Regarding payout of dividends and inclusion of debt.
31-05-2011	LESTO AB results for three moths of 2011.
28-06-2011	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB.