

Bank of Lithuania
Žirmūnų street 151,
LT-09128 Vilnius

29-02-2011

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 twelve 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 twelve months of 2011

29 February 2012

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GENERAL INFORMATION**Reporting period covered by the report**

Report covers January to December 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 29 February, 2012.

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 geographical market is Lithuania.

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.

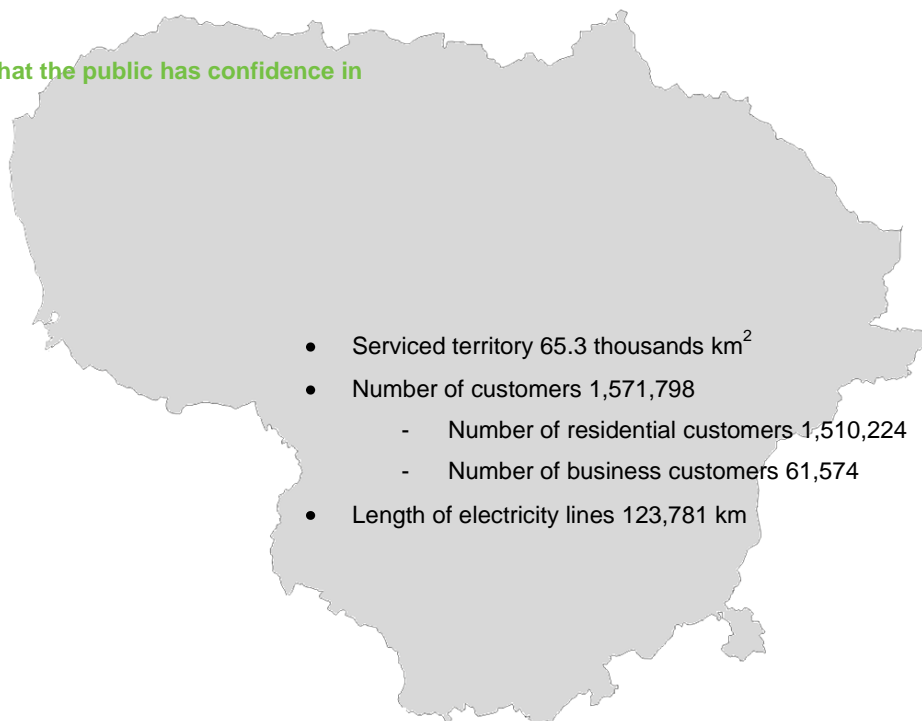
INNOVATIVENESS: We are seeking perfection and initiating changes.

LESTO mission

Reliable electricity for a meaningful life of everyone

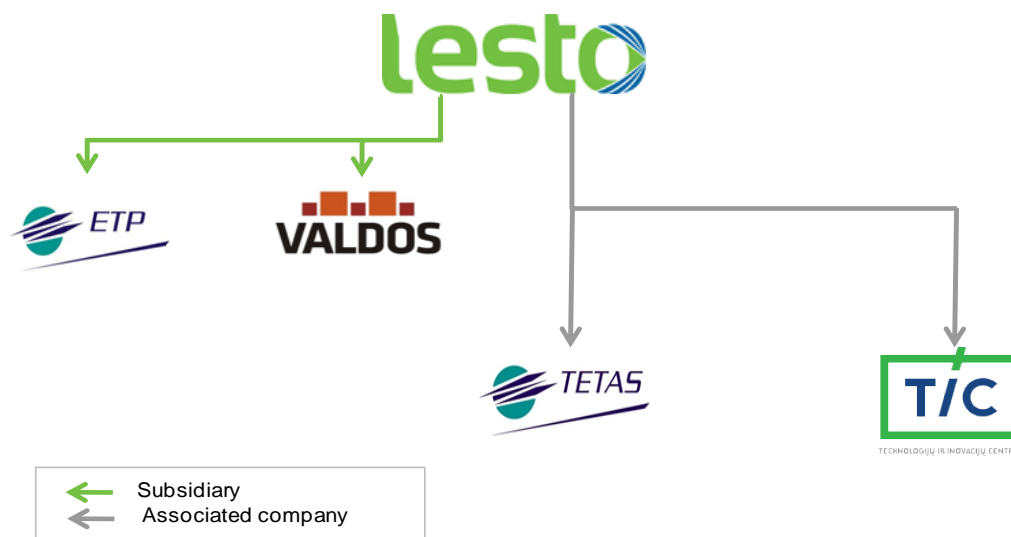
LESTO vision

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@etpa.lt	info@valdos.eu	info@etic.lt	tetas@rst.lt
Website	-	www.valdos.eu	www.etic.eu	-
LESTO ownership, %, 31 December, 2011	71.13	57.93	24.94	38.87
LESTO ownership, %, on report signature date	74.97 ¹	57.30 ²	24.94	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

¹ LESTO ownership has changed on 23 December, 2011 by the decision of UAB „ELEKTROS TINKLO PASLAUGOS“ shareholders to increase share capital by additional non-monetary contribution.

² LESTO ownership has changed on 23 January, 2012 by the decision of NT Valdოს, UAB shareholders to increase share capital by additional non-monetary contribution.

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

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

Board

LESTO Board is a collegiate managing body of the Company.

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

In the beginning of 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 the 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 21 October, 2011 the mandate of the Board member Šarūnas Vasiliauskas has expired.

In the end of reporting period, 31 December, 2011 the Board of the Company consisted of the chairman of the Board Arvydas Darulis and Board members: Kęstutis Žilėnas, Arvydas Tarasevičius, Aloyzas Vitkauskas.

On 3 January, 2012 the Board member Arvydas Darulis, who was also the chairman of the Board from 13 December, 2010 by the decision of the Board, was recalled by the decision of General Meeting of Shareholders. Rimantas Vaitkus and Darius Maikštėnas were elected as new members of the Board.

On 3 January, 2012 Kęstutis Žilėnas was elected as a chairman of the Board by the decision of the Board.

On the report signature day the Board of the Company consists of the chairman of the Board Kęstutis Žilėnas and Board members: Rimantas Vaitkus, Arvydas Tarasevičius, Aloyzas Vitkauskas, Darius Maikštėnas.

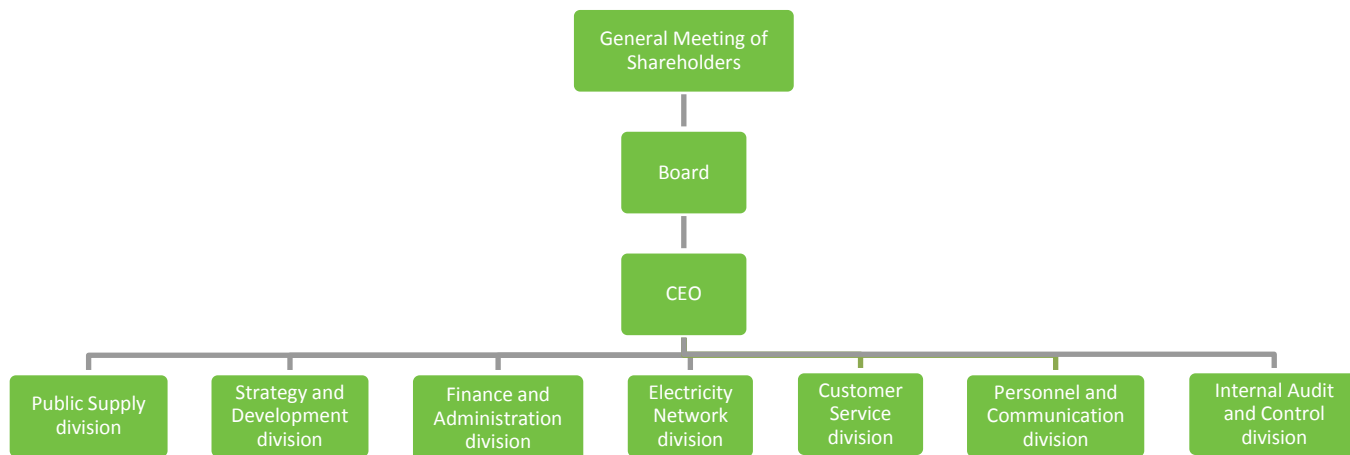
Chief Executive Officer

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

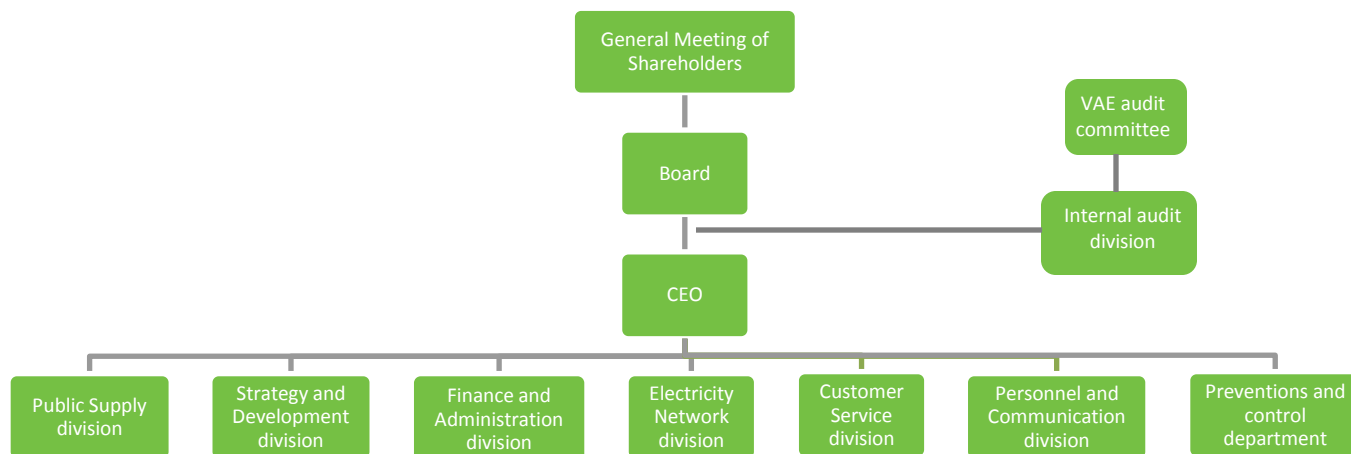
The competence of the Managing Director and the procedure for election and recall thereof are governed by the law, other legal acts and Articles of Association. CEO is elected and recalled by the Board of the Company. CEO organises the Company's activities, manages the Company, act on behalf of the Company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



Arvydas Darulis
Member of the Board,
chairman of the Board

In this position:
from 13 December, 2010 to
3 January, 2012

Education:

Vilnius University, Master in
Economics.
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,
chairman of the Board

In member of the Board position:
since 13 December, 2010

In chairman of the Board position:
since 3 January, 2012

Education:

Kaunas University of Technology,
Master in Computer Systems and
Network Engineering.
Mykolas Romeris University, Master
in Law.

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, Master in Civil Engineering.
Vilnius Engineering Construction
Institute, Doctor of Technological
Sciences.

Main occupation: Ministry of Finance
of the Republic of Lithuania, Vice-
minister



Arvydas Tarasevičius
Member of the Board

In this position:
since 29 April, 2011

Education:

Vilnius University, Master in
Economic Cybernetics.
Vilnius University, Doctor of Social
Sciences.

Main occupation: LESTO AB, CEO



Rimantas Vaitkus
Member of the Board

In this position:
since 3 January, 2012

Education:

Vilnius University, Master in
Physics.
Vilnius University, Doctor of Natural
Science.

Main occupation:

UAB „Visagino atominė elektrinė“,
CEO.



Darius Maikštėnas
Member of the Board

In this position:

since 3 January, 2012

Education:

Kaunas University of Technology,
Master in Business Management.
Baltic Management Institute,
Executive MBA.

Main occupation:

UAB „Omnitel“, Vice-president for
Marketing and Services.

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			
Kęstutis Žilėnas	LESTO AB, chairman of the Board	-	-
	Ministry of Energy of the Republic of Lithuania, Vice-minister	-	-
	Lietuvos energija AB, chairman of the Board	-	-
	AB "LIETUVOS DUJOS", member 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	-	-
	UAB "Visagino atominė elektrinė", member of the Board	-	-
	State Enterprise Turto bankas, chairman of the Board	-	-
	State Enterprise Valstybės turto fondas, chairman of the Board	-	-
Rimantas Vaitkus	LESTO AB, member of the Board	-	-
	Lietuvos energija AB, member of the Board	-	-
	UAB "Visagino atominė elektrinė", CEO and member of the Board	-	-
	Association of Lithuania and Japan, chairman	-	-
Darius Maikštėnas	LESTO AB, member of the Board	-	-
	UAB "Omnitel", vice-president for Marketing and Services	-	-
	"TeliaSonera AB" mobile services, business manager of business and private clients of Lithuania	-	-
	Social organization "Gelbėkit vaikus", member of the Board	-	-
Arvydas Tarasevičius	LESTO AB, CEO and member of the Board	-	-
	Technologijų ir inovacijų centras UAB, member of the Board	-	-
	NT Valdosa UAB, member of the Board	-	-
	LITHUANIAN ELECTRIC ENERGY ASSOCIATION, member of the Council	-	-
	Homestead cooperative Žemyna, member of the Board	-	-
	VšĮ Respublikinis energetikų mokymo centras, member of the Board	-	-
CEO			
Arvydas Tarasevičius	Look for the information above	-	-
Chief Accountant, Director of Accounting department			
Zina Chmieliauskienė	-	-	-

¹On 3 January, 2012 Kęstutis Žilėnas was elected as a chairman of the Board by the decision of the Board.

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

	Salaries, LTL	Other payments, LTL
CEO	230,349	-
Director of Accounting department	141,667	-

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

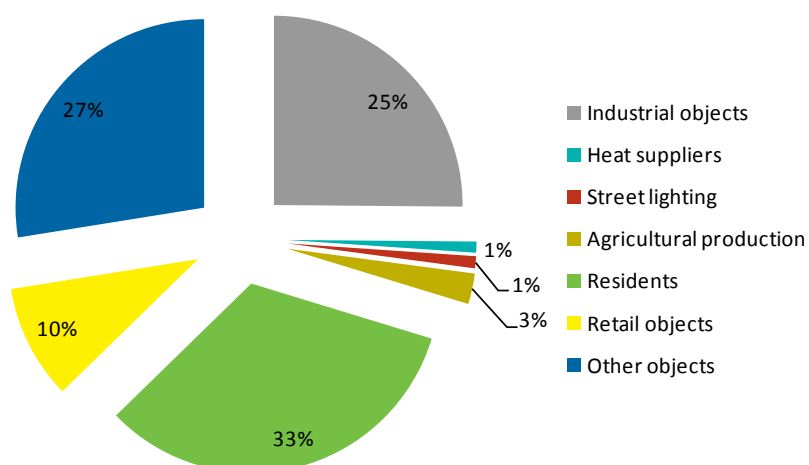
Electricity distribution network

Development and expansion of the activities

Activity indicators	2011
Amount of electricity received to the distribution network, million. kWh	8,562
Technological losses in the distribution network, million kWh	711
Volume of network service, million kWh	7,851
Amount of electricity sold, million. kWh	4,168
SAIDI, minutes (with "force majeure")	302,57
SAIFI, times (with "force majeure")	2,19

During the twelve months of 2011 the amount of LESTO network service reached 7,851 million kWh. Electricity sales made up 53.08% of this amount, to the rest customers LESTO granted only network service. Technological losses experienced by the Company amounted to 711 million kWh. During the twelve months of 2011 technological losses totalled to 8.3 %.

Structure of network service volumes by objects



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 nine months of 2011. The share of network service volume to the agricultural production increased by 1 % points, while the share of electricity serviced to other objects went down by 1 % points.

LESTO pays much attention to electricity network development and updating. This helps to provide the society with economic and social benefits, to increase the reliability and quality of electricity supply, to facilitate more rational use of energy, all this contributes to the Company's environmental policy.

In 2011, LESTO investments in electricity network expansion and modernization reached 295.4 million LTL. This was 10.7 per cent more compared to collective investment of AB "VST" and AB Rytų skirstomieji tinklai in the electricity network in 2010 (266.8 million LTL).

In 2011, the biggest increase (93.3 per cent) was in investment in the connection of electric equipment of new customers. Investment in 110/35/10 kV transformer substations and in the construction and reconstruction of 10 kV distribution subsections has increased by 12.3 per cent.

LESTO investment, LTL thousand

	2011	2010	Change, %	Structure, %	
				2011	2010
Investments in expansion	156,593	87,334	79.3	53.0	32.7
Connection of new customers	153,560	79,422	93.3	98.0	90.9
Buyout of electricity objects	3,033	7,912	-61.7	2.0	9.1
Investments in maintenance	138,760	179,440	-22.7	47.0	67.3
Low voltage electricity grid	74,720	88,171	-15.3	53.8	49.1
Medium voltage electricity grid	53,817	47,937	12.3	38.8	26.7
Other investments	10,223	43,332	-76.4	7.4	24.2
Total	295,353	266,774	10.7	100	100

The increase of investment in the connection of electric equipment of new customers was determined by the increased demand of newly connected permissible power. During 2011, LESTO has connected 16,852 objects of new customers, 7 per cent less than in 2010 when it had 18,120 customers connected, but the permissible power for new customers was equal to 265.4 MW, which is 32.9 per cent more than in 2010, when the permissible power was 199.7 MW.

In 2011, LESTO completed the reconstruction of eleven transformer substations (TS) (110/35/10 kV TS in Vievis, Aleksotas, Joniškis, Kėdainiai, Rokiškis and Ukmergė, 110/10/6 kV Cukraus TS; 110/10 kV Ignalina TS; 35/10 kV TS in Biržai, Bazė and Antalieptė), and constructed five 10 kV distribution points, updated thirteen transformer substations and eighteen distribution points. In 2011, LESTO constructed 958 new 10/0.4 kV transformer substations.

During the year, 3,533 new objects were connected to the Automated Electricity Metering System (AEMS), at the end of the year the total number of the connected objects reached 6,472.

In 2011, LESTO continued the redemption of networks of the gardeners communities in order to meet the rising demands for electricity consumption of the gardeners and the infrastructure maintenance needs and ensure reliable, safe supply of electricity and network upgrades. All networks have been redeemed by the natural state, the customers had individual electricity meters installed free of charge.

In 2011, LESTO redeemed 117 networks of the gardeners communities, 1.852 million LTL had been designated for this purpose. Most of the networks and facilities were redeemed in Kaunas region (63 objects or 56 per cent of the total number of the redeemed community networks in 2011). From the beginning of the redemption process of the power networks (in 2003) to December 31 2011, LESTO redeemed 882 power networks or 91 per cent of the networks of the gardeners communities. For this purpose LESTO has invested a total of 10.41 million LTL. During 2011, the gardeners communities had 34,457 meters installed, their value was 1.8 million LTL.

In order to renovate and update the networks of 76 gardeners communities last year LESTO applied for the support of the European Union Structural Funds. The renovation will need over 33 million LTL, the EU funds are asked to allocate 40 per cent of the required funds.

Implementing the project between AB LESTO and Lithuanian Ministry of Economy and Lithuanian Business Support Agency "AB LESTO distribution network development" signed on May 17 2011 on the funding and administration of the contract on electrification of not electrified homesteads in eastern Lithuania (the former territory of AB Rytų skirstomieji tinklai), all 50 homesteads participating in the project have been connected to the distribution network. The agreements on purchase and sales of electricity power were signed by the habitants of 43 homesteads.

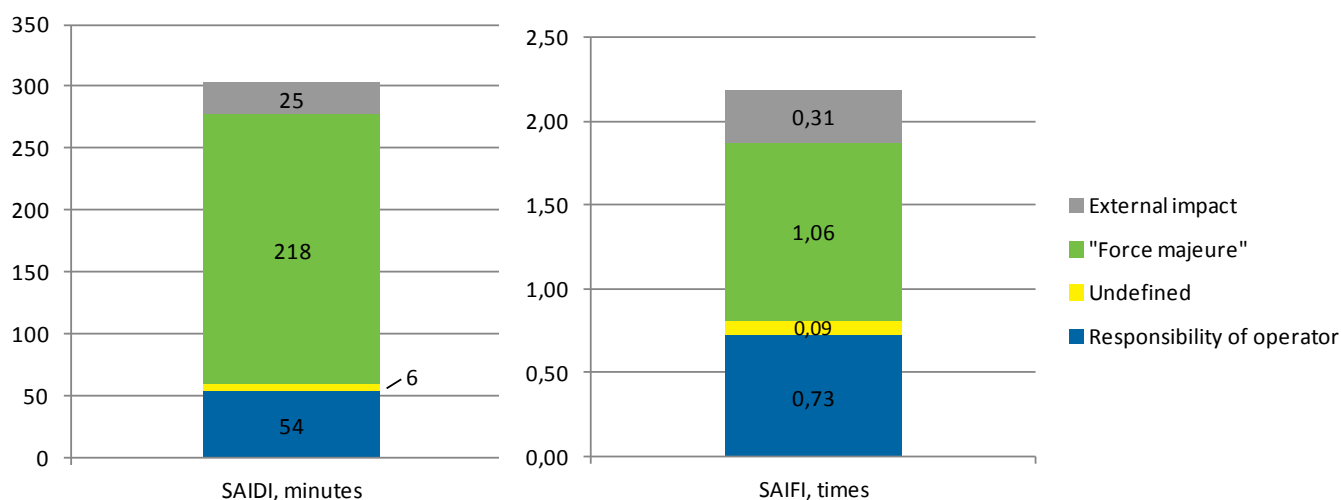
On July 13 2011, LESTO submitted an application to the Lithuanian Business Support Agency for the financial support of the EU Structural Funds for electrification of 31 not electrified homesteads in Western part of Lithuania. Project eligibility assessment shows that the maximum eligible cost of project is 2.333 million LTL. 40 per cent expenses of the project are supposed to be covered by the funds.

Quality of electricity supply (SAIDI, SAIFI)

In 2011, regardless of the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer was equal to 84.68 minutes, the system average interruption frequency index (SAIFI) per customer reached 1.12 times. In 2010, before the reorganization of the former AB Rytų skirstomieji tinklai, power supply quality indicators, regardless of natural disasters, were: SAIDI – 80.31 min and SAIFI – 0.98 times. The indicators of AB "VST" in 2010 were 86.47 min and 1.33 times, respectively.

In order to avoid damage of power air lines and any detriment during natural disasters, LESTO purposefully changes the air lines to underground cable lines. During the reporting period, 1,083.6 kilometers of new lines were laid, of which 1,012.9 km were underground (cable lines). During the year for the purpose of reconstruction 458.6 km of air lines were demolished, instead new cable lines were laid. Cable lines significantly reduce the number of failures during the operation, their maintenance is less expensive. Moreover having changed the airlines to the cables the landscape becomes more attractive.

Distribution network reliability indexes



LESTO personnel

The main asset of a company is its employees, the most important link when pursuing the set objectives. The Company's personnel policy is focused occupational training of the workers and culture development of organization, ensuring the creation of greater value for the customers, partners and society.

In 2011, LESTO while implementing the Network service strategy has carried out the transfer of a part of the LESTO-owned electricity network repair and maintenance services to the free market. The Company, in order to ensure that the staff that was directly engaged in electric power network repair and maintenance works receive all social guarantees, which they had been guaranteed as LESTO employees, signed bilateral agreements with the successful procurement contractors on the basis of which 118 employees were transferred to new workplaces.

The number of employees of the company group

Company	Number of employees		Change, %
	12 31 2011	12 31 2010	
AB LESTO	2890	2983*	-3.1
NT Valdov, UAB	229	135	69.6
UAB „ELEKTROS TINKLO PASLAUGOS“	445	441	0.9
UAB „TETAS“	405	384	5.5
UAB Technologijų ir inovacijų centras	226	220	2.7

*The employees of AB Rytų skirstomieji tinklai and AB „VST“ transferred to LESTO on 01 01 2011.

Optimizing the management structure and separating indirect functions, the greatest decrease was in the number of managers and workers. In comparison with the end of 2010, during 2011 the number of specialists increased by more than five per cent. The average number of valid labour contracts in 2011 was 2904.

LESTO employees by categories

Category	Number of employees		Change, %
	12 31 2011	12 31 2010*	
Top-level managers	9	9	0
Middle and low level managers	215	292	-26.4
Specialists	2028	1920	5.6
Workers	638	762	-16.3
Total	2890	2983	-3.1

* The employees of AB Rytų skirstomieji tinklai and AB „VST“ transferred to LESTO on 01 01 2011.

Training

LESTO organizes three types of training courses. During formal and informal training sessions the employees improve their qualification and receive special work permit certificates. The employees participated in the trainings for construction managers and construction maintenance managers, workers, high-scalers, tree, shrub and branch reapers working in protection zones, and in other trainings. In 2011, the compulsory trainings involved 1,384 employees.

The Company organizes staff trainings for general education competencies. These trainings are organized in groups within the company, as well as individual employees are sent to the seminars and conferences organized by external suppliers. In 2011, one of the principal policies of personnel management was the development of the leadership skills. According to the leadership development program, first of all there were defined the essential LESTO leadership competencies, then in accordance with the distinguished leadership competencies the training courses were organized for all levels of management. The second type of personnel management in 2011 was effective customer service and successful selling of extra services. These trainings gathered the majority of customer service center managers and the engineers of power accounting groups. In 2011, open trainings in Lithuania (external conferences, seminars) and abroad were attended by 129 employees. There were organized joint management trainings for internal employee groups; total number of participants was 1,931. In 2011, there were negotiation trainings for the specialists of purchases and customer service; 287 employees of the customer service staff participated in the trainings in the field of selling of extra services. There were the following trainings: communication, management/administration, emotional intelligence, "How to teach colleagues?", management of conflict situations.

The third type of LESTO trainings was internal training in the Company that were carried out by the employees themselves. At the beginning of the year, there was organized a series of lectures on internal IT systems (APAP, TEVIS, GIS, Biling, etc.). Internal trainers taught the employees the particularities of a qualitative customer service, how to fill in a certificate/act on energy consumption. From September, the employees who voluntarily have registered for the internal training received the

legal framework, effective leadership and communication training; there are other courses on 14 subjects. The internal training involved 920 participants.

In the course of preparation of the training programs and in order to ensure the quality of the training, close cooperation is promoted with training suppliers, ongoing training evaluation surveys are carried out.

Payment system

The introduced remuneration system has placed LESTO among other most innovative companies of the country that compensate their employees for work performed by the results achieved, the value created for the organization and the team. The remuneration system is formed by applying Hay Group methodology which guaranteed an objective job evaluation on the basis of appropriate education, problem complexity and level of responsibility that falls on a particular position. This system allows the Company to effectively manage the costs and ensures LESTO strategic objectives and business management logics be reflected in the payroll system.

Average wages of LESTO employees

Employee category	Average gross wage, LTL		
	2011	2010, AB Rytų skirstomieji tinklai	2010, AB „VST“
Managers and specialists	3161	3351	2765
Workers	2413	2275	2246
Total	2986	3125	2605

Collective agreement

The collective agreement was passed at the Conference of LESTO employees on March 10, 2011. The purpose of this agreement is to ensure effective activities of the Company and represent the rights of all employees of the Company and their legitimate interests. The collective agreement specifies the scheme of remuneration of the employees, social, economic and occupational conditions and the guarantees that are not regulated by laws and other legal acts. The employees are offered additional guarantees (allowances in the cases of accidents, illness, death of immediate family members, birth of a child support, additional days of paid leave following the birth, marriage, and in other cases; higher payment rate for work on public holidays (when the work is not scheduled) than defined by the Labour Code).

Internship

LESTO actively cooperates with educational institutions and allows university and college students to apply their theoretical knowledge and practical skills and to acquire practical skills from the Company's employees. In 2011, LESTO received 147 students for their internship, two of them were foreigners. The Company received not only the student coming for the mandatory internship. The company was looking for motivated and enthusiastic students and provided the chosen ones with the opportunity to practice in the Company on a voluntary basis.

Customer service

Customer satisfaction

In 2011, LESTO customer satisfaction was rated by TRI*M methodology. Market research and consulting company TNS LT having questioned the LESTO clients found that the customer satisfaction index of LESTO private customers corresponds to the average European energy sector index (index 53), business customer satisfaction index was 50 and slightly behind the average of the European energy sector (53).

For comparison, in 2010 in Eastern Lithuania private customer satisfaction index was 51, and in the West - 49. In Eastern Lithuania in 2010, business customer satisfaction index was 52, in Western Lithuania – 46.

LESTO image and reputation

On November 24 –December 15, 2011, public research company RAIT carried out a study in which the poll of 1,002 residents of Lithuania and 504 corporate executives revealed that about 100 per cent of Lithuanian company managers and nine out of ten Lithuanian citizens (91 percent) know about LESTO.

LESTO is one of the few most valued infrastructure utilities companies in Lithuania. The study results showed that the majority (96 per cent) of Lithuanian population is satisfied with the power supply quality, of which 70 per cent are completely satisfied, 26 per cent are rather satisfied.

Pricing

In 2011, under approval of The State Commission for Prices and Energy, LESTO proposed private customers a possibility to choose from April 1, 2011 new tariff plans for electricity with a permanent component: the "Home" and "Home Plus". These plans in long perspective allow the clients to change the current pricing principles to more progressive. The new tariff plans with a fixed fee ensure the steady medium electricity price dependence on electricity consumption.

The new tariff plans were attractive to consumers who consumed about over 3,000 kWh of electricity per year (compared to a "standard" rate plan), or over 6000 kWh per year (compared to a "el. cookers " tariff plan). Having introduced new tariff plans, a more progressive method of payment has been proposed: each client receives a notice of payment (VAT invoice), which can be seen and paid for by the company's self-service site tools.

Market liberalisation

On December 31, 2011, the independant supplier was chosen by 3,558 clients. On July 8, 2009, the Government of the Republic of Lithuania approved the Lithuanian electricity market development plan. In accordance with the plan, on December 31, 2011 an independent electricity supplier has been chosen by the following objects:

With permissible power of 400 kW and more – about 80 per cent;

With permissible power 100 kW and more – about 54 per cent;

With permissible power of less than 100 kW – 11 per cent.

The remaining objects are further supplied with the electricity by the public supplier.

New services

In 2011, the following projects have been completed and implemented:

1. New service for the population „An electrician to your home“. This service allows the LESTO customers to register any internal electricity breakdown by calling a short customer calling number 1802. Such information is transferred to LESTO partners that are engaged to remove breakdowns and present their reports to LESTO. This service is expected to improve customer service variety and increase the revenues from non-regulated activities.

2. New services for independent electricity suppliers. The main goal of these services is the implementation of energy market liberalization strategy.

The implemented project:

„Customer data service“. Independent suppliers can connect to the portal for Independent suppliers and see potential customers.

In 2011, LESTO was actively offering the customers the possibility to pay their bills by direct debit. In 2011 compared with 2010, the number of customers who opt for the payment by direct debit increased more than 8 times and amounted to 53,200.

Service channel development

In 2011, the main goal was to ensure a smooth customer service by all available channels: in customer service centers (CSC), on the website "My electricity", by customer service number 1802, by e-mail. LESTO in 2011 tried to provide the clients with all necessary information by means of all service channels.

Having finished the merger of the two distribution network companies, in 2011 in the field of customer service LESTO paid much attention to the conversion to the general process and information systems. The centralization and automation of the remote customer service processes has been developed. In 2011, the new LESTO customer service standard was defined and implemented.

One of the main priorities for 2011 was the update of customer contact data. If necessary, LESTO could promptly inform about scheduled disconnections of electricity, potential problems and provide other relevant information by SMS or e-mail. In 2011, the contact information in the database has been updated by 58 per cent of private customers and 79 per cent of business customers.

In 2011, LESTO signed more than 100 thousand electricity purchases and sales agreements with private customers and about eight thousand contracts with business customers. The number of the LESTO private customers made up more than 1.51 million and that of the business customers was equal to more than 61 thousand. After the redemption of the networks of the gardener communities and having installed individual electricity metering LESTO signed more than 35 thousand new power purchase and sales agreements.

- **Customer service centers**

The customers can be serviced in any client service center irrespective of the location of the object. Two or more objects can be covered by one purchase and sales agreement. In 2011, there were 51 LESTO customer service centers, their number did not change during the year.

- **Self-service site „My electricity“ and e-mail**

At the end of the year the number of the customers of the self-service site "My electricity" amounted to 168,500 units. In 2011, the average monthly attendance of self-service "My electricity" was 65 thousand visits. In total, 87% of business customers have chosen to receive electronic bills. In 2011, LESTO received 21,383 electronic requests of the customers.

In 2011, it became possible to introduce a function with information about the connection of a new user. The service provides with the possibility to see basic information about a newly connected object. In 2011, the emphasis was on a detailed assessment of customer needs in order to allow the customers to subscribe and to access all services in LESTO and receive them by a most convenient channel. The Company started a project on the service channel development for remote customers.

- **Customer service by 1802**

Customer service by 1802 was introduced for the customers of the former company AB "VST" who before the establishment of LESTO could not receive services by a short number. The services of this channel were developed, the quality of the information provided improved, information service by SMS (about routine maintenance works, specifications prepared or about direct debit agreements) was developed.

Projects and initiatives on social responsibility

LESTO is a member of the Global Compact initiated by the United Nations, and submits the annual progress report.

The main goal of LESTO social responsibility activities is to cultivate the skills of safe and rational use of electricity in the society, to contribute to the conservation of energy resources and their environmental impact, therefore all social responsibility activities initiated and carried out by LESTO contribute to these objectives.

The Company responsibility while acting in the market included responsible behavior in cooperation with all concerned: customers, suppliers, contractors, state agencies. Particular attention was paid to the company customer service quality; it expanded the spectrum of the services that help you save time and money. Work with customers was based on the principles of respect, understanding of their needs, professional and expeditious decisions.

LESTO implements three large-scale long-term projects on social responsibility: "Operation 2020", "To the extent required" and "Electro-Magic", they all are united by the involvement of active communities and target groups of the society.

"Operation 2020"

In 2011, LESTO continued the social initiative "Operation 2020". The long-term program is used to promote responsible behavior with electric network equipment and to reduce the negative outcome arising from irresponsible or malevolent behavior of the population.

The important part of "Operation 2020" was live meetings of LESTO staff with the local population of the regions, and a competition for them promoting to find ways how to solve the most pressing population problems related to security, updating of electric network or lighting, and how to increase public responsibility. In 2011, LESTO received 32 applications from 29 neighborhoods. Eight projects received 60 thousand LTL for the prize funds.

During the project, an anonymous trust line was made public in order to help clarify the power evaders or to inform about impaired network devices. The phone calls received on this line helped to recover almost 64 thousand LTL. At the end of 2011, the result of the electronic form "I want to declare" was equal to 11.5 thousand LTL, they were retrieved because of the reports of responsible population.

At the end of 2011, the public surveys showed that 96 per cent of population appreciated "Operation 2020". Seventy five per cent of the Lithuanian population was inclined to report the observed fraudulent use of electricity. 45 per cent of the population knows the number of LESTO confidence line. The heads of local neighborhoods: 83 per cent welcome the cooperation between LESTO and neighborhoods.

A Project on Rational Use of Electricity „To the Extent Required“

The project "To the extent required" is designated to promote and realize the ideas of rational use of energy resources in order to develop the traditions for a rational society. The aim is to find out rational energy consumption patterns in daily life and for business.

In previous years, the project focused on private customers who used electricity for domestic needs. In 2011, "To the extent required" concentrated on the business segment and secondary educational institutions.

In February, the Company organized the first conference on the rational use of energy for businesses enterprises and organizations. The conference was attended by some 200 participants. The "Green Protocol" was presented at the conference. This is the Company initiated voluntary agreement signed by the companies in which they confirm their knowledge of the ideas of the social initiative "To the extent required for the company" which promotes the rational use of electricity, they back up the ideas and promise to apply them in practice. At the end of 2011, "Green Protocol" was signed by 72 companies.

The project "To the extent required for SCHOOLS" was carried out in the Lithuanian schools. Its aim was to encourage educational institutions to use electricity more economically and to develop the habits of rational energy consumption.

During the project, in three standard schools of the country there was carried out the energy consumption survey, the recommendations were worked out, they could be used by other educational institutions. Conclusion: the largest amount of electricity is consumed by lighting facilities; you can save 50 per cent of it. The schools that had participated in the project were equipped with modern, up-to-date energy efficient lighting system models which considerably enhanced the lighting of the classrooms and reduced the costs (in total – in seven classrooms and one lobby). During the implementation of the project, the project partners invested about 100 thousand LTL.

The schools were active in the outdoor activities on the energy saving, non-traditional school days, drawing contests, lectures on rational use of electricity read by an expert and "Brain Battles" with the energy topic. The project is reflected in www.tiekkiekreikia.lt where the population can find the answers on rational use of electricity.

Educational Project for Children and Young People "Electro-Magic"

Youth-oriented educational initiative "Electro-Magic" is designed to educate children and young people on energy use, threats, and safety problems. The initiative aim is to encourage students to learn how to safely handle with electricity and electric facilities, to promote interest in responsible use of energy, environmental and sustainable development ideas. During the project LESTO cooperate with the Lithuanian schools and their communities, with the organization "Sustainable Development Initiative" which works in the field of sustainable development and environmental protection.

Long-term educational project aims to inform about the electric power and the risk arising from casual behavior with electricity or electrical devices and to promote interest in environmentally friendly technologies of the future. In the project site www.elektromagija.lt playful virtual characters tell about electricity, and children by playing interactive games acquire knowledge on safety, electricity threats and its potential.

In 2011, topical competitions of "Electro-Magic" were attended by over 600 participants, 65.6 thousand site -visitors reviewed the site more than 549 thousand times.

Environmental Projects

LESTO while implementing the environmental projects attempt to reduce the negative impact of energy facilities to people and the environment and to encourage a wider public participation in the initiatives. In the everyday activities, the Company encourages the application of the working tools which reduce labor expenditure and pollution, actively seeking for the ways how to reduce the negative impact of energy facilities to people and the environment.

LESTO invest in environmentally friendly modern technology. The company when operating electric facilities follow the provisions of legal acts and agreements of the Republic of Lithuania and international legislation.

Electronic document management system helps to reduce document management costs: all the documents in the system are managed and filed electronically. The employees of the Company are encouraged to print e-mail messages sent to the recipients only when necessary.

The Company aims to operate more environmentally friendly by reducing administration and document management costs, which are necessary for administration of paper bills. The Company encourages the customers to choose electronic bills

instead of commonly used those of paper. Electronic document management and filing is less complicated, the account history is stored in the self-service site "My Electricity" and the customers receive notification on accounts via e-mail and make payment by connecting to the self-pay system on any computer. 85 percent of LESTO business customers at the end of 2011 were using electronic invoices.

In the course of the reconstruction of power substations, LESTO installs for storm drainage and oil collection facilities of the highest standards that no contaminants leak to the environment. When transformer substations are reconstructed, the obsolete and worn power transformers are replaced by those with reduced noise level, the outside noise level gets reduced. When installing the equipment, much attention is focused on the preservation of landscape and cultural heritage.

Natural heritage protection

LESTO together with the Lithuanian Ornithological Society and the Institute of Ecology for the Nature Research Center and the partners implement the project of the European Union Financial Instrument for the Environment LIFE + "The White Stork Protection in Lithuania". The stork nests built on the electricity poles are not safe either to birds or to people. When the storks touch the electrical wires they often get fatally injured; and LESTO incur losses due to electrical leakage and breaks in wires. Therefore, the aim of the project is to ensure the protection of the white storks by installing special platforms on electric poles which were safe for birds and airlines. During the project until the end of 2012, LESTO committed to install 3260 artificial stork nets on electricity poles, and the Ornithological Society to shape 500 stork nets, located on the roofs of buildings. By the end of 2011, LESTO installed 1740 artificial stork nets on the air line poles.

Participation in public life

In 2011, more than 400 workers of LESTO participated in the social campaign "Let's do it, 2011". During the campaign which gives encouragement to environmental thinking, citizenship, social activity, strengthens local communities and people's perception of parity, the LESTO volunteers together with other participants of the campaign cleaned up the environment of 25 cities of Lithuania: in Alytus, Kaunas, Klaipeda, Panevėžys, Šiauliai, Vilnius and Utena regions.

A professional day in 2011 was traditionally marked by the Open Day at Energy and Technology Museum. The general public was invited to visit the Energy and Technology Museum in Vilnius, where they could listen to the reports of the representatives of the power companies and the academic community on the energy system and the operation principles, new technologies and possibilities to apply them in Lithuania. The event was attended by 500 residents and guests of the city.

Opinion Surveys

Each year, LESTO orders representative opinion surveys of the population and business that help find out how the company customers value LESTO activities and initiatives.

Electricity suppliers are valued by the companies most favorably among all regulated service providers. According to population survey data, electricity suppliers are also rated most favorably among all regulated providers. The estimates of both the companies and the population show that electricity suppliers are given the highest score, i.e. 7.2 out of 10. Among the most often indicated characteristics the customers of LESTO pointed out high quality service, concern for reputation and focus on the results.

48 per cent of the participants of the public opinion survey consider AB LESTO as socially responsible company (RAIT, 2011-11).

LESTO social responsibility activities and project reports are prepared each year in the Lithuanian and English languages, all of them cover the initiated and carried out projects and their results. The reports are published in the Company's site, where the documents are freely available to the general public: <http://www.lesto.LTL/LTL/socialine-atsakomybe/socialines-atsakomybes-ataskaitos/1037>

LESTO keep the public informed about the Company's projects and socially responsible activities, all is published in the media, as well as in the company's site www.lesto.lt. In 2011, LESTO distributed 102 press releases, of which one third was on the social responsibility activities.

Awards

In 2011, AB LESTO has received the Lithuanian socially responsible business award "The Debut of the Year" in nomination "The Most Community Oriented Company of the Year".

In Europe Business Awards 2011" LESTO received a reputable certificate for the country's representation in the activities in the field of social responsibility.

Assessing the best communication campaigns in "European Excellence Awards 2011", LESTO with the project on energy conservation "To the extent required" got to the finals, was among the top 5 in Europe.

In the site of Ministry of Economy "State-owned enterprises" AB LESTO is called a clear leader in social responsibility activities. <http://vvi.ukmin.LTL/apielSA> .

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 December 31, 2011 the number of LESTO shareholders totalled – 7,739.

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

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

LESTO number of shareholders according to countries, 2011-12-31

Country	Number of shareholders
Lithuania	7544
Russia	47
Belarus	38
Estonia	36
United States	19
Latvia	14
Other	41
Total	7739

Shareholders who owned more than 5 % of the issuer's authorized capital on 31 December, 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, Brüsseler Platz 1 45131 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.

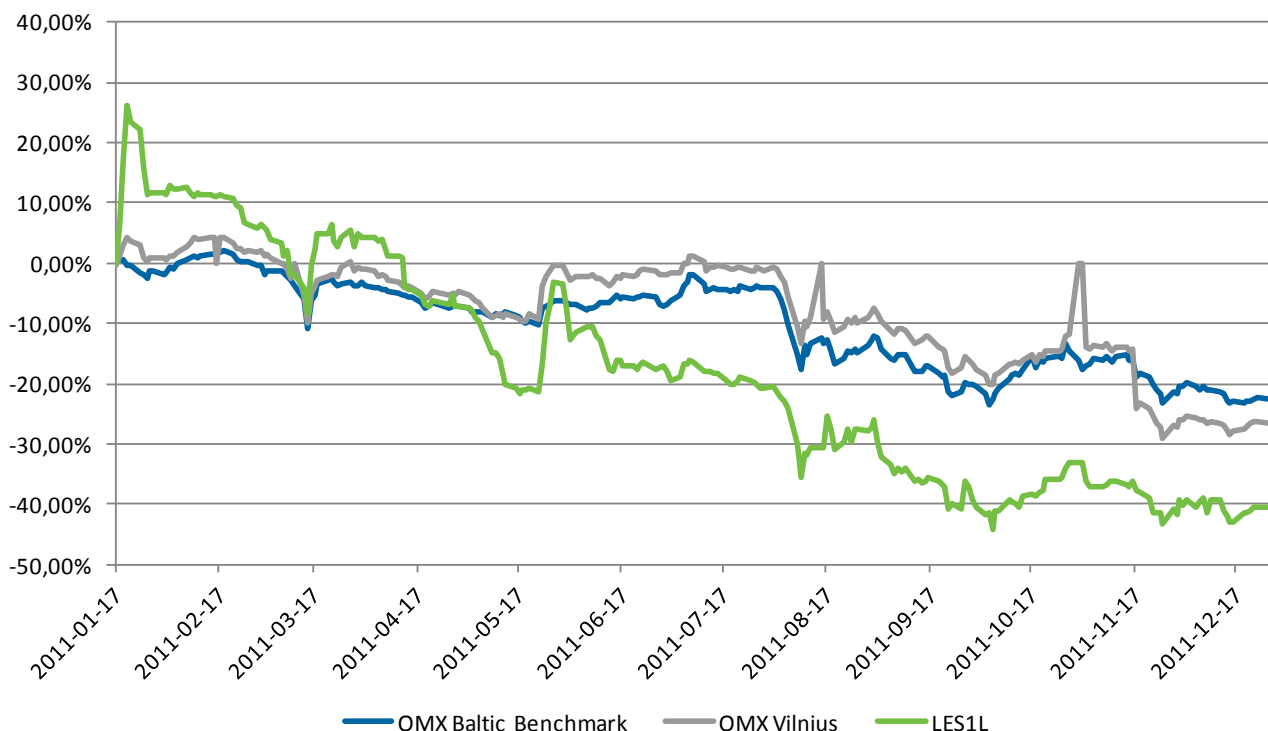
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

LESTO share price dynamics and turnover, 30-12-2011



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 1.81) on 5 October, 2011. During the reporting period LESTO share price dropped by 40.4 %. On 30 December, 2011, the last trading day in 2011, the price of LESTO share was LTL 1.93. The average price of LESTO share during the reporting period – LTL 2.64.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 30-12-2011



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 17.02%.

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 December, 2011, the last trading day in 2011, index OMX Vilnius dropped by 26.05%, OMX Baltic Benchmark declined by 22.65%, while price of LESTO share decreased by 40.36 %. This fall was caused by negative events in Lithuania's and world's macroeconomics.

Dividends

On 29 April, 2011 the decision to pay dividends for shareholders was adopted in Ordinary General Meeting of Shareholders. Retained earnings at the beginning of financial year were 744,000,054 LTL. Net annual operating result was - 61,936,418 LTL. Profit (loss) of the financial year that is unrecognized in the profit (loss) statement was 257,077,688 LTL, total distributable profit amounted 939,141,324 LTL. Profit allocation to pay out dividends was 60,998,403.89 LTL. Profit allocation to pay out dividends per share was 0.101 LTL.

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		Company	
	31-12-2011	31-12-2010*	31-12-2011	31-12-2010*
ASSETS				
Non-current assets				
Property, plant and equipment	4 822 869	5 011 038	4 676 010	4 820 852
Intangible assets	5 728	4 871	5 672	4 859
Prepayments for property plant and intangible assets	7 344	2 233	7 344	2 233
Investments in subsidiaries	-	-	191 018	191 018
Investment in associates	18 957	18 693	21 570	21 570
Investment property	135 158	122 622	-	-
Deferred income tax asset	-	168	-	-
Non-current receivables	2 369	10 095	2 369	10 095
	4 992 425	5 169 720	4 903 983	5 050 627
Current assets				
Inventories	14 404	13 867	11 817	11 121
Trade and other receivables	184 228	202 234	178 478	199 163
Prepayments, deferred charges and accrued income	24 230	30 003	23 921	29 655
Prepaid income tax	22	7	-	-
Short-term deposits	5 000	5 500	-	5 500
Cash and cash equivalents	58 708	139 621	44 161	130 132
	286 592	391 232	258 377	375 571
Non-current assets held for sale	760	760	-	-
	287 352	391 992	258 377	375 571
Total assets	5 279 777	5 561 712	5 162 360	5 426 198
EQUITY				
Equity and reserves attributed to owners of the Company				
Share capital	603 945	603 945	603 945	603 945
Revaluation reserve	1 837 214	2 068 003	1 803 976	2 032 898
Legal reserve	60 465	60 574	60 394	60 394
Other reserves	-	271	-	-
Retained earnings	1 011 016	897 623	1 060 429	939 141
	3 512 640	3 630 416	3 528 744	3 636 378
Non-controlling interest	126 513	133 601	-	-
Total equity	3 639 153	3 764 017	3 528 744	3 636 378
LIABILITIES				
Amounts payable after one year and non-current liabilities				
Borrowings	325 362	219 322	325 362	219 322
Deferred income tax liabilities	392 234	432 675	389 643	428 324
Deferred income	341 368	356 912	341 368	356 912
Grants and subsidies	46 370	50 867	46 370	50 867
Non-current employee benefits	3 452	4 326	3 346	4 247
Other non-current liabilities	510	593	510	593
	1 109 296	1 064 695	1 106 599	1 060 265
Amounts payable within one year and current liabilities				
Borrowings	119 366	320 592	119 366	320 592
Trade and other payables	300 419	341 479	298 280	339 756
Advances received and accrued liabilities	81 353	66 665	79 181	64 943
Derivative financial instruments	1 511	1 229	1 511	1 229
	502 649	669 965	497 338	666 520
Current income tax liabilities	28 679	3 035	28 679	3 035
	531 328	733 000	527 017	729 555
Total liabilities	1 640 624	1 797 695	1 633 616	1 789 820
Total equity and liabilities	5 279 777	5 561 712	5 162 360	5 426 198

*LESTO group and Company's 2011 twelve months financial report has to be read together with 31-12-2010 annual AB Rytų skirstomieji tinklai and AB „VST“ financial reports, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Statement of comprehensive income, LTL thousand

	LESTO group		
	2011	2010*	2011 IV quarter
Sales revenue	2 245 484	2 429 968	592 896
Purchases of electricity	(1 547 677)	(1 704 186)	(401 441)
Depreciation and amortization	(431 441)	(450 344)	(105 724)
Employee benefits and related social security contributions	(156 803)	(189 377)	(42 033)
Repair and maintenance expenses	(70 695)	(69 803)	(24 106)
Transportation costs	(11 834)	(3 528)	(7 427)
Other expenses	(97 863)	(83 213)	(41 794)
Operating profit (loss)	(70 829)	(70 483)	(29 629)
Finance income	3 572	7 643	984
Finance (costs)	(10 347)	(10 776)	(2 754)
Finance income/ (costs), net	(6 775)	(3 133)	(1 770)
Profit (loss) on investment in associates	264	(1 269)	(372)
Profit (loss) before income tax	(77 340)	(74 885)	(31 771)
Income tax	11 505	12 511	3 159
Profit (loss) for the year	(65 835)	(62 374)	(28 612)
Other comprehensive income(expense):			
Gain (loss) on revaluation of property, plant and equipment	1 988	1 505	1 988
Other comprehensive income share of associates	-	(1 559)	-
Deferred income tax effect	(19)	829	(19)
Other comprehensive income (expense) for the year	1 969	775	1 969
Gross profit (loss) for the year	(63 866)	(61 599)	(26 643)
Net profit (loss) for the year attributable to:			
Owners of the Company	(57 964)	(63 354)	(19 417)
Non-controlling interest	(7 871)	980	(9 195)
	(65 835)	(62 374)	(28 612)
Gross profit (loss) for the year attributable to:			
Owners of the Company	(56 778)	(62 731)	(18 231)
Non-controlling interest	(7 088)	1 132	(8 412)
	(63 866)	(61 599)	(26 643)
Earnings per share ratio	(0,096)	(0,105)	

*LESTO group and Company's 2011 twelve months financial report has to be read together with 31-12-2010 annual AB Rytų skirstomieji tinklai and AB „VST“ financial reports, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

	Company		
	2011	2010*	2011 IV quarter
Sales revenue	2 216 320	2 420 942	584 359
Purchases of electricity	(1 547 677)	(1 704 186)	(401 441)
Depreciation and amortization	(421 006)	(445 846)	(104 001)
Employee benefits and related social security contributions	(132 959)	(167 434)	(36 637)
Repair and maintenance expenses	(76 127)	(81 227)	(28 500)
Transportation costs	(18 789)	(10 077)	(4 631)
Other expenses	(69 674)	(84 489)	(14 898)
Operating profit (loss)	(49 912)	(72 317)	(5 749)
Finance income	3 602	8 353	1 033
Finance (costs)	(10 331)	(10 746)	(2 744)
Finance income/ (costs), net	(6 729)	(2 393)	(1 711)
Profit (loss) on investment in associates	-	-	-
Profit (loss) before income tax	(56 641)	(74 710)	(7 460)
Income tax	9 897	12 772	922
Profit (loss) for the year	(46 744)	(61 938)	(6 538)
Other comprehensive income(expense):			
Gain (loss) on revaluation of property, plant and equipment	127	886	127
Other comprehensive income share of associates	-	-	-
Deferred income tax effect	(19)	922	(19)
Other comprehensive income (expense) for the year	108	1 808	108
Gross profit (loss) for the year	(46 636)	(60 130)	(6 430)
Net profit (loss) for the year attributable to:			
Owners of the Company	(46 744)	(61 938)	(6 538)
Non-controlling interest	-	-	-
	(46 744)	(61 938)	(6 538)
Gross profit (loss) for the year attributable to:			
Owners of the Company	(46 636)	(60 130)	(6 430)
Non-controlling interest	-	-	-
	(46 636)	(60 130)	(6 430)

*LESTO group and Company's 2011 twelve months financial report has to be read together with 31-12-2010 annual AB Rytų skirstomieji tinklai and AB „VST“ financial reports, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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
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 year	-	-	-	-	(63 354)	(63 354)	980	(62 374)
Other comprehensive income (expense)	-	2 182	-	-	(1 559)	623	152	775
Sale of subsidiaries	-	29 319	(56)	-	(30 031)			
Transfers to retained earnings (depreciation, net of deferred income tax)	-	(253 655)	-	-	253 655	-	-	-
Total comprehensive income	-	(222 154)	(56)	-	158 711	(63 499)	1 132	(62 367)
Transaction with owners								
Transaction with owners—reserves utilised	-	-	(75)	(1 367)	1 434	(8)	-	(8)
Dividends relating to 2009					(105 919)	(105 919)		
Total payments for owners	-	-	(75)	(1 367)	(104 485)	(105 927)	-	(105 927)
Change in ownership in subsidiaries, which does not determine loss of control					(3 424)	(3 424)	14 370	10 946
Non-controlling contribution to share capital of subsidiaries							118 369	118 369
Loss from business trade		(18)			(649)	(667)	(270)	(937)
Total transactions with owners	-	(18)	-	-	(4 073)	(4 091)	132 469	128 378
Balance at 31 December 2010*	603 945	2 068 003	60 574	271	897 623	3 630 416	133 601	3 764 017

LESTO group	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
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 year	-	-	-	-	(57 964)	(57 964)	(7 871)	(65 835)
Other comprehensive income (expense):	-	1 186	-	-	-	1 186	783	1 969
Transfers to retained earnings (depreciation, net of deferred income tax)	-	(231 975)	-	-	231 975	-	-	-
Total comprehensive income	-	(230 789)	-	-	174 011	(56 778)	(7 088)	(63 866)
Transaction with owners								
Transaction with owners—transferred to reserves	-	-	70		(70)		-	-
Transaction with owners—reserves utilised	-	-	(179)	(271)	450		-	-
Dividends relating to 2010					(60 998)	(60 998)		
Total transactions with owners	-	-	(109)	(271)	(60 618)	(60 998)	-	(60 998)
Balance at 31 December 2011	603 945	1 837 214	60 465	-	1 011 016	3 512 640	126 513	3 639 153

*LESTO group and Company's 2011 twelve months financial report has to be read together with 31-12-2010 annual AB Rytų skirstomieji tinklai and AB „VST“ financial reports, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Company	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2010	603 945	2 284 558	60 394	-	853 530	3 802 427
Comprehensive income						
Profit (loss) for the year	-	-	-	-	(61 938)	(61 938)
Other comprehensive income (expense)	-	1 808	-	-	-	1 808
Transfers to retained earnings (depreciation, net of deferred income tax)	-	(253 468)	-	-	253 468	-
Total comprehensive income	-	(251 660)	-	-	191 530	(60 130)
Transactions with owners	-	-	-	-	-	-
Dividends relating to 2009	-	-	-	-	(105 919)	(105 919)
Total transactions with owners	-	-	-	-	(105 919)	(105 919)
Balance at 31 December 2010*	603 945	2 032 898	60 394	-	939 141	3 636 378

Company	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2011	603 945	2 032 898	60 394	-	939 141	3 636 378
Comprehensive income						
Profit (loss) for the year	-	-	-	-	(46 744)	(46 744)
Other comprehensive income (expense)	-	108	-	-	-	108
Transfers to retained earnings (depreciation, net of deferred income tax)	-	(229 030)	-	-	229 030	-
Total comprehensive income	-	(228 922)	-	-	182 286	(46 636)
Transactions with owners	-	-	-	-	-	-
Dividends relating to 2010	-	-	-	-	(60 998)	(60 998)
Total transactions with owners	-	-	-	-	(60 998)	(60 998)
Balance at 31 December 2011	603 945	1 803 976	60 394	-	1 060 429	3 528 744

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Statement of cash flows, thousand LTL

	LESTO group		Company	
	2011	2010*	2011	2010*
Cash flows from operating activities				
Profit (loss) for the year	(65 835)	(62 374)	(46 744)	(61 938)
Adjustment for:				
– Income tax	(11 505)	(12 511)	(9 897)	(12 772)
– Depreciation and amortisation	433 724	453 075	423 289	447 834
– Decrease in value of non current and financial assets	(245)	438	(245)	521
– Revaluation of non current assets	26 374	23 297	15	24 326
– Amortisation of grants	(2 283)	(1 988)	(2 283)	(1 988)
– Gain (loss) on disposal and write-off property, plant and equipment	15 862	11 450	15 179	10 891
– Decrease in value of investment to subsidiaries	-	-	-	(652)
– (Profit)/loss on investment in associates	(264)	1 269	-	-
– Decrease in value of associates	-	49	-	-
– Dividend income	-	-	-	(710)
– Finance (income)	(2 276)	(7 644)	(2 175)	(7 643)
– Finance costs	10 197	10 708	10 045	10 687
Changes in working capital:				
– Trade and other receivables	6 102	(19 582)	7 969	(16 473)
– Inventories, prepayments, deferred charges and accrued income	3 144	(592)	2 946	(619)
– Trade and other payables, advances received, accrued charges and deferred income	(32 195)	23 869	(32 095)	21 738
Cash generated from operations	380 800	419 464	366 004	413 202
– Paid income tax	(3 160)	(38 258)	(3 160)	(38 258)
Net cash generated from operating activities	377 640	381 206	362 844	374 944
Cash flows from investing activities				
– (Purchase) of property, equipment and intangible assets	(309 940)	(230 350)	(305 103)	(227 763)
– Proceeds from sale of property, plant and equipment	21	1 960	18	1 299
– Loans repayments received	335	8 360	335	8 360
– Term deposits	500	42 000	5 500	42 000
– Dividends received	-	-	-	710
– Interest received	2 597	7 644	2 493	7 643
– Acquisition of associates	-	(3 900)	-	(3 900)
– Contribution to share capital of subsidiaries	-	-	-	(2 189)
– Income from business trade	-	288	-	-
– Loss of subsidiaries control	-	304	-	-
Net cash used in investing activities	(306 487)	(173 694)	(296 757)	(173 840)
Cash flows from financing activities				
– Proceeds of borrowings	230 302	-	230 302	-
– (Repayments) of borrowings	(298 098)	(127 298)	(298 098)	(127 298)
– (Repayments) of borrowings	(46 896)	(27 729)	(46 896)	(27 729)
– Dividends (paid) to the Company's shareholders	(9 984)	(10 041)	(9 976)	(10 023)
– Interest paid	-	350	-	-
Net cash used in financing activities	(124 676)	(164 718)	(124 668)	(165 050)
Net increase (decrease) in cash and cash equivalents	(53 523)	42 794	(58 581)	36 054
Cash and cash equivalents at the beginning of the year	111 369	68 575	101 880	65 826
Cash and cash equivalents at the end of the year	57 846	111 369	43 299	101 880

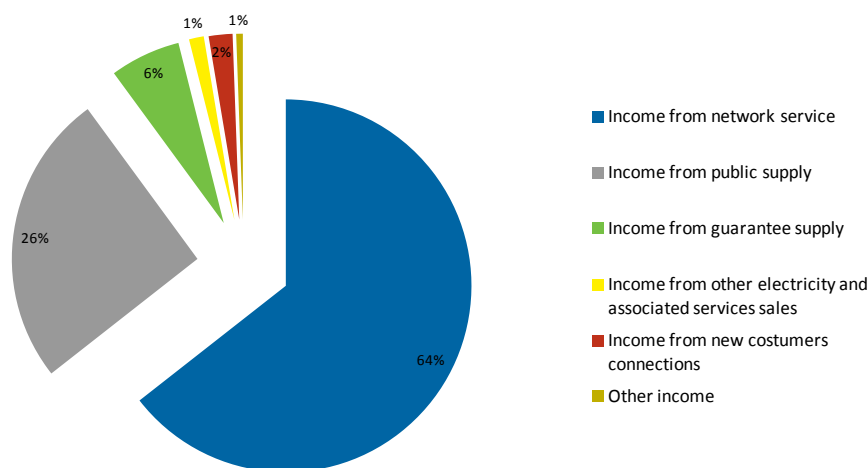
*LESTO group and Company's 2011 twelve months financial report has to be read together with 31-12-2010 annual AB Rytu skirstomieji tinklai and AB „VST“ financial reports, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Income, costs and profitability

LESTO group profitability ratios	2011	2010
Net profit margin	-2.93 %	-2.57 %
Operating profit margin	-3.15 %	-2.90 %
EBITDA, LTL thousand	360,612	379,861
EBITDA margin	16.06 %	15.63 %
ROA	-1.25 %	-1.12 %
ROE	-1.81 %	-1.66 %

During the twelve months of 2011 LESTO group earned LTL 2 245.5 million, Company's income share made up 98.7% i.e. LTL 2 216.3 million. Comparing with 2010 LESTO group income decreased by 7.6 % due to the electricity market liberalization that caused drop of revenue from electricity sales.

LESTO income structure

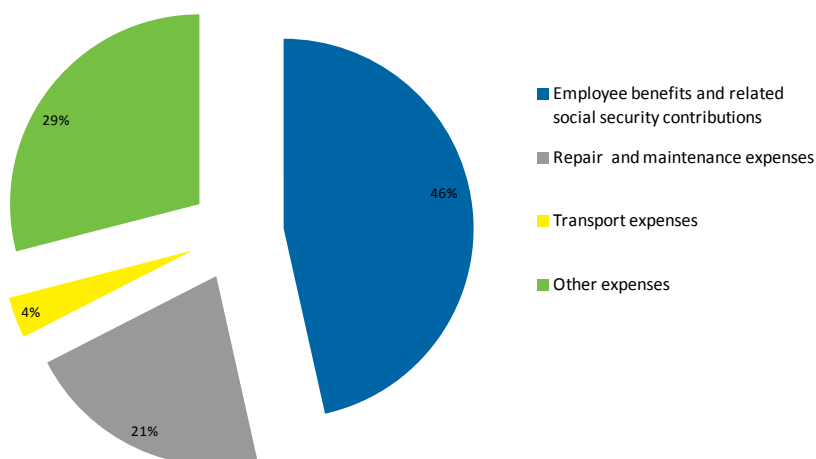


The main source of Company's income is income from network service that made up 64% of total income, income from public supply service consisted 26%, income from guarantee supply for the customers that have not chosen independent supplier amounted to 6 % of Company's income. Income from connection of 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 1 547.68 million i.e.

66.82% of total costs. Depreciation and amortization accounted to 18.63 % of total costs and the rest costs of the group that made up 14.56 % are classified as operating costs.

In 2011 EBITDA of LESTO group reached LTL 360.6 million, EBITDA margin made up 16.06% of income. LESTO group experienced net loss of LTL 65.8 million during 2011. Net loss of the Company made up LTL 46.7 million.

LESTO operating costs structure



Other financial ratios and investments

LESTO group liquidity ratios	31-12-2011	31-12-2010
Current liquidity ratio	0.54	0.53
Acid test ratio	0.51	0.52
Cash liquidity ratio	0.12	0.20
Working capital, LTL thousand	-243,976	-341,008
Working capital to total assets ratio	-0,05	-0.06

LESTO group financial leverage ratios	31-12-2011	31-12-2010
Total liabilities to total assets ratio	0.31	0.32
Debt to assets ratio	0.08	0.10
Total liabilities to equity ratio	0.45	0.48
Debt to equity ratio	0.12	0.14
Net financial debt, LTL thousand	381,020	394,793
Net financial debt to equity ratio	0.10	0.10
Long-term debt to equity ratio	0.09	0.06
Equity to total liabilities ratio	2.22	2.09
Equity to total assets ratio	0.69	0.68
Net financial debt to EBITDA ratio	1.06	1.04

The value of LESTO group assets at the end of reporting period made up LTL 5,279.8 million. Non-current assets share in total assets was equal to 94.56%. Value of LESTO group assets shrank by 3.4 %. Short-term deposits and cash with cash equivalents accounted to LTL 63.7 million i.e. 22.2% of total current assets.

Equity of LESTO group exceeded liabilities 2.22 fold. At the end of reporting period, financial debts made up LTL 444.73 million or 27.11% of total liabilities. Non-current borrowings overweigh current borrowings by LTL 206 million. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 531.33 million.

Current liabilities exceeded current assets by LTL 244.7 million. Current liquidity ratio stood at 0.54. Inventories made up only 5.0 % of current assets, consequently acid test ratio do not differ significantly from current liquidity ratio. Financial debt reduced by the amount of the most liquid assets (short-term deposits and cash with cash equivalents) indicates net financial debt. Net financial debt of the LESTO group amounted to LTL 381.0 million and consisted only 10.5% of equity.

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 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
24-10-2011	Regarding long-term loan agreement

24-10-2011	Regarding the electricity distribution price caps for 2012
27-10-2011	Regarding the supply service price cap for 2012
22-11-2011	Regarding prices of electricity distribution services and public electricity
25-11-2011	Regarding the approval of electricity distribution service and public electricity prices
30-11-2011	Preliminary unaudited operating results of LESTO AB company group for nine months of 2011
08-12-2011	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB