



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

30-11-2011

## 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 nine 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



AB LESTO group  
Interim report  
for the nine months of 2011

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30 November 2011

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## GENERAL INFORMATION

### Reporting period covered by the report

Report covers January to September of 2011.

### Key data on issuer

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

### 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](http://www.lesto.lt)) and on Stock exchange market NASDAQ OMX Vilnius website (<http://www.nasdaqomxbaltic.com>) .

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

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

Office	Name, surname	Telephone
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 30 November, 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.

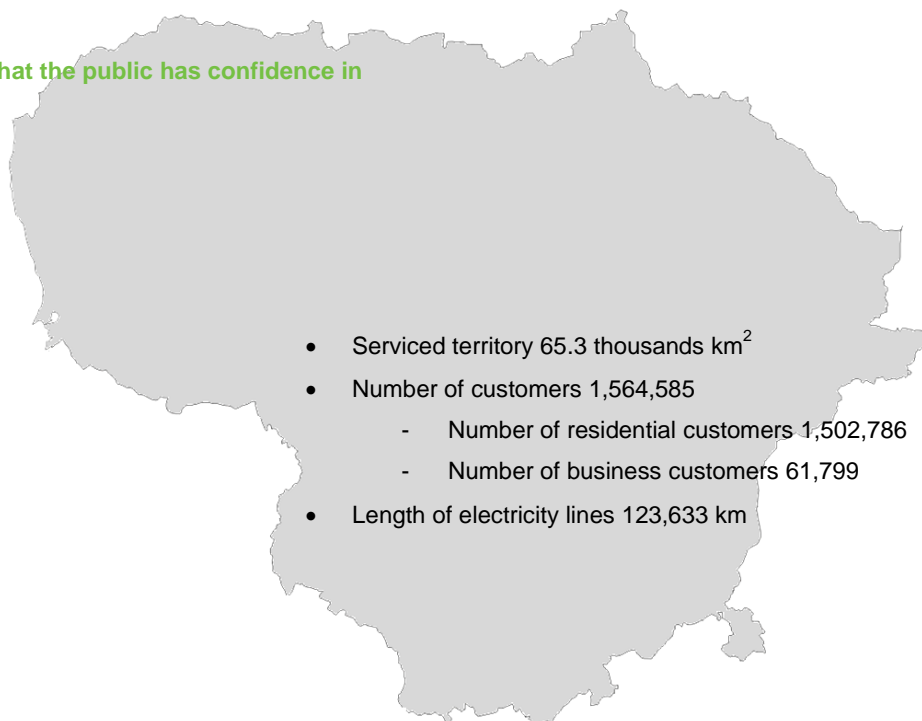
**INNOVATIVENESS:** We are seeking perfection and initiating changes.

## LESTO mission

**Reliable electricity for a meaningful life of everyone**

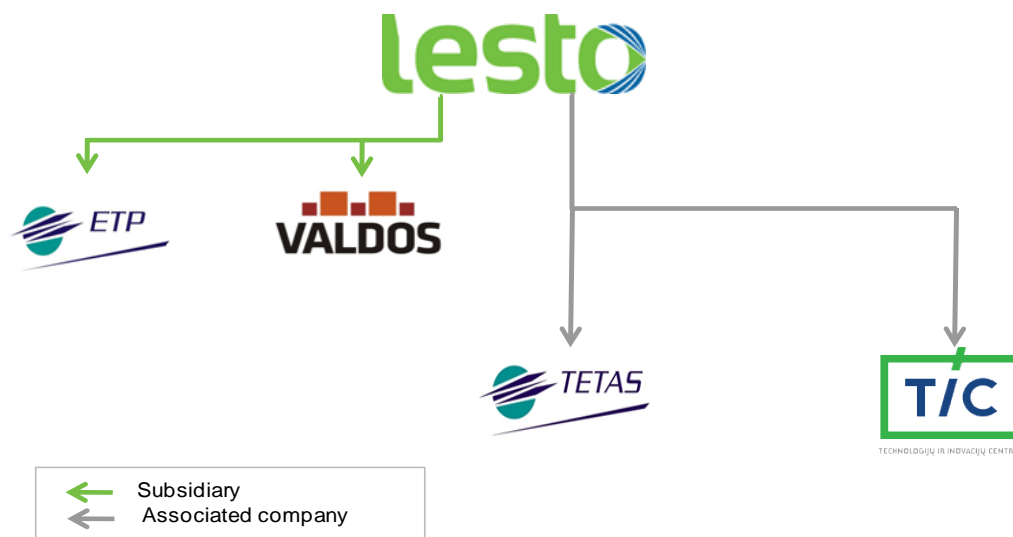
## LESTO vision

**A model company that the public has confidence in**



## LESTO company group

LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdოს 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 Valdოს 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	-	<a href="http://www.valdos.eu">www.valdos.eu</a>	<a href="http://www.etic.eu">www.etic.eu</a>	-
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 body of the Company.

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

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

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

### 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 law, 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. On 21 October, 2011 the mandate of the Board member Šarūnas Vasiliauskas expired.

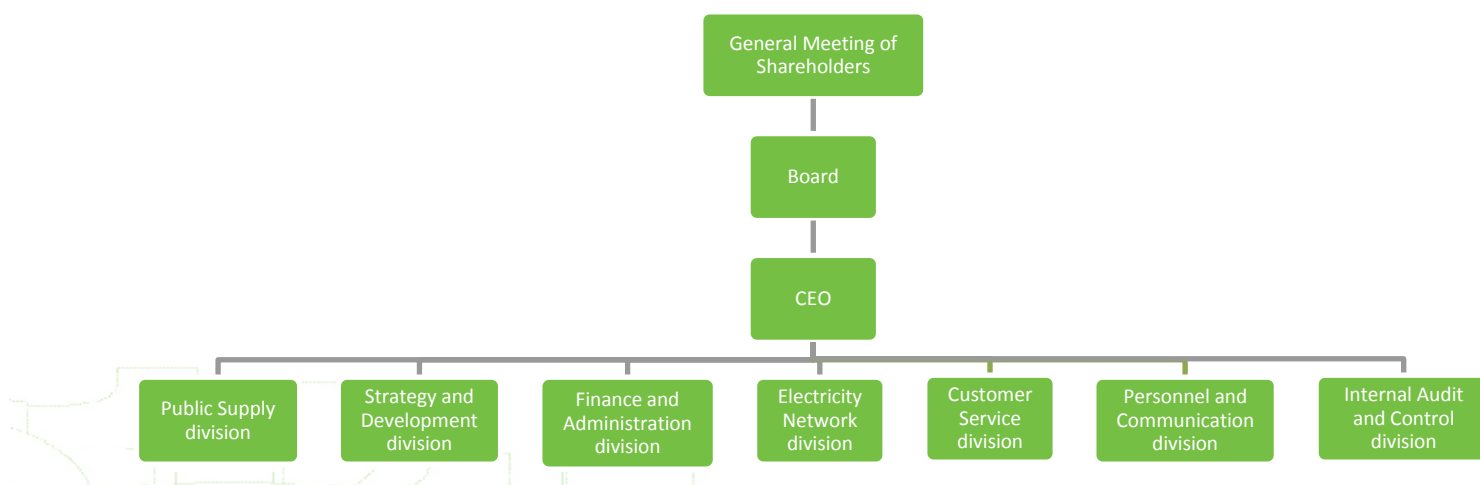
### Chief Executive Officer

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

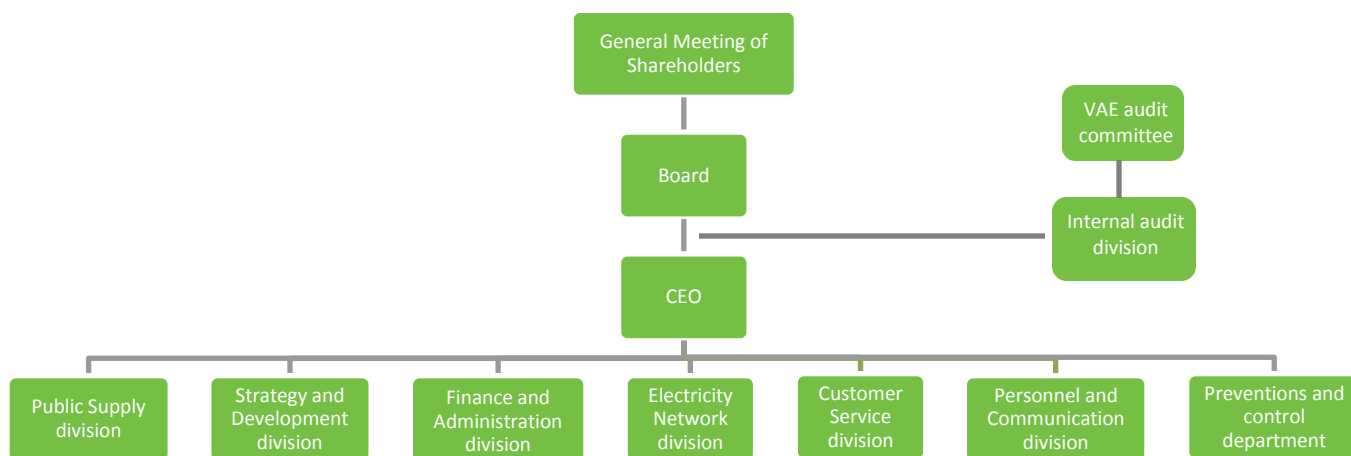
The competence of the Managing Director and the procedure for election and recall thereof are governed by the law, other legal acts and Articles of Association. CEO is elected and recalled by the Board of the Company. CEO organises the Company's activities, manages the Company, act on behalf of the Company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

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

LESTO management structure until the 1st November, 2011



LESTO management structure from the 1st November, 2011





## LESTO Board and CEO

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**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, Vice-minister



**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<sup>1</sup>

**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<sup>2</sup>

**Education:**

Vilnius University, Doctor of Social Sciences.

Vilnius University, Economist-mathematician.

**Main occupation:** LESTO AB, CEO

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<sup>1</sup>On 21 October, 2011 the mandate of the Board member is expired.

<sup>2</sup>On 29 April, 2011 General Meeting of Shareholders elected 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	-	-
	State Enterprise Ignalinos atominė elektrinė, chairman of the Board	-	-
Kęstutis Žilėnas	LESTO AB, member 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	-	-
	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 Enterprise Valstybės turto fondas, chairman of the Board	-	-
Šarūnas Vasiliauskas <sup>1</sup>	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 <sup>2</sup>	-	-
	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	-	-	-

<sup>1</sup>On 21 October, 2011 the mandate of the Board member expired.

<sup>2</sup>On 29 April, 2011 General Meeting of Shareholders elected Arvydas Tarasevičius instead of recalled member of the Board Dalius Misiūnas.

**Information on payments to LESTO Board members, CEO and Director of Accounting department over reporting period**

	Salaries, LTL	Other payments, LTL
CEO	175,104	-
Director of Accounting department	108,613	-

\*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. The Company orientated its personnel policy towards raising employees' professional qualifications and formation of organizational culture, which creates additional value for customers, partners and community.

The number of employees at LESTO group over reporting period decreased insignificantly. On 30 September, 2011 LESTO group had 25 contracts less with employees compared to the establishment of LESTO. Change in number of employees was determined by the structural changes in the organizations and optimization of processes.

### LESTO group employees

Company	Number of employees		Change, %
	30 09 2011	31 12 2010	
LESTO AB	2,913	2,983*	-2,4
NT Valdov UAB	137	135	1,5
ELEKTROS TINKLO PASLAUGOS UAB	458	441	3,9
TETAS UAB	409	384	6,5
Technologijų ir inovacijų centras UAB	221	220	0,5

\*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 nine months of 2011 the number of specialists increased more than five percent.

### LESTO employees by category

Category of employees	Number of employees		Change, %
	30 09 2011	31 12 2010*	
Managers	223	301	-25,9
Specialists	2,019	1920	5,1
Workers	671	762	-11,9
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*

LESTO organizes 3 types of trainings for the employees. During formal and informal compulsory trainings, the qualification of workers is raised and the certificates, which allow accomplishing special works, are issued. Such trainings involve various topics.

Trainings to improve general employees' competences are also organized. Such trainings are organized inside the company, but the employees have the possibility to attend other seminars and conferences, which are organized outside the company. One of the main directions of personnel management in 2011 was improvement of leadership skills. According to the leaders education programme, basic competences of leader were defined. Managers were instructed to follow these competences. The second main personnel management direction is effectiveness of customer service and successful marketing of additional services. Many customer service managers and electricity accounting groups' engineers have attended such trainings.

The third type of trainings is inside trainings which are led by Company's employees. At the beginning of the year LESTO initiated IT systems training sessions (APAP, TEVIS, GIS, Bilingas, etc.). From September employees could register to internal training for electrotechnics, law basics, effective leadership and communication and other 14 topics.

### *Remuneration policy*

Remuneration policy of LESTO allows the 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. Such system allows to manage Company's expenses effectively and ensures that strategic objectives would reflect in remuneration system.

#### Average salary of LESTO employees

Category of employees	Average gross salary, LTL		
	2011 January-September	2010 Rytų skirstomieji tinklai AB	2010 VST AB
Managers and specialists	3,148	3,351	2,765
Workers	2,425	2,275	2,246
All employees	2,983	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 three quarters of 2011, 136 students completed their internship and gained useful experience at LESTO.

## 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, including 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 2010-2020 and reduction of distribution/supply losses, following National Energy Strategy and EU directives on climate change and National sustainable development strategy, 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;
- to follow the tendencies of advanced technologies, among which are the electromobility, collection of CO<sub>2</sub>;
- 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 Needed*). The initiative has the constantly updating website [www.tiekkiekreikia.lt](http://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 the households, and since 2011 it was joined by the organizations. LESTO highlighted electricity consumption efficiency of business companies and state educational institutions.

## FOR BUSINESS AND ORGANIZATIONS

### CONFERENCE

Practical conference about electricity consumption, which was organized in February 2011, 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, discussed about 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.

### PROTOCOL

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<sub>2</sub>) 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 the highest amount of CO<sub>2</sub> emissions. 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.

During the nine months, the number of members of Green Protocol amounted 47. The survey, which has been made in August, showed that 66 % of protocol members accomplished electricity costs analysis, searched for ineffective activity processes, started to analyze large amount of electricity consuming devices.

The survey showed that companies follow technological solutions (42%). A lot of attention is paid for using economical mode for devices and change of employees' behaviour about energy saving (31.6%).

## 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 Needed FOR SCHOOLS)*. The Company noticed that the largest amount of electricity at the educational institutions is used for lighting of the premise, 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, which would be useful for many companies, which plan to optimize their electrical environment.

The company organized the press conference, where presented the results of the analysis. The main attention was drawn to the benefits of rational electric energy consumption.

In order to demonstrate the effectiveness and benefits of the modern technical solutions, it is planned to equip 7 classrooms with the model lighting in schools, which participated in the project, and to initiate active educational campaigns on electricity consumption in all schools.

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

## *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 120 thousand copies of *The Manual on Responsible Use of Electricity*. The manuals are distributed at the Eldershops 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.

In order to encourage and increase the activity of communities, a competition of projects of the state chiefs of local authorities was launched; it is meant for solving topical local communities' problems related to electricity.

The Company initiated direct debit campaign. During the campaign 70 % more direct debit agreements were signed.

*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](http://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.

The website also prompts eco-friendly technologies: the section "E-MOBILIAI" describes the damage of traditional transport and the need of searching more ecological solutions. The club of electric energy driven transport creators was founded where enthusiasts of techniques exhibit their works.

The competition "Piešiu savo ateities automobilį" (I draw my future car) was launched where 150 drawings were delivered.

*Environment protection: harmonious development, pollution prevention*

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.

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

On the 16<sup>th</sup> 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 September 30, 2011 the number of LESTO shareholders totaled – 7,809.

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 September, 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, Huttopstrasse 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

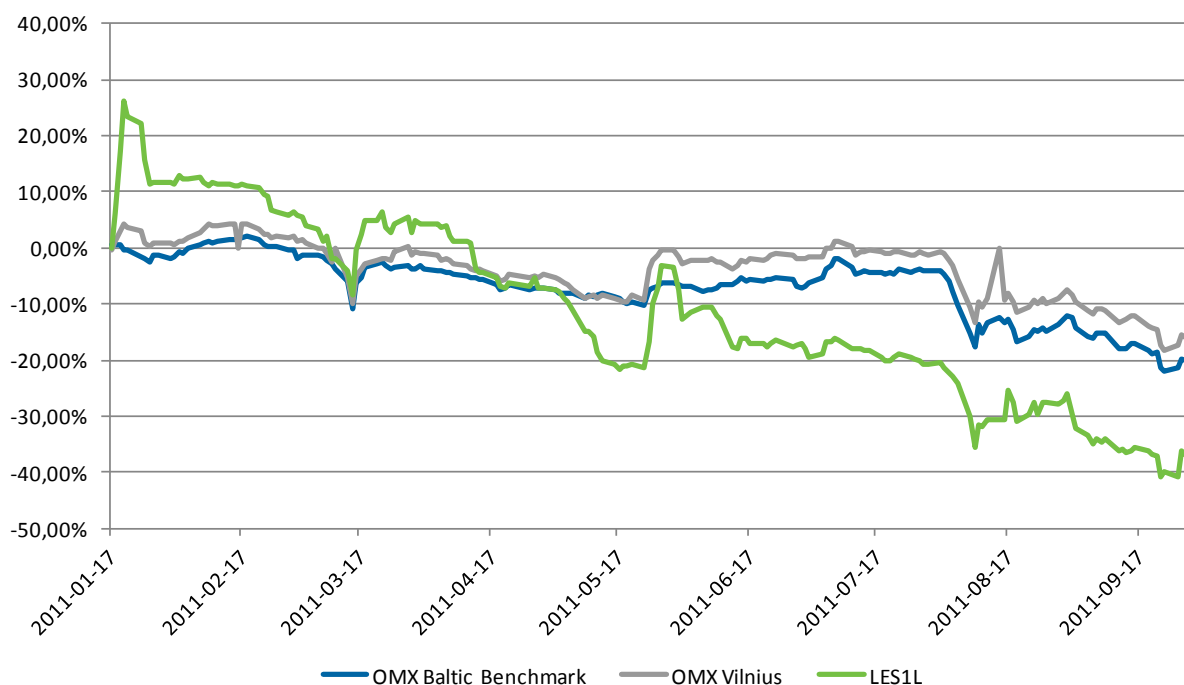


LESTO share price dynamics and turnover, 30-09-2011



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. LESTO share price reached the lowest point (LTL 1.92) on 22 September, 2011. During the reporting period LESTO share price dropped by 40.4 %. On 30 September, 2011 price of LESTO share was LTL 1.93. The average price of LESTO share during the reporting period – LTL 2.87.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 30-09-2011



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 September, 2011 index OMX Vilnius dropped by 17.6%, OMX Baltic Benchmark declined by 20.4%, while price of LESTO share decreased by 40,4 %.

#### **LESTO securities account manager**

“Swedbank”, AB is official manager of LESTO security account.

Contact details of Swedbank, AB:

Konstitucijos ave. 20 A, LT-03502 Vilnius

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

## FINANCIAL STATUS

Unaudited financial statements of LESTO and consolidated unaudited financial statements of LESTO group presented in this chapter have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

### Statement of financial position, LTL thousand

	LESTO group 30-09-2011	Company 30-09-2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4 866 329	4 685 787
Intangible assets	4 229	4 219
Prepayments for property plant and intangible assets	197	197
Investments in subsidiaries	-	191 018
Investment in associates	19 328	21 569
Investment property	126 781	-
Deferred income tax asset	64	-
Non-current receivables	10 111	10 111
	<b>5 027 039</b>	<b>4 912 901</b>
<b>Current assets</b>		
Inventories	18 075	13 131
Trade and other receivables	155 762	150 827
Prepayments, deferred charges and accrued income	26 998	26 559
Prepaid income tax	22	-
Short-term deposits	45 000	40 000
Cash and cash equivalents	19 080	9 538
	<b>264 937</b>	<b>240 055</b>
Non-current assets held for sale	760	-
	<b>265 697</b>	<b>240 055</b>
<b>Total assets</b>	<b>5 292 736</b>	<b>5 152 956</b>
<b>EQUITY</b>		
<b>Equity and reserves attributed to owners of the Company</b>		
Share capital	603 945	603 945
Revaluation reserve	1 895 134	1 860 096
Legal reserve	60 465	60 394
Other reserves	-	-
Retained earnings	971 327	1 010 739
	<b>3 530 871</b>	<b>3 535 174</b>
<b>Non-controlling interest</b>	<b>134 925</b>	<b>-</b>
<b>Total equity</b>	<b>3 665 796</b>	<b>3 535 174</b>
<b>LIABILITIES</b>		
<b>Amounts payable after one year and non-current liabilities</b>		
Borrowings	140 448	140 448
Deferred income tax liabilities	404 553	399 677
Deferred income	345 257	345 257
Grants and subsidies	54 179	54 179
Non-current employee benefits	4 353	4 247
Other non-current liabilities	1 017	1 017
	<b>949 807</b>	<b>944 825</b>
<b>Amounts payable within one year and current liabilities</b>		
Borrowings	316 966	315 390
Trade and other payables	256 348	255 580
Advances received and accrued liabilities	82 550	80 718
Derivative financial instruments	1 722	1 722
Current income tax liabilities	19 547	19 547
	<b>677 133</b>	<b>672 957</b>
<b>Total liabilities</b>	<b>1 626 940</b>	<b>1 617 782</b>
<b>Total equity and liabilities</b>	<b>5 292 736</b>	<b>5 152 956</b>

## Statement of comprehensive income, LTL thousand

	LESTO group	Company
	01-01-2011 – 30-09-2011	01-01-2011 – 30-09-2011
Sales revenue	1 652 588	1 631 961
Purchases of electricity	(1 146 236)	(1 146 236)
Depreciation and amortization	( 325 717)	( 317 005)
Employee benefits and related social security contributions	( 114 770)	( 96 322)
Repair and maintenance expenses	( 46 589)	( 47 627)
Transportation costs	( 4 407)	( 14 158)
Other expenses	( 56 069)	( 54 776)
<b>Operating profit (loss)</b>	<b>( 41 200)</b>	<b>( 44 163)</b>
Finance income	2 588	2 569
Finance (costs)	( 7 593)	( 7 587)
<b>Finance income/ (costs), net</b>	<b>( 5 005)</b>	<b>( 5 018)</b>
Profit (loss) on investment in associates	636	-
<b>Profit (loss) before income tax</b>	<b>( 45 569)</b>	<b>( 49 181)</b>
Income tax	8 346	8 975
<b>Profit (loss) for the year</b>	<b>( 37 223)</b>	<b>( 40 206)</b>
<b>Other comprehensive income(expense):</b>		
Gain (loss) on revaluation of property, plant and equipment	-	-
Deferred income tax effect	-	-
<b>Other comprehensive income (expense) for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (expense) for the year</b>	<b>( 37 223)</b>	<b>( 40 206)</b>
<b>Profit (loss) for the year attributable to:</b>		
Owners of the Company	( 38 547)	( 40 206)
Non-controlling interest	1 324	-
	<b>( 37 223)</b>	<b>( 40 206)</b>

## Statement of changes in equity, thousand LTL

LESTO group	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2011</b>	<b>603 945</b>	<b>2 068 003</b>	<b>60 574</b>	<b>271</b>	<b>897 623</b>	<b>3 630 416</b>	<b>133 601</b>	<b>3 764 017</b>
Profit (loss) for the year					( 38 547)	( 38 547)	1 324	( 37 223)
<b>Other comprehensive income (expense):</b>								
Transfers to retained earnings (depreciation, net of deferred income tax)	-	( 172 869)	-	-	172 869	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 172 869)</b>	<b>-</b>	<b>-</b>	<b>134 322</b>	<b>( 38 547)</b>	<b>1 324</b>	<b>( 37 223)</b>
Transaction with owners—transferred to reserves	-	-	70	-	( 70)	-	-	-
Transaction with owners—reserves utilised	-	-	( 179)	( 271)	450	-	-	-
Dividends relating to 2010	-	-	-	-	( 60 998)	( 60 998)	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>( 109)</b>	<b>( 271)</b>	<b>( 60 618)</b>	<b>( 60 998)</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 September 2011</b>	<b>603 945</b>	<b>1 895 134</b>	<b>60 465</b>	<b>-</b>	<b>971 327</b>	<b>3 530 871</b>	<b>134 925</b>	<b>3 665 796</b>

Company	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2011</b>	<b>603 945</b>	<b>2 032 898</b>	<b>60 394</b>	<b>-</b>	<b>939 141</b>	<b>3 636 378</b>
Profit (loss) for the year					( 40 206)	( 40 206)
<b>Other comprehensive income (expense):</b>						
From revaluation of property, plan and equipment, net of deferred tax	-	-	-	-	-	-
Transfers to retained earnings (depreciation, net of deferred income tax)	-	( 172 802)	-	-	172 802	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 172 802)</b>	<b>-</b>	<b>-</b>	<b>132 596</b>	<b>( 40 206)</b>
Transaction with owners—transferred to reserves	-	-	-	-	-	-
Transaction with owners—reserves utilized	-	-	-	-	-	-
Dividends relating to 2010	-	-	-	-	( 60 998)	( 60 998)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 60 998)</b>	<b>( 60 998)</b>
<b>Balance at 30 September 2011</b>	<b>603 945</b>	<b>1 860 096</b>	<b>60 394</b>	<b>-</b>	<b>1 010 739</b>	<b>3 535 174</b>

## Statement of cash flows, thousand LTL

	LESTO group 30-09-2011	Company 30-09-2011
<b>Cash flows from operating activities</b>		
Profit (loss) for the year	( 37 223)	( 40 206)
<b>Adjustment for:</b>		
– Income tax	( 8 346)	( 8 975)
– Depreciation and amortisation	327 346	318 634
– Amortisation of grants	( 1 629)	( 1 629)
– Gain (loss) on disposal and write-off property, plant and equipment	9 119	9 237
– (Profit)/loss on investment in associates	( 636)	-
– Dividend income	-	-
– Finance (income)	( 2 622)	( 2 569)
– Finance costs	7 591	7 587
<b>Changes in working capital:</b>		
– Trade and other receivables	34 749	36 873
– Inventories, prepayments, deferred charges and accrued income	( 4 131)	( 2 011)
– Trade and other payables, advances received, accrued charges and deferred income	( 57 262)	( 57 443)
<b>Cash generated from operations</b>	<b>266 956</b>	<b>259 498</b>
– Paid income tax	( 3 160)	( 3 160)
<b>Net cash generated from operating activities</b>	<b>263 796</b>	<b>256 338</b>
<b>Cash flows from investing activities</b>		
– (Purchase) of property, equipment and intangible assets	( 211 682)	( 206 844)
– Proceeds from sale of property, plant and equipment	807	-
– Loans repayments received	80	80
– Term deposits	( 28 836)	( 23 836)
– Dividends received	-	-
– Interest received	2 297	2 241
<b>Net cash used in investing activities</b>	<b>( 237 334)</b>	<b>( 228 359)</b>
<b>Cash flows from financing activities</b>		
– Proceeds of borrowings	-	-
– (Repayments) of borrowings	( 103 324)	( 103 324)
– Dividends (paid) to the Company's shareholders	( 46 889)	( 46 889)
– Interest paid	( 6 951)	( 6 945)
<b>Net cash used in financing activities</b>	<b>( 157 164)</b>	<b>( 157 158)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>( 130 702)</b>	<b>( 129 179)</b>
Cash and cash equivalents at the beginning of the year	111 370	101 880
<b>Cash and cash equivalents at the end of the year</b>	<b>( 19 332)</b>	<b>( 27 299)</b>

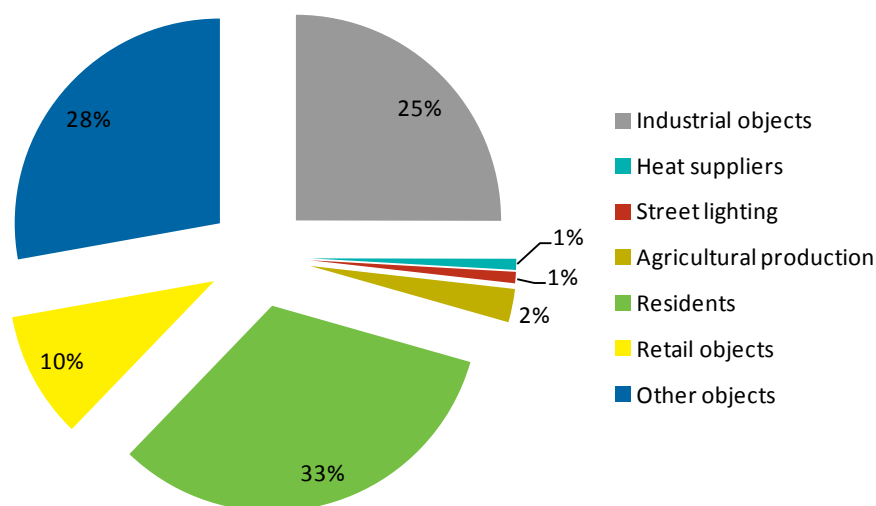
## FINANCIAL RESULTS ANALYSIS

### Activity results analysis

Activity indicators	2011 January-September
Amount of electricity received to the distribution network, million. kWh	6,286
Technological losses in the distribution network, million kWh	516
Volume of network service, million kWh	5,770
Amount of electricity sold, million. kWh	3,108
SAIDI, minutes	204,02
SAIFI, times	1,58

During the nine months of 2011 the amount of LESTO network service reached 5,770 million kWh. Electricity sales made up 53.9% of this amount, to the rest customers LESTO granted only network service. LESTO electricity sales in high voltage electricity grids during the nine months made up 2 million kWh. Technological losses experienced by the Company amounted to 516 million kWh. Technological losses in the distribution network during the second quarter of 2011 made up only 7.30 % of electricity received to the distribution network. During the nine months of 2011 technological losses totalled to 8.21 %.

#### Structure of network service volumes by objects



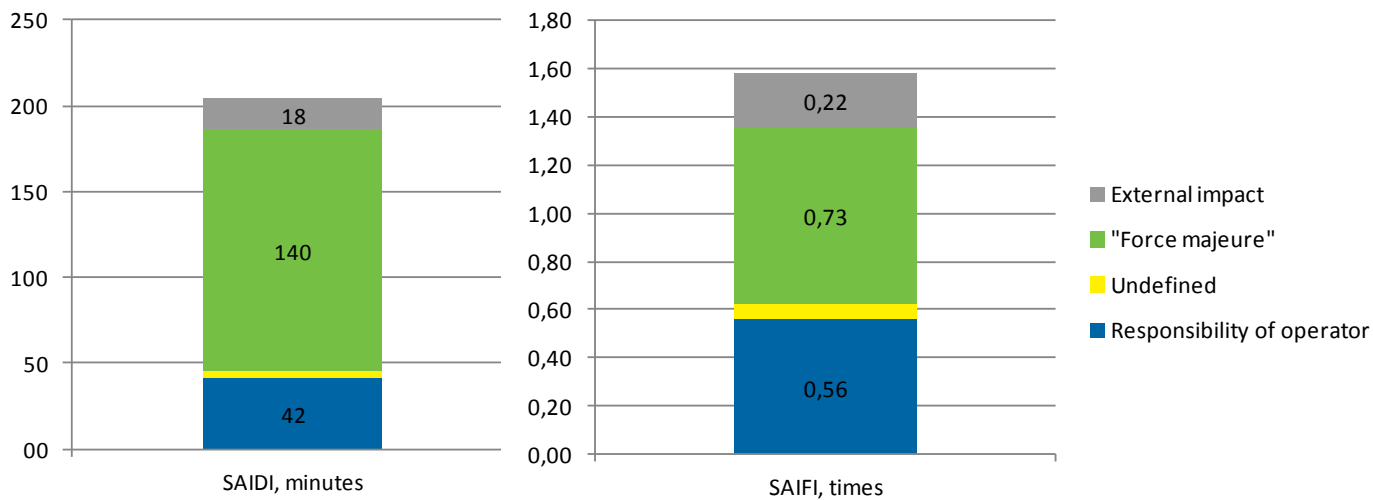
Almost one third of electricity network service volume was allocated to residents. Industrial and retail objects consumed 25% and 10% respectively. The structure of electricity network service during the reporting period of 2011 changed insignificantly compared to the first half of 2011. The share of network service volume to the industrial objects increase by 1 % points, while the share of electricity serviced to other objects went down by 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 customer during the reporting period.
- SAIFI, times - System average interruption frequency. Indicates average number of electricity supply interruptions to one customer during the reporting period.

During the nine months of 2011 LESTO SAIDI index made up 204.02 minutes, SAIFI – 1.58 time. The main reason for electricity supply interruptions were caused by events which fall under the category „Force majeure“ (natural disasters). SAIDI index stood at 64.2 minutes and SAIFI – 0.85 times.

#### Distribution network reliability indexes



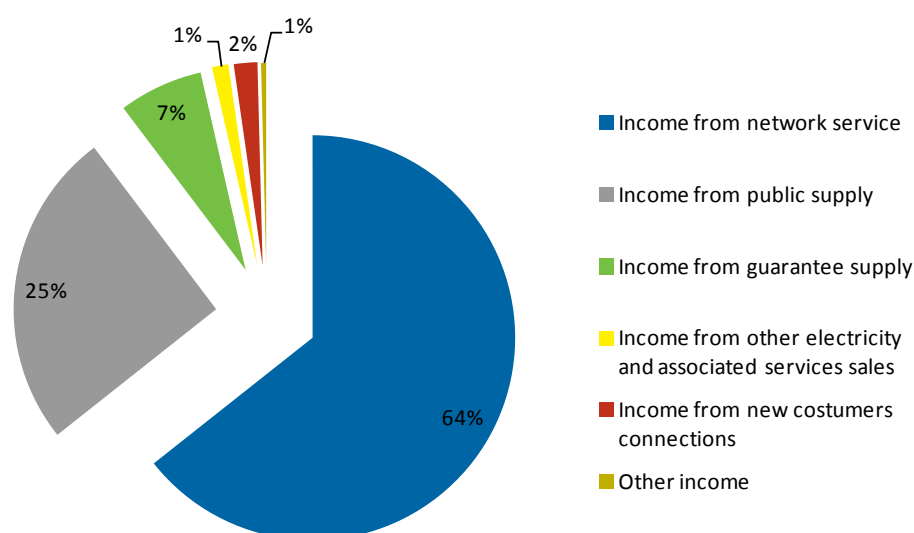


### Income, costs and profitability

LESTO group profitability ratios	2011 January - September	2011 January – June	2011 January – March	2010 January – September
Net profit margin	-2.25 %	-2.29 %	-1.28 %	-1.40 %
Operating profit margin	-2.49 %	-2.71 %	-1.85 %	-1.63 %
EBITDA, LTL thousand	284,517	187,053	97,718	310,072
EBITDA margin	17.22 %	16.44 %	15.87 %	17.31 %
ROA	-0.70 %	-0.49 %	-0.15 %	-
ROE	-1.02 %	-0.71 %	-0.21 %	-

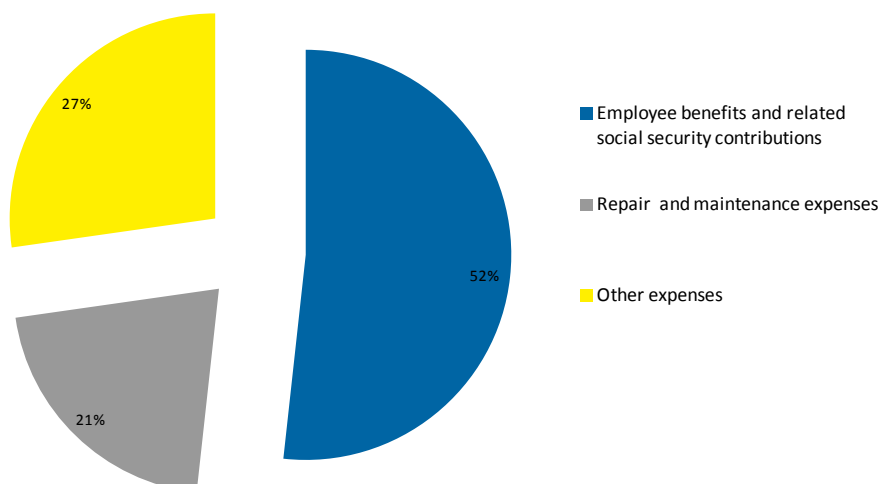
During the nine months of 2011 LESTO group earned LTL 1 652.6 million, Company's income share made up 98.8% i.e. LTL 1 632.0 million. Comparing with the first 9 months of 2010 LESTO group income decreased by 7.7 % due to the electricity market liberalization that caused drop of revenue from electricity sales.

#### LESTO income structure



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 7 % of Company's income. Income from connection of new customers, other electricity and associated services and income form other sources made up only 4 %. During the reporting period, electricity purchase costs made up LTL 1 146.24 million i.e. 67.67% of total costs. Depreciation and amortization accounted to 19.23 % of total costs and the rest costs of the group that made up 13.10 % are classified as operating costs.

#### LESTO operating costs structure



In 2011 EBITDA of LESTO group reached LTL 284.5 million, EBITDA margin made up 17.22% of income. LESTO group experienced net loss of LTL 37 million during nine months of 2011. Net loss of the Company made up LTL 40 million. The Company's losses were caused by increased prices of electricity purchase and lower electricity distribution price caps.

## Other financial ratios and investments

LESTO group liquidity ratios	30-09-2011	30-06-2011	31-03-2011	31-12-2010
Current liquidity ratio	0.39	0.43	0.53	0.53
Acid test ratio	0.37	0.41	0.51	0.52
Cash liquidity ratio	0.09	0.12	0.15	0.20
Working capital, LTL thousand	-411,436	-369,383	-294,580	-341,008
Working capital to total assets ratio	-0,08	-0.07	-0.05	-0.06

LESTO group financial leverage ratios	30-09-2011	30-06-2011	31-03-2011	31-12-2010
Total liabilities to total assets ratio	0.31	0.31	0.31	0.32
Debt to equity ratio	0.12	0.13	0.13	0.14
Net financial debt, LTL thousand	393,334	413,239	393,704	394,793
Net financial debt to equity ratio	0.11	0.11	0.10	0.10

The value of LESTO group assets at the end of reporting period made up LTL 5,292.7 million. Non-current assets share in total assets was equal to 94.98%. Value of LESTO group assets shrank by 2.8 % because of investments that were less than depreciation. Short-term deposits and cash with cash equivalents accounted to LTL 64.1 million i.e. 24.1% of total current assets.

Equity of LESTO group exceeded liabilities 2.25 fold. At the end of reporting period, financial debts made up LTL 457.4 million or 28.11% of total liabilities. Current borrowings overweigh non-current borrowings by LTL 176.5 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 677.1 million.

Current liabilities exceeded current assets by LTL 411.4 million. Current liquidity ratio stood at 0.39. Inventories made up only 6.8 % 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 393,3 million and consisted only 11% of equity.

During the reporting period, LESTO invested LTL 193.3 million. Main part of investments was devoted for electricity network expansion. Investments in connection of new customers made up LTL 100.3 million, while buyout of electricity objects amounted to LTL 2.1 million. During the first quarter of 2011 Company allocated LTL 49.9 million for maintenance of low voltage electricity grid. Maintenance of medium voltage electricity grid cost LTL 35.6 million.

## LESTO investment, LTL thousand

	2011 January - September	Structure
<b>Investments in expansion</b>	<b>102,319</b>	<b>52.9 %</b>
Connection of new customers	100.262	98.0 %
Buyout of electricity objects	2.057	2.0 %
<b>Investments in maintenance</b>	<b>91.029</b>	<b>47.1 %</b>
Low voltage electricity grid	49.870	54.8 %
Medium voltage electricity grid	35.605	39.1 %
Other investments	5.553	6.1 %
<b>Total</b>	<b>193.348</b>	

## 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 customer'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. Technological costs depend on the technical characteristics and optimum use of the distribution network.

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](http://www.lesto.lt) and the website of NASDAQ OMX Vilnius AB at [www.nasdaqomxbaltic.com](http://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 months of 2011.
28-06-2011	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB.
22-07-2011	On changing charges for the power users electrical equipment connection to the electricity network
31-08-2011	Preliminary unaudited operating results of LESTO AB company group for the first half-year of 2011