



Bank of Lithuania
Žirmūnų street 151,
LT-09128 Vilnius

31-08-2012

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, Head of Finance and Administration, hereby do confirm that, to the best of our knowledge, LESTO AB and consolidated interim consolidated unaudited financial statements of the six months of the year 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flow of LESTO AB and its consolidated enterprises, and that the review of activities and business development as well as the condition of LESTO AB and its consolidated enterprises together with the description of the principle risks and uncertainties it faces has been described correctly in the interim consolidated six months report of year 2012.

Chief Executive Officer

Arvydas Tarasevičius

Head of Finance and Administration

Ramutė Ribinskienė



LESTO AB
CONSOLIDATED AND THE COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012
(UNAUDITED)

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

Report on review of interim financial information

To the shareholders and Board of Directors of LESTO AB

Introduction

We have reviewed the accompanying stand alone and consolidated condensed interim statement of financial position of LESTO AB ("the Company") and its subsidiaries (collectively "the Group") as at 30 June 2012 and the related stand alone and consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed interim explanatory notes set out on pages 5 – 16. Management is responsible for the preparation and presentation of this stand alone and consolidated condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this stand alone and consolidated condensed interim financial information based on our review.

Scope of review

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

Basis for qualified conclusion

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 5 to the stand alone and consolidated condensed interim financial information, the amendments to the legislation may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 4,605 million and LTL 4,654 million, respectively, as at 30 June 2012 (LTL 4,675 million and LTL 4,727 million, respectively, as at 31 December 2011), or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the stand alone and consolidated condensed interim financial information.

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PricewaterhouseCoopers UAB, company code 111473315, VAT payer's code LT114733113, registered office at J. Jasinskio 16B, LT-01112 Vilnius, is a private company registered with the Legal Entities' Register of the Republic of Lithuania. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



Qualified conclusion

Based on our review, with the exception of the effect on the stand alone and consolidated condensed interim financial information of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying stand alone and consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34, "Interim financial reporting").

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a series of loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla
Director
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
21 August 2012

LESTO AB, company code 302577612, Žvejų g. 14, Vilnius, Lithuania
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012

(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

Condensed interim statement of financial position

	Notes	GROUP		COMPANY	
		30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
ASSETS					
Non-current assets					
Property, plant and equipment	5	4 746 003	4 823 970	4 605 253	4 676 010
Intangible assets		5 945	5 728	5 880	5 672
Prepayments for PP&E and intangible assets		7 409	7 344	7 409	7 344
Investments in subsidiaries		-	-	195 628	191 018
Investments in associates		21 259	21 194	21 570	21 570
Investment property		144 776	135 588	-	-
Deferred income tax assets		59	-	-	-
Non-current amounts receivable		2 263	2 369	2 263	2 369
		4 927 714	4 996 193	4 838 003	4 903 983
Current assets					
Inventories		13 161	14 404	6 648	11 817
Trade and other receivables	6	169 301	184 228	163 628	178 478
Prepayments, deferred charges and accrued income		25 543	24 230	24 860	23 921
Prepaid income tax		-	22	-	-
Other financial assets		4 800	-	-	-
Time deposits		-	5 000	-	-
Cash and cash equivalents	7	21 184	58 708	7 507	44 161
		233 989	286 592	202 643	258 377
Non-current assets classified as held for sale		1 236	760	-	-
		235 225	287 352	202 643	258 377
Total assets		5 162 939	5 283 545	5 040 646	5 162 360
EQUITY					
Equity and reserves attributable to owners of the Company					
Share capital		603 945	603 945	603 945	603 945
Revaluation reserve		1 737 058	1 837 060	1 704 011	1 803 976
Legal reserve		60 450	60 465	60 394	60 394
Retained earnings		929 553	1 014 492	976 891	1 060 429
		3 331 006	3 515 962	3 345 241	3 528 744
Non-controlling interests		131 344	127 380	-	-
Total equity		3 462 350	3 643 342	3 345 241	3 528 744
LIABILITIES					
Non-current liabilities					
Borrowings	10	386 704	325 362	386 704	325 362
Deferred income tax liability		376 418	391 813	374 087	389 643
Deferred income		326 550	334 086	326 550	334 086
Grants and subsidies		46 820	46 370	46 820	46 370
Non-current employee benefits		3 452	3 452	3 346	3 346
Other non-current liabilities		672	510	672	510
		1 140 616	1 101 593	1 138 179	1 099 317
Current liabilities					
Borrowings	10	184 691	119 366	184 691	119 366
Trade and other payables	9	251 368	300 419	251 057	298 280
Advance amounts received, accrued charges and deferred income		82 342	88 635	79 906	86 463
Derivative financial instruments		1 760	1 511	1 760	1 511
Income tax payable		39 812	28 679	39 812	28 679
		559 973	538 610	557 226	534 299
Total liabilities		1 700 589	1 640 203	1 695 405	1 633 616
Total equity and liabilities		5 162 939	5 283 545	5 040 646	5 162 360

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

The condensed interim financial information on pages 5 to 16 was approved by the Company's Chief Executive Officer and Director of the Finance and Administration Division on 17 August 2012.

Chief Executive Officer

Arvydas Tarasevičius

Director of Finance and
Administration Division

Ramutė Ribinskienė

LESTO AB, company code 302577612, Žvejų g. 14, Vilnius, Lithuania
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012

(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

Condensed interim statement of comprehensive income

	Notes	Group				Company			
		1H 2012	3Q 2012	1H 2011	3Q 2011	1H 2012	3Q 2012	1H 2011	3Q 2011
Revenue		1 156 384	530 601	1 137 619	521 771	1 146 537	522 590	1 124 800	515 944
Purchase of electricity		(810 628)	(356 239)	(804 978)	(352 623)	(810 628)	(356 239)	(804 978)	(352 623)
Depreciation and amortisation		(201 754)	(101 220)	(217 828)	(108 746)	(196 663)	(98 681)	(212 539)	(106 140)
Employee benefits and related social security contributions		(81 714)	(39 121)	(79 796)	(38 124)	(67 549)	(32 057)	(67 030)	(32 039)
Repair and maintenance expenses		(31 089)	(18 548)	(27 673)	(15 431)	(38 050)	(22 372)	(28 685)	(15 873)
Transport expenses		(6 138)	(3 010)	(2 875)	(1 363)	(7 648)	(3 733)	(9 675)	(4 548)
Telecommunications and IT services		(12 261)	(6 078)	(11 013)	(5 394)	(11 383)	(5 636)	(10 294)	(5 036)
Rent and utility services		(4 606)	(1 129)	(5 033)	(1 765)	(5 589)	(2 378)	(6 612)	(3 369)
Revaluation of property, plant and equipment		(372)	-	-	-	(372)	-	-	-
Other expenses		(22 283)	(12 492)	(19 198)	(17 736)	(22 653)	(10 924)	(16 889)	(15 884)
Operating profit (loss)		(14 461)	(7 236)	(30 775)	(19 411)	(13 998)	(9 430)	(31 902)	(19 568)
Finance income		1 282	594	2 318	734	1 826	1 147	2 287	714
Finance costs		(5 519)	(2 773)	(4 722)	(2 657)	(5 534)	(2 797)	(4 723)	(2 658)
Finance costs – net		(4 237)	(2 179)	(2 404)	(1 923)	(3 708)	(1 650)	(2 436)	(1 944)
Profit (loss) from change in ownership interest in associates		64	177	810	414	-	-	-	-
Profit (loss) before tax		(18 634)	(9 238)	(32 369)	(20 920)	(17 706)	(11 080)	(34 338)	(21 512)
Income tax		4 341	1 391	6 362	2 799	4 436	1 765	6 773	3 195
Profit (loss) for the period		(14 293)	(7 847)	(26 007)	(18 121)	(13 270)	(9 315)	(27 565)	(18 317)
Other comprehensive income									
Gain (loss) on revaluation of property, plant and equipment		93	-	-	-	93	-	-	-
Effect of deferred income tax		(14)	-	-	-	(14)	-	-	-
Other comprehensive income (loss)		79	-	-	-	79	-	-	-
Total comprehensive income (loss) for the period		(14 214)	(7 847)	(26 007)	(18 121)	(13 191)	(9 315)	(27 565)	(18 317)
Profit (loss) for the period attributable to:									
Owners of the Company		(14 595)	(8 760)	(26 422)	(18 145)	(13 270)	(9 315)	(27 565)	(18 317)
Non-controlling interests		302	913	415	24	-	-	-	-
		(14 293)	(7 847)	(26 007)	(18 121)	(13 270)	(9 315)	(27 565)	(18 317)
Total comprehensive income (loss) attributable to:									
Owners of the Company		(14 516)	(8 760)	(26 422)	(18 145)	(13 191)	(9 315)	(27 565)	(18 317)
Non-controlling interests		302	913	415	24	-	-	-	-
		(14 214)	(7 847)	(26 007)	(18 121)	(13 191)	(9 315)	(27 565)	(18 317)
Basic and diluted earnings (loss) per share (in LTL) attributable to owners of the Company		(0,024)	(0,015)	(0,044)	(0,030)	(0,022)	(0,015)	(0,046)	(0,030)

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

LESTO AB, company code 302577612, Žveju g. 14, Vilnius, Lithuania
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012

(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

Condensed interim statement of changes in equity

Group	Notes	Equity attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings		
Balance at 1 January 2011		603 945	2 068 003	60 574	271	897 623	3 630 416	133 601
Comprehensive income								
Profit (loss) for the period		-	-	-	-	(26 422)	(26 422)	415
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(116 464)	-	-	116 464	-	-
Total comprehensive income		-	(116 464)	-	-	90 042	(26 422)	415
Transactions with owners								
Transfers to reserves		-	-	70	-	(70)	-	-
Reserves utilised		-	-	(179)	(271)	450	-	-
Dividends relating to 2010		-	-	-	-	(60 998)	(60 998)	-
Total transactions with owners		-	-	(109)	(271)	(60 618)	(60 998)	-
Balance at 30 June 2011		603 945	1 951 539	60 465	-	927 047	3 542 996	134 016
Balance at 1 January 2012		603 945	1 837 060	60 465	-	1 014 492	3 515 962	127 380
Comprehensive income								
Profit (loss) for the period		-	-	-	-	(14 595)	(14 595)	302
Other comprehensive income (loss)		-	79	-	-	-	79	-
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(100 081)	-	-	100 081	-	-
Total comprehensive income		-	(100 002)	-	-	85 486	(14 516)	302
Transactions with owners								
Transfers to reserves		-	-	55	-	(55)	-	-
Reserves utilised		-	-	(70)	-	70	-	-
Dividends relating to 2011	8	-	-	-	-	(170 312)	(170 312)	(238)
Change in ownership interests in subsidiary that does not result in a loss of control		-	-	-	-	(128)	(128)	128
Non-controlling interests' contribution to the share capital of subsidiary		-	-	-	-	-	-	3 772
Total transactions with owners		-	-	(15)	-	(170 425)	(170 440)	3 662
Balance at 30 June 2012		603 945	1 737 058	60 450	-	929 553	3 331 006	131 344
Company								
		Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total equity	
Balance at 1 January 2011		603 945	2 032 898	60 394	-	939 141	3 636 378	
Comprehensive income								
Profit (loss) for the period		-	-	-	-	(27 565)	(27 565)	
of depreciation, net of deferred income tax)		-	(116 420)	-	-	116 420	-	
Total comprehensive income		-	(116 420)	-	-	88 855	(27 565)	
Transactions with owners								
Dividends relating to 2010		-	-	-	-	(60 998)	(60 998)	
Total transactions with owners		-	-	-	-	(60 998)	(60 998)	
Balance at 30 June 2011		603 945	1 916 478	60 394	-	966 998	3 547 815	
Balance at 1 January 2012		603 945	1 803 976	60 394	-	1 060 429	3 528 744	
Comprehensive income								
Profit (loss) for the period		-	-	-	-	(13 270)	(13 270)	
Other comprehensive income (loss)		-	79	-	-	-	79	
of depreciation, net of deferred income tax)		-	(100 044)	-	-	100 044	-	
Total comprehensive income		-	(99 965)	-	-	86 774	(13 191)	
Transactions with owners								
Dividends relating to 2011	8	-	-	-	-	(170 312)	(170 312)	
Total transactions with owners		-	-	-	-	(170 312)	(170 312)	
Balance at 30 June 2012		603 945	1 704 011	60 394	-	976 891	3 345 241	

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

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CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012

(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

Condensed interim statement of cash flows

	Notes	Group		COMPANY	
		1H 2012	1H 2011	1H 2012	1H 2011
Cash flows from operating activities					
Profit (loss) for the period		(14 293)	(26 007)	(13 270)	(27 565)
Adjustments for:					
– Income tax expense/(income)		(4 341)	(6 362)	(4 436)	(6 773)
– Depreciation and amortisation		202 867	218 901	197 776	213 612
– Revaluation of property, plant and equipment		372	-	372	-
– Amortisation of grants		(1 113)	(1 073)	(1 113)	(1 073)
– Gain/(loss) on disposal and write-off of property, plant and equipment		7 002	3 912	7 093	3 981
– (Profit)/loss on change in ownership interests in associates		(64)	(810)	-	-
– Dividend income		-	-	(712)	-
– Finance (income)		(1 282)	(2 318)	(1 114)	(2 287)
– Finance costs		5 519	4 722	5 534	4 723
Changes in working capital:					
– Trade and other receivables		10 017	29 386	14 735	32 799
– Inventories, prepayments, deferred charges and accrued income		172	(1 062)	887	1 593
– Trade and other payables, advance amounts received, accrued charges and deferred income		(46 372)	(57 553)	(48 725)	(58 015)
Cash generated from operations		158 484	161 736	157 027	160 995
– Income tax paid		-	(3 160)	-	(3 160)
Net cash generated from operating activities		158 484	158 576	157 027	157 835
Cash flows from investing activities					
– Purchase of PP&E and intangible assets		(148 790)	(127 486)	(146 926)	(124 235)
– Proceeds from sale of PP&E		258	377	6	-
– Loan repayments received		219	46	219	46
– Term deposits		5 000	(58 836)	-	(53 836)
– Increase of investment in financial assets		(4 800)			
– Dividends received		-	-	712	-
– Interest received		1 163	1 558	1 114	1 525
Net cash used in investing activities		(146 950)	(184 341)	(144 875)	(176 500)
Cash flows from financing activities					
– Proceeds from borrowings		149 456	-	149 456	-
– Repayments of borrowings		(41 988)	(64 784)	(41 988)	(64 784)
– Dividends paid to the Company's shareholders		(169 811)	(46 863)	(169 811)	(46 863)
– Dividends paid to non-controlling interests		(238)	-	-	-
– Interest paid		(5 676)	(4 655)	(5 662)	(4 653)
Net cash used in financing activities		(68 257)	(116 302)	(68 005)	(116 300)
Net (decrease) in cash and cash equivalents		(56 723)	(142 067)	(55 853)	(134 965)
Cash and cash equivalents at beginning of year	7	57 846	111 369	43 299	101 880
Cash and cash equivalents at end of the year	7	1 123	(30 698)	(12 554)	(33 085)

The notes on pages 9 to 16 are an integral part of this condensed interim financial information.

Notes to the condensed interim financial information

1. General information

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

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

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

The Company's core business includes electric power supply and distribution. The Company operates a medium and low voltage electricity distribution network and it is a sole provider of electricity distribution service to the consumers in the entire territory of Lithuania.

On 24 October 2011, the National Control Commission for Prices and Energy (the Commission) approved the following price caps for electricity distribution services for the year 2012:

- ✓ electricity distribution via medium voltage network: 4.88 Lithuanian cents or 1.41 euro cents per kWh (2011: 4.89 Lithuanian cents or 1.42 euro cents per kWh);
- ✓ electricity distribution via low voltage network – 6.41 Lithuanian cents or 1.86 euro cents per kWh (2011: 6.39 Lithuanian cents or 1.85 euro cents per kWh);

By decision dated 27 October 2011, the Commission approved the following price caps for public electricity supply services for the year 2012:

- public electricity supply: 0.44 Lithuanian cents or 0.13 euro cents per kWh (2011: 0.37 Lithuanian cents or 0.11 euro cents per kWh).

On 25 November 2011, the Commission decided to announce in public the prices and tariffs for electricity transmission services and public electricity, as well as the procedure of their application with effect from 1 January 2012. Furthermore, the Commission made a decision to reconcile price differentiation methodology provided by LESTO AB for electricity transmission services and public electricity.

As a result of increase in the price for public electricity supply services set for 2012 up to 7.04 ct/kWh (VAT excl.) (2011: 6.01 ct/kWh (VAT excl.):

- the public electricity prices for private customers have increased on average by 1.4 ct/kWh (VAT incl.) (3%) since 1 January 2012,
- the transmission service prices have increased by 1.1 ct/kWh (8%, VAT excl.) for business customers who receive electric power via medium voltage network, and by 0.7 ct/kWh (3%, VAT excl.) for business customers who receive electric power via low voltage network.

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

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

The shareholders of the Company were as follows:

	At 30 June 2012		At 31 December 2011	
	Number of shares held	Ownership interest %	Number of shares held	Ownership interest %
Visagino Atominė Elektrinė UAB	499 026 209	82.63 %	499 026 209	82.63 %
E.ON Ruhrgas International AG (Germany)	71 040 473	11.76 %	71 040 473	11.76 %
Other shareholders	33 877 911	5.61 %	33 877 911	5.61 %
Total	603 944 593	100 %	603 944 593	100 %

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(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

As at 30 June 2012 and 31 December 2011, Visagino Atominė Elektrinė UAB was the parent of the Company. Visagino Atominė Elektrinė UAB is wholly-owned by the Ministry of Energy of the Republic of Lithuania (ultimate controlling party).

The Company's all shares are ordinary shares with the nominal value of LTL 1 each, and they were fully paid as at 30 June 2012 and 31 December 2011. The Company has no other types of shares than the aforementioned ordinary shares. The Company's Articles of Association do not provide for any restrictions in respect of shares or special control rights for the shareholders. The Company and its subsidiaries do not hold own shares.

The consolidated group

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

Subsidiary or associate	Country	Year of acquisition	Ownership interest held by the Group (%)		Profile of activities
			At 30 June 2012	At 31 December 2011	
Elektros Tinklo Paslaugos UAB	Lithuania	2004	74.97%	71.13%	Power network engineering, construction, repair, maintenance and customer connection to the grid services
NT Valdos UAB	Lithuania	2010	57.30%	57.93%	Real estate management services
Technologijų ir Inovacijų Centras UAB	Lithuania	2010	24.94%	24.94%	IT and communication services
Public Institution Centre of Training for Energy Specialists (wholly-owned by Technologijų ir Inovacijų Centras UAB)	Lithuania	2010	24.94%	24.94%	Training services
Data Logistics Center UAB (wholly-owned by Technologijų ir Inovacijų Centras UAB)	Lithuania	2011	24.94%	24.94%	Telecommunication services
Tetas UAB	Lithuania	2005	38.87%	38.87%	Power network engineering, construction, repair, maintenance and customer connection to the grid services

Based on the Agreement for the subscription of shares dated 23 December 2011, the Company transferred to its subsidiary Elektros Tinklo Paslaugos UAB property, plant and equipment with the carrying amount (equal to the fair value) of LTL 708 thousand and inventories and other current assets totalling LTL 3 343 thousand (carrying amount) in exchange for the newly issued shares on 1 January 2012, 00.00 am. The valuation of assets transferred was carried out by an independent property valuer Inreal UAB. As a result of this in-kind consideration, the Company's ownership interests increased from 71.13% to 74.97%.

On 31 January 2012, the Agreement for the subscription of shares and in-kind consideration was signed with NT Valdos UAB. The share capital of NT Valdos UAB was increased by LTL 4 338 100 by way of issuing 43 381 ordinary shares with the value of LTL 100 each. The Company acquired 5 591 shares of NT Valdos UAB in exchange for an in-kind consideration of non-current assets with the carrying amount (equal to the fair value) of LTL 559 100. The remaining portion of the newly issued shares (37 790 shares) were acquired by Lietuvos Energija AB in exchange for in-kind consideration. As a result of these transactions, the Company's ownership interests decreased from 57.93% to 57.30%.

As at 30 June 2012, the Group and the Company had 3 416 and 2 585 employees, respectively (31 December 2011: 3 564 and 2 890, respectively).

2. Basis of preparation

This consolidated and the Company's condensed interim financial information for the first half of 2012 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

The consolidated and the Company's condensed interim financial information for the first half of 2012 should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU).

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

3. Accounting policies

Except as described below, the accounting policies applied in the preparation of this consolidated and the Company's condensed interim financial information are consistent with those of the annual financial statements of the Company for the year ended 31 December 2011.

Income tax

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

New and amended standards and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Company and the Group with effect from 2012, and that have a significant impact on the Company's and the Group's financial information.

The Company's management do not believe the newly published standards, amendments and interpretations that are mandatory for the Company's reporting periods beginning on or after 1 January 2013 will have a significant impact on the Company's financial statements.

4. Critical accounting estimates

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

The significant management judgements regarding the application of the accounting policies and the main sources for determining contingencies used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2011.

5. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
Six-month period ended 30 June 2011							
Net book amount at 1 January 2011	459	385 368	4 413 097	49 253	91 942	70 918	5 011 037
Additions	-	33	1 863	398	6 122	101 468	109 884
Disposals	-	-	(3)	(303)	-	-	(306)
Write-offs	-	-	-	(4 121)	-	-	(4 121)
Reclassifications from/to	(6)	2 570	80 957	-	(2 946)	(80 060)	515
Depreciation	-	(10 743)	(193 393)	(3 319)	(10 343)	-	(217 798)
Net book amount at 30 June 2011	453	377 228	4 302 521	41 908	84 775	92 326	4 899 211
Six-month period ended 30 June 2012							
Net book amount at 1 January 2012	453	360 856	4 276 079	43 316	82 220	61 046	4 823 970
Additions	-	12	6 064	1 690	147	129 285	137 198
Disposals	-	-	(17)	(45)	-	-	(62)
Change in impairment	-	-	(8)	-	-	8	-
Write-offs	-	(246)	(6 831)	-	(4)	-	(7 081)
Reclassifications from/to	-	1 179	104 648	-	5 917	(111 744)	-
Revaluation	-	1	(252)	12	(40)	-	(279)
Non-controlling interest's in-kind contributions to subsidiaries' share capital	-	-	187	-	12	-	199
Reclassification to investment property	-	(8 689)	2 543	(25)	(26)	-	(6 197)
Depreciation	-	(9 739)	(179 652)	(3 153)	(9 201)	-	(201 745)
Net book amount at 30 June 2012	453	343 374	4 202 761	41 795	79 025	78 595	4 746 003

Company	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
Six-month period ended 30 June 2011							
Net book amount at 1 January 2011	279	279 723	4 383 804	275	88 370	68 401	4 820 852
Additions	-	-	1 755	-	6 112	100 242	108 109
Disposals	-	-	(3)	-	-	-	(3)
Write-offs	-	-	(4 111)	-	-	-	(4 111)
Reclassifications from/to	(6)	1 762	80 687	-	(2 946)	(80 060)	(563)
Depreciation	-	(10 077)	(192 398)	(25)	(10 010)	-	(212 510)
Net book amount at 30 June 2011	273	271 408	4 269 734	250	81 526	88 583	4 711 774
Six-month period ended 30 June 2012							
Net book amount at 1 January 2012	273	265 583	4 270 865	244	79 208	59 837	4 676 010
Additions	-	12	5 699	-	-	128 838	134 549
Disposals	-	-	(17)	-	-	-	(17)
Change in impairment	-	-	(8)	-	-	8	-
Write-offs	-	(246)	(6 831)	-	(3)	-	(7 080)
Reclassifications from/to	-	1 259	104 529	-	5 956	(111 744)	-
Revaluation	-	1	(252)	12	(40)	-	(279)
In-kind contribution to subsidiaries' share capital	-	(57)	(802)	(219)	(189)	-	(1 267)
Depreciation	-	(8 850)	(178 948)	(4)	(8 861)	-	(196 663)
Net book amount at 30 June 2012	273	257 702	4 194 235	33	76 071	76 939	4 605 253

Additions under 'construction in progress' increased mainly as a result of connection of new customers to the grid.

Write-offs mainly represent write-offs of structures and electricity network equipment as a result of projects relating to the movement of large-size facilities (Vilnius ring road, Klaipėda viaduct), whereby the old equipment is replaced.

Revaluation and impairment of property, plant and equipment

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

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

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

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

Due to the reasons specified, values of property, plant and equipment reported in this condensed interim financial information may materially differ from those that would be determined if the valuation of assets was performed by external independent appraisers as required by International Valuation and Accounting Standards. It is probable that such valuation would have a negative effect on the results of the Group's and the Company's activities and the shareholders' equity reported in the financial statements for the year 2011 and condensed interim financial information for the six month period ended 2012.

Based on the management's decision, the independent property valuers did not carry out the valuation of fair values of property, plant and equipment as at 31 December 2011 and 30 June 2012, because a significant reorganization of energy industry took place in 2010 – 2011.

6. Trade and other amounts receivable

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2012</u>	<u>31 Dec 2011</u>	<u>30 Jun 2012</u>	<u>31 Dec 2011</u>
Trade receivables	175 155	193 369	173 636	192 828
Trade and other receivables from related parties (Note 11)	16 121	20 658	12 243	15 730
Current portion of mortgage loans	328	338	328	338
Other receivables	15 235	10 290	14 929	9 981
Less: impairment for doubtful receivables	(37 538)	(40 427)	(37 508)	(40 399)
Total	169 301	184 228	163 628	178 478

7. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2012</u>	<u>31 Dec 2011</u>	<u>30 Jun 2012</u>	<u>31 Dec 2011</u>
Time deposits with maturity term less than 3 months	-	1 500	-	-
Cash at bank	21 184	56 870	7 507	44 161
Cash in transit	-	338	-	-
	21 184	58 708	7 507	44 161

For the purpose of the statement of cash flows, cash and cash equivalents comprise as follows:

LESTO AB, company code 302577612, Žveju g. 14, Vilnius, Lithuania
CONSOLIDATED AND THE COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE FIRST HALF OF 2012

(Unaudited) (All amounts are presented in LTL thousands unless otherwise stated)

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Cash and cash equivalents	21 184	58 708	7 507	44 161
Banko overdraft (Note 10)	(20 061)	(862)	(20 061)	(862)
	1 123	57 846	(12 554)	43 299

8. Dividends

During the Ordinary General Meeting of Shareholders held on 27 April 2012, the decision was made in relation to the appropriation of the Company's profit (loss) and payment of dividends in amount of LTL 170 312 thousand. Dividends per share amounted to LTL 0.282.

9. Trade and other payables

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Trade payables	83 208	142 770	72 336	134 180
Payables to subsidiaries (Note 11)	-	-	14 674	10 357
Payables to related companies (Note 11)	145 775	135 357	145 419	134 535
Total trade payables	228 983	278 127	232 429	279 072
Taxes other than income tax	3 958	8 192	1 274	5 861
Employment-related liabilities	9 280	4 169	6 934	3 452
Other current liabilities	9 147	9 931	10 420	9 895
Total other payables	22 385	22 292	18 628	19 208
Total trade and other payables	251 368	300 419	251 057	298 280

The Group's and the Company's trade payables at 30 June 2012 decreased due to reduced amounts payable to electricity suppliers. As the customers choose independent electricity suppliers, the need for electricity purchases is declining.

10. Borrowings

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Non-current borrowings				
Borrowings from banks	386 704	325 362	386 704	325 362
Current borrowings				
Bank overdraft	20 061	862	20 061	862
Borrowings from banks	164 630	118 504	164 630	118 504
	184 691	119 366	184 691	119 366
Total borrowings	571 395	444 728	571 395	444 728

The maturity of non-current borrowings was follows:

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Within 1 to 2 years	195 202	119 619	195 202	119 619
Within 2 to 5 years	183 324	194 839	183 324	194 839
After 5 years	8 178	10 904	8 178	10 904
	386 704	325 362	386 704	325 362

11. Related-party transactions

There were no changes in respect of the Group's and the Company's related parties in 2012.

The following transactions were conducted with related parties:

Sales of goods and services

	Group		Company	
	From 1 January to 30 June		From 1 January to 30 June	
	2012	2011	2012	2011
Subsidiaries	-	-	6 570	1 328
Associates	5 266	1 027	89	117
Visagino Atominė Elektrinė UAB group companies	7 161	1 583	707	990
	12 427	2 610	7 366	2 435

Purchases of goods, services and property, plant and equipment

	Group		Company	
	From 1 January to 30 June		From 1 January to 30 June	
	2012	2011	2012	2011
Subsidiaries	-	-	36 495	30 954
Associates	32 547	25 223	31 660	25 079
Visagino Atominė Elektrinė UAB group companies	668 925	660 216	668 157	659 114
	701 472	685 439	736 312	715 147

Compensation of key management personnel

	Group		Company	
	From 1 January to 30 June		From 1 January to 30 June	
	2012	2011	2012	2011
Salaries and other current employee benefits	973	937	973	937

In 2012 and 2011, the Company's key management personnel comprised 9 persons.

Receivables from related parties (Note 6)

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Subsidiaries	-	-	171	834
Associates	2 023	1 933	6	14
Visagino Atominė Elektrinė UAB group companies	14 098	18 725	12 066	14 882
	16 121	20 658	12 243	15 730

Payables to related parties (Note 9)

	Group		Company	
	30 Jun 2012	31 Dec 2011	30 Jun 2012	31 Dec 2011
Subsidiaries	-	-	14 674	10 357
Associates	16 292	7 021	16 043	6 374
Visagino Atominė Elektrinė UAB group companies	129 483	128 336	129 376	128 161
	145 775	135 357	160 093	144 892

Guarantees issued

In 2011 and first half-year of 2012 the Company had a guarantee to the bank issued in favour of its subsidiary Elektros Tinklo Paslaugos UAB and associate Tetas UAB in relation to overdraft services: the guarantee amount for Elektros Tinklo Paslaugos UAB was LTL 4 000 thousand, and LTL 3 450 thousand for Tetas UAB. These agreements expire on 31 July 2012 and they are not planned to extend.

12. Fair value estimation

In 2012 there were no major changes in business or economic conditions that could have impact on the fair value of the Group's and the Company's financial assets and financial liabilities.

13. Off-balance sheet commitments

Buyout of electricity equipment

According to Order No 4-450 of 3 December 2003 of the Lithuanian Minister of Economy, as amended by Order No 4-72 of 15 February 2005, the Company conducted the buyout from individuals and companies electricity distribution equipment jointly used by them and the Company. The Company was able to buy out such equipment in one of the following ways: either by transferring its newly issued shares to the owners of the equipment, the issue price of which would be paid by in-kind contributions (i.e. electricity equipment under common use), or by signing agreements on sale-purchase of electricity equipment under common use (monetary contributions).

Under Order No.1-243 of 9 December 2009 of the Lithuanian Minister of Energy, a new version of the Procedure for the buyout and maintenance of electricity equipment for common use designated for the transmission and/or distribution of electricity that was installed using the funds of users (natural and legal persons) prior to the effective date of the Lithuanian Law on Energy, which became effective from 1 January 2010 (the Procedure).

According to Resolution No. 1281 of 5 December 2007 of the Government of the Republic of Lithuania, the following deadlines for the submission of documents by homestead cooperatives were established: applications to energy companies with the requests to buyout equipment had to be submitted by 1 July 2009. In 2011, LESTO AB, a company formed as a result of merger of RST and VST, continued the simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners in line with the deadlines stipulated in Resolution No. 1257 of 31 August 2010 of the Lithuanian Government *On the establishment of deadlines for the buyout from cooperatives the electricity transmission and distribution lines, transformer substations, electric facilities and other equipment designated for the transmission and distribution of electricity and installed in the territory of homestead owners using the funds of such homestead owners*, i.e. by 1 July 2011.

In 2012, LESTO AB continued the simplified procedure of buyout of electricity objects (electricity networks) installed for common use using the funds of homestead owners, if the requests for buyout were submitted before 1 July 2011. During the year 2012, 13 electricity networks of common use for the value of LTL 293 thousand were bought out. As at 30 June 2012 there were 46 buyout request received under simplifies procedures and not yet fulfilled.

Capital expenditure commitments

As at 30 June 2012, the Group's and the Company's contractual commitments for capital expenditures not reported in the condensed interim financial information amounted to LTL 52 738 thousand (31 December 2011: LTL 7 146 thousand).



AB LESTO group
Interim report
for the six months of 2012

31 August 2012

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GENERAL INFORMATION

Reporting period covered by the report

Report covers January to June of 2011.

Key data on issuer

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

Information availability

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

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

Persons responsible for the information provided in the report

Office	Name, surname	Telephone
Chief Executive Officer	Arvydas Tarasevičius	+370 5 277 7524
Director of Finance and Administration division	Ramutė Ribinskienė	+370 5 277 7524
Director of Finance department	Artūras Jočius	+370 5 277 7524
Director of Accounting department	Zina Chmieliauskienė	+370 5 277 7524

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

Report signature date

Report was prepared and signed on 31 August, 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.

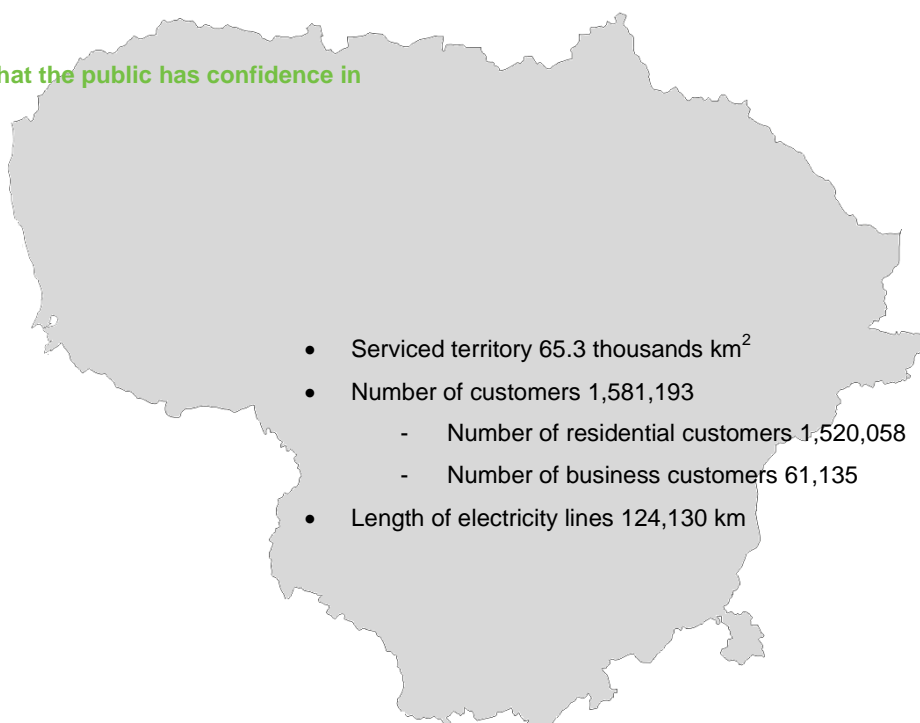
INNOVATIVENESS: We are seeking perfection and initiating changes.

LESTO mission

Reliable electricity for a meaningful life of everyone

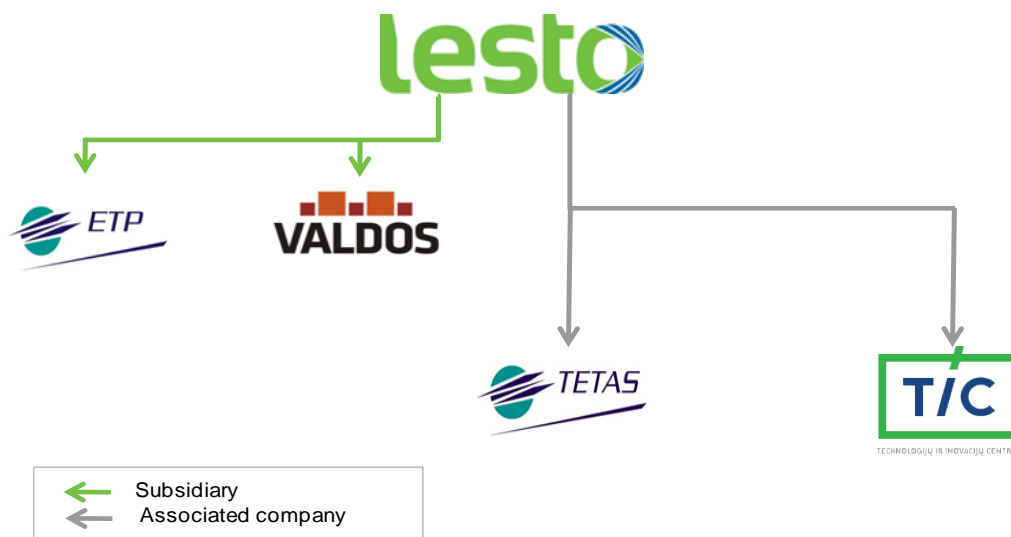
LESTO vision

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 (On report signature date Technologijų ir inovacijų centras UAB had 100% Respublikinio energetikų mokymo centras Vsl, 100% Data logistics centre UAB, 0,59% NT Valdოს, UAB capital), 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.elektrostinklopaslaugos.lt	www.valdos.eu	www.etic.lt	www.tetas.lt
LESTO ownership, %, on report signature date	74.97	57.30	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

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, 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 21 June, 2012 Rimantas Vaitkus, Aloyzas Vitkauskas and Kęstutis Žilėnas were recalled by the decision of the Extraordinary General Meeting of Shareholders. Edita Jonikienė, Paulius Martinkus and Žygimantas Vaičiūnas were elected as new members of the Board. On 21, June 2012 Darius Maikštėnas 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 Darius Maikštėnas and Board members: Arvydas Tarasevičius, Edita Jonikienė, Paulius Martinkus and Žygimantas Vaičiūnas. Ending of term of the Board is 13 December, 2014.

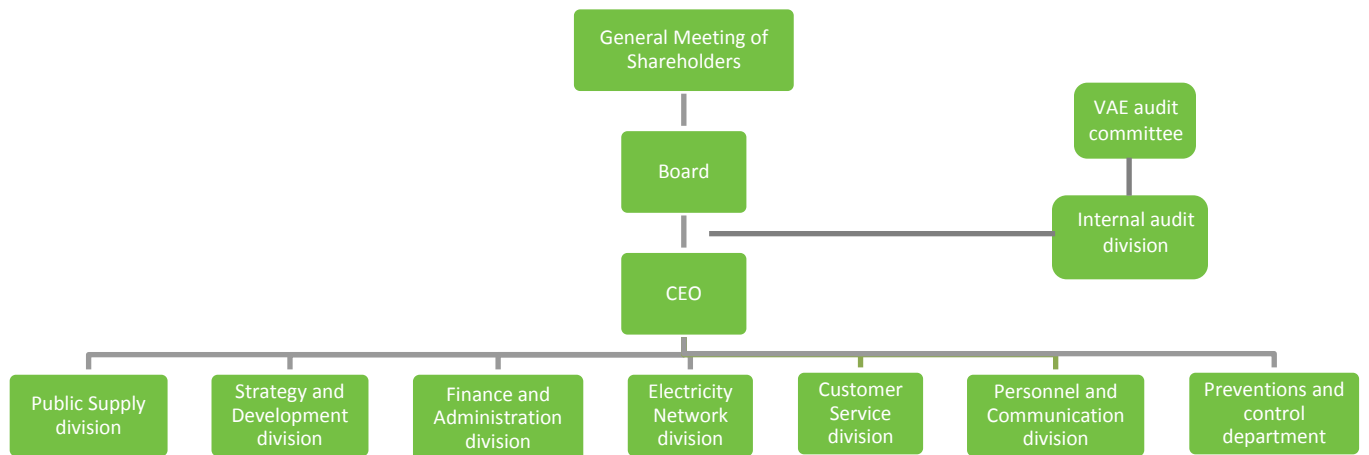
Chief Executive Officer

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



LESTO Board and CEO



Darius Maikštėnas
Member of the Board,
Chairman of the Board

In this position:
since 3 January, 2012

Ending of term:
13 December, 2014

Education:
Kaunas University of Technology,
Master in Business Management.
Baltic Management Institute,
Executive MBA.
Harvard Business School,
GMP graduate.

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



Arvydas Tarasevičius
Member of the Board

In this position:
since 29 April, 2011

Ending of term:
13 December, 2014

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

Main occupation: LESTO AB, CEO



Edita Jonikienė
Member of the Board

In this position:
since 21 June, 2012

Ending of term:
13 December, 2014

Education:
Vytautas Magnus university, Master in
Business Management
Government of France and three
French universities Institut d'études
politiques de Paris, École nationale des
ponts et chaussées and Mines
ParisTech management studies after
Master degree

Main occupation: UAB „Vilniaus
investicijos“, CEO



Paulius Martinkus
Member of the Board

In this position:
since 21 June, 2012

Ending of term:
13 December, 2014

Education:
The Stockholm School of Economics
in Riga, Bachelor in Economics
and Business Administration

Main occupation: VŠĮ „Investuok
Lietuvoje“, senior project manager



Žygimantas Vaičiūnas
Member of the Board

In this position:
since 21 June, 2012

Ending of term:
13 December, 2014

Education:
Vilnius University, Master in Politics.
Main occupation:
Ministry of Energy of the Republic of
Lithuania, Vice-minister.

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			
Darius Maikštėnas	LESTO AB, chairman 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 Valdys 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	-	-
Edita Jonikienė	LESTO AB, member of the Board	-	-
	UAB Vilniaus Investicijos, CEO	82	82
	Panevėžys region agriculture company „Atžalynas“, member of the Board	10	10
	Agriculture company „Gulbinas“	10	10
	UAB „Arbėja“	43	43
	UAB „Suvalkijos aidai“, member of the Board and chairman of the Board	-	-
	UAB „Minija agro“, member of the Board	-	-
Paulius Martinkus	LESTO AB, member of the Board	-	-
	VšĮ „Investuok Lietuvoje“, senior project manager	-	-
	The Ministry of Economy of the Republic of Lithuania, consultant	-	-
	UAB „Toksika“, chairman of the Board	-	-
	UAB „Litexpo“, member of the Board	-	-
Žygimantas Vaičiūnas	LESTO AB, member of the Board	-	-
	Ministry of Energy of the Republic of Lithuania, Vice-minister.	-	-
	UAB Technologijų ir inovacijų centras, chairman of the Board	-	-
	Academic youth organization „Geopolis“, chairman of the Board	-	-
CEO			
Arvydas Tarasevičius	Look for the information above	-	-
Chief Accountant, Director of Accounting department			
Zina Chmieliauskienė	-	-	-

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

	Salaries, LTL	Other payments, LTL
CEO	119,982 (av. 19,997 Lt per month)	-
Chairman of the Board	-	-
Director of Accounting department	83,548 (av. 13,925 Lt per month)	-
Members of the Administration total	203,530	-

* 27 April, 2012 by the decision of General Meeting of Shareholders, hourly wage of 150 Lt without VAT was set to independant member of the Board Darius Maikštėnas for factual work of independant member of the Board. Monthly wage is limited to 3500 Lt without VAT. The other members of the Board payoffs are not set.

**LESTO has not transferred any assets to members of management bodies.

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

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

Strategy and goals

LESTO's long-term strategy for the year 2012-2020 projects company's aspiration to be effective, to use resources optimally, to serve customer's needs, and act as company that shares society's trust. By its actions LESTO strives to contribute to the goals set in the National Energy Strategy, as well as to the initiatives of the European Union to save energy, protect environment and to integrate into energy market, supply safe, reliant and accessible energy, dynamically adapt to ever-changing internal and external environment.

The company shall strive to increase its value by working in these directions:

- Increase efficiency in customer services;
- Create a modern organizational culture, apply up to date management methods, and increase efficiency in business processes;
- Reduce loss in an electrical grid, ensure connection of new customers and reliability of grid functioning;

Efficiency of activities

Over the following three years, special attention shall be paid to the growth of efficiency of activities. Forecasts reveal that innovative means for optimisation of activities that are planned for 2012 – 2020, will allow reduction of costs in such a way that adequate investments into the renovation of the electrical grid and its modernization will be made. At the same time clients of the company shall be granted the quality of services that is not lower than the average of the European Union. Plans are made for increasing efficiency of activities: business excellence programme, implementation of dispatch control system, centralization and optimisation of activities, delegation of certain services while acquiring services in the market, optimisation of electricity distribution network, rating of investments and others.

In view of growing consumer consciousness and rising quality expectations, electronic client services and information channels shall be strongly developed, while more and more services shall be provided in a customer friendly way.

Highly competent people and change-oriented organisational culture is necessary during major changes. Therefore programs of employer competence, efficiency, motivation and teamwork strengthening are being developed.

Technologies

After intensive optimization of activities, further development of electrical grid is possible by investing into modern technologies that are designed to reduce the loss in electrical grids: solutions of automation of electrical grids, modern control systems of disconnection and administration of electrical grid, modern engineering and technical solutions for electrical grid development and others. At this stage LESTO attributes great value to the benefits of new technologies as well as aims and shall aim to apply them in its activities.

Development of new technologies in electric energy sector shall be influential in all spheres of activities of the company - integrating power plants that produce energy from renewable sources into the electrical grid, installing smart meters and other.

Development of activities

While changes in organisation are taking place and competence of workers is increasing, creation of new services is considered to be an important priority of LESTO. By directing available high and specific competences of employers to the right direction, the company is planning to create and provide additional services.

Electricity distribution network

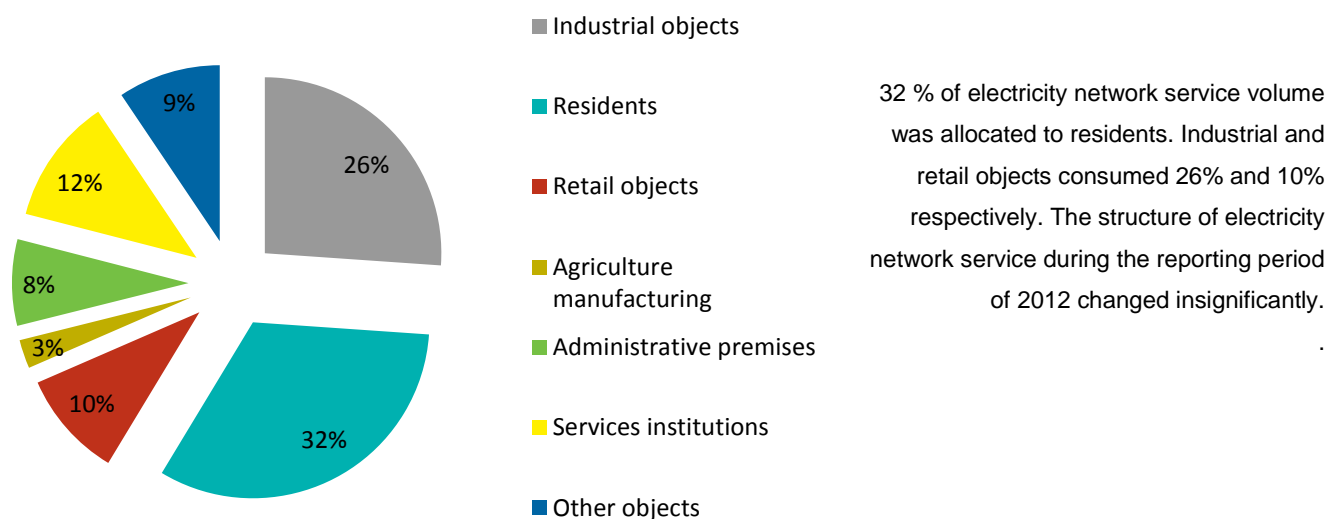
Development and expansion of the activities



Activity indicators	2012 January - June	2011 January - June
Amount of electricity received to the distribution network, million. kWh	4 401	4 297
Technological losses in the distribution network, million kWh	321	371
Volume of network service, million kWh	4 079	3 926
Amount of electricity sold, million. kWh	1 887	2 218
Electricity quality indicators:		
SAIDI, minutes (with "force majeure")	59.53	135.1
SAIFI, times (with "force majeure")	0.74	0.96

During the six months of 2012 the amount of LESTO network service reached 4,079 million kWh. Electricity sales made up 46.26% of this amount, to the rest customers LESTO granted only network service. Comparing to 2011 I half, amount of electricity received and volume of network service increased. It was caused by new customers and better economic situation in Lithuania. Technological losses experienced by the Company amounted to 321 million kWh and is 50 million kWh less than during the same period of last year. During the three months of 2012 technological losses totaled to 7.3 %. Amount of electricity sold is less due to the reason that more and more customers chose independent supplier.

Structure of network service volumes by objects



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 the first six month of 2012, LESTO investments in electricity network expansion and modernization reached 83.5 million LTL. This was 42.8 per cent more compared to the investment in six months of 2011 (58.5 million LTL).

LESTO investment, LTL thousand

	2012 January - June	2011 January - June	Change, %	Structure, %	
				2012 January - June	2011 January - June
Investments in expansion	83 471	58 475	42,8	63,8	54,1
Connection of new customers	83 075	56 853	46,1	99,5	97,2
Buyout of electricity objects	396	1 621	-75,6	0,5	2,8
Investments in maintenance	47 293	49 538	-4,5	36,2	45,9
Low voltage electricity grid	23 017	23 486	-2,0	48,7	47,4
Medium voltage electricity grid	21 607	22 067	-2,1	45,7	44,6
Other investments	2 670	3 985	-33,0	5,6	8,0
Total	130 764	108 013	21,6	100	100

During the first six months of 2012, LESTO has connected 7,997 objects of new customers, 25 per cent more than in the first six months of 2011 when it had 6,392 customers connected. The permissible power for new customers was equal to 110.701 kW, which is 25 per cent more than in the reporting period of 2011, when the permissible power was 92,500 kW.

In January - June of 2012 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.

During the reporting period LESTO redeemed 18 networks of the gardeners communities. From the beginning of the redemption process of the power networks (in 2003) to June 30 2012, LESTO redeemed 900 power networks or 93.3 per cent of the networks of the gardeners communities. For this purpose LESTO has invested a total of 10.45 million LTL.

While implementing a finance and administration contract of March 29, 2012 between the Ministry of Economy of the Republic of Lithuania, the public enterprise Lithuanian Business Support Agency and AB LESTO „AB LESTO Electricity Distribution Network Development - Electrification of Homesteads" (project code no. VP2-4.2-ŪM-01-K-03-001) for the electrification of 31 not electrified homesteads in the western part of Lithuania", four homesteads were connected to the company's power supply network. Technical works of the connection to the power network were finished in six more homesteads. The electrical equipment of the homesteads will be connected to the electricity network when the owners of the homesteads will present the acts (statements) issued by the State Energy Inspectorate under the Ministry of Energy of the Republic of Lithuania testifying that the technical state of the consumer-owned electric facilities had been inspected, and the contracts on property boundary act on power network and on energy purchase signed in accordance with set up procedures. Up to 933,211 LTL have been allocated from the EU Structural Funds for the project funding.

While implementing a finance and administration contract of March 29, 2012 between the Ministry of Economy of the Republic of Lithuania, the public enterprise Lithuanian Business Support Agency and AB LESTO "AB LESTO Electricity Distribution Network Modernization and Expansion in the Gardeners Communities" (project code no. VP2-4.2-ŪM-01-K-03-002) for the modernization of the electricity networks of 76 gardeners communities that are located on the AB LESTO serviced territory of Lithuania, there were fully implemented network modernization and expansion works in eight gardeners communities. At present, the power network modernization and development works are carried out in 23 gardeners communities, a public tender

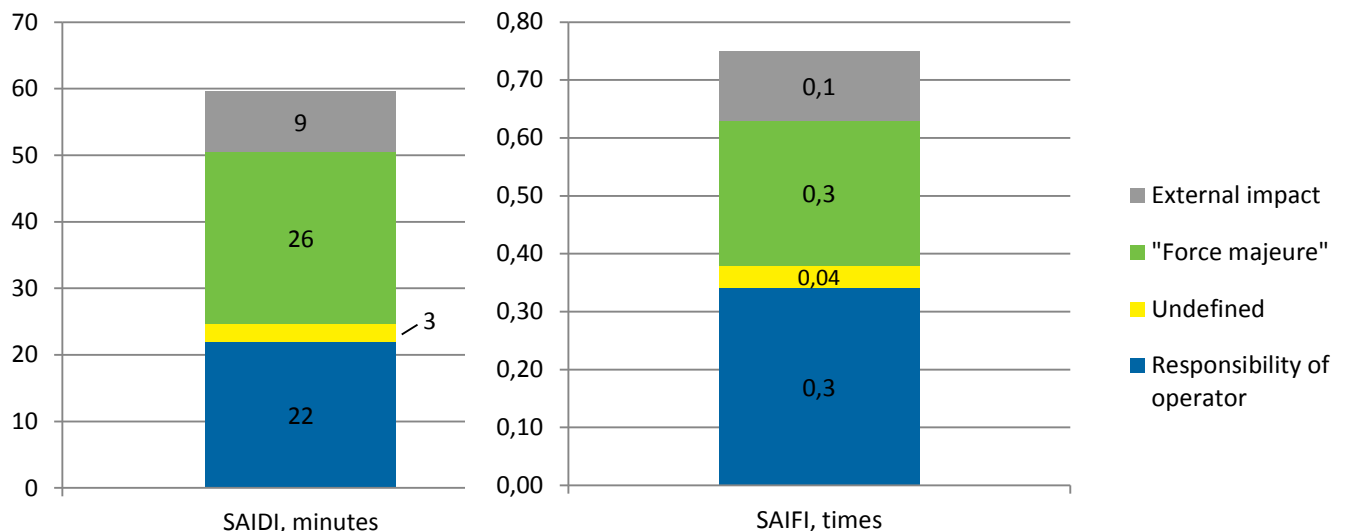
for works in another 25 gardeners communities is carried out. Up to 12,460,321 LTL have been allocated from the EU Structural Funds for the project funding.

Quality of electricity supply (SAIDI, SAIFI)

In the first half of 2012, regardless of the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer was equal to 33.71 minutes, the system average interruption frequency index (SAIFI) per customer reached 0.5 times. The quality of electricity supply increased during the reporting period. In the first half of 2011 power supply quality indicators, regardless of natural disasters, were: SAIDI – 40.9 min. and SAIFI – 0.54 times.

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 415 kilometers of underground (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 March 2012, the company was recognized as one of the most attractive employers in Lithuania, in the CV Market survey it took the fourth place.

From the second quarter of 2012, certain structural changes came into effect in LESTO. In order to improve customer service efficiency, Back Office functions were centralized: they were moved from the Company customer service centers to the Operations Department, debt management functions were automated and centralized as well. And from the second quarter the services of the maintenance groups of power network operation teams are purchased in the market in order to have network maintenance works being carried out with expedition and quality at the best prices. Due to these reasons the number of workers

in LESTO decreased, but some of them were moved to UAB “ELEKTROS TINKLO PASLAUGOS”. That is why the number of employees in this company increased.

The number of employees of the company group

Company	Number of employees		Change, %
	30 06 2012	31 12 2011	
AB LESTO	2585	2890	-10,6
NT Valdos, UAB	250	229	9,2
UAB „ELEKTROS TINKLO PASLAUGOS“	581	445	30,6

LESTO employees by categories

Category	Number of employees		Change, %
	30 06 2012	31 12 2011	
Top-level managers	9	9	0
Middle-level managers and specialists	2096	2243	-6,5
Workers	480	638	-24,8
Total	2585	2890	-10,6

The structure of employees according to education was following: 51.7% employees had higher education, 27.2% had postsecondary education, 21.1% - secondary or specialised-secondary education.

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 the first half of 2012, the compulsory trainings involved 579 employees (first half of 2011 – 294 LESTO 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 2012, one of the principal policies of personnel management was the development of the leadership skills. Based on the model generated for leadership competencies in 2011, on the carried out management “360 valuation”, employee opinion survey, and the results of annual interviews there were identified two main directions of manager education for 2012: from the second half of the year there will be developed the competences of transformational leadership and long-term goal formulation. In the first half of 2012, open trainings in Lithuania (external conferences, seminars) were attended by 124 employees (in the first half of 2011 – 62 employees).

The third type of LESTO trainings was internal training in the Company that were carried out by the employees themselves. Internal trainers taught the employees the particularities of a project management, effective leadership, successful recruitment and administration, effective time management and other. There are 21 internal trainers and courses on 20 subjects. As in 2011, LESTO focuses on the efficient and high-quality customer service. The courses on these subjects were carried out for

dispatchers and electricians of the operational teams of the Company. In the first half of 2012 the internal training involved 1449 participants (in the first half of 2011 – 542 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
	January - June of 2012
Top-level managers	18 019
Middle-level managers and specialists	3 138
Workers	2 843
Total	3 135

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)

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 the first half of 2012, LESTO received 99 students for their internship. 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

Customer satisfaction is measured through customer satisfaction survey once a year. The annual action plan is drawn up on basis of the study results. During the first half, there have been implemented 25 measures in order to increase the customer satisfaction. LESTO regularly carries out a survey "The Customers' Voice". The survey displays the customer opinion about service quality and the company, on the basis of the results, plans and implements activities on service quality improvement. The results of the second quarter of 2012 showed that the quality of LESTO customer service is high. Customers point out the problem solving and attentive and kind servicing as a strong sides of the service.

The Number of the Customers Serviced

At the end of the first half of 2012, LESTO had entered into more than 1.52 million contracts with private customers and more than 61 thousand contracts with commercial customers (in the second quarter the number of contracts increased by 4,986 units and 349 units, respectively).

Service Channel Development

In recent years, there increased the number of customers using remote service channels (users of the self-service web site "My Electricity" and the customer service hotline 1802). The flow of electricity consumers in LESTO customer service centers in smaller towns is decreasing. As the customer needs are changing, the company consistently invests and expands the services which are supplied via telecommunication and Internet channels. LESTO decided from April 2, 2012 to move customer service centers from Kuršėnai, Širvintos, Palanga, Gargždai, Pagėgiai and Vilnius region to larger cities. From April 2, 2012, LESTO have 41 customer service centers operating in Lithuania.

LESTO ensures that the transfer of the customer service centers will not adversely affect the reliability of electricity supply. The Company network maintenance groups and operational teams which are responsible for the elimination of electricity supply disruptions in Kuršėnai, Širvintos, Palanga, Gargždai, Pagėgiai and Vilnius districts will function as before. LESTO provides training for Lithuanian librarians how to consult local population about the use of LESTO online services: all usual services which available in AB LESTO self-service website "My Electricity" (www.manoelektra.lt) or customer service number 1802.

In the first half of 2012, the Company customers were actively using the Company services and information supplied. In the first half of 2012, the number of visitors of LESTO self-service site "My Electricity" (compared to the first half of 2011) has grown from 635 thousand up to 832 thousand, the number of unique visitors of the system from 318 to 474 thousand. Information by the short customer service number 1802 was provided to more than 430 thousand customers (in the first half of 2011 information was provided to more than 299 thousand customers). More than 197 thousand customer referrals on various issues were received and solved. During the first half of 2012, about 173 thousand customers were serviced in customer service centers of seven largest cities of Lithuania.

The growth was mostly conditioned by the tariffs which had been changed at the beginning of 2012, also by the consulting of business clients on individual issues by the customer service number 1802, and by the increase of the number of the private customers using online self-service (payers of the VAT invoices).

Maintenance and Development of Accounting for Electricity

During the first half of 2012, the Company to new customers installed 11 753 electricity meters, of which 32 per cent were for a single-phase electricity metering in alternating current networks, and 68 per cent in three-phase networks, and 82,821 energy metering devices were replaced at the end of metrological verification period. In order to have a high - level metrological protection by means of electric energy metering devices, that all interested parties could rely on the measurement results, the Company purchase new electronic electricity meters which are twice more accurate than the induction metering apparatus and

are considerably more sensitive, also it purchases multi-meters which store detailed data and allow the customers to control consumption of electricity daily and monthly.

Further developing the electricity metering equipment automation, the Company has added 958 electrical metering devices during the first half of 2012 of electricity consumption of the business customers to an automated reading system, and currently by means of remote data scanning it receives the information from 16,293 energy metering devices which record the electric energy consumption of the customers.

Customer Settlement Management

The customers now more often use electronic payment methods: during the first half of 2012, the number of private customers paying by means of Internet banking or direct debit, compared to the first half of 2011, got increased by 4 per cent. 35 per cent of LESTO private clients make their payments online.

During the first half of 2012, LESTO encouraged the customers to choose modern methods of payment for electricity. The number of customers using the direct debit method got increased by 29,788 during the reporting period. And the customers increasingly prefer payment plans "Home" and "Home Plus": during the first half of 2012, the new payment plans were chosen by 6,343 customers.

Direct debit is getting one of the most popular means in Lithuania for the payment of the consumed electric energy when each month a regular amount is paid and it automatically is read from the customer's bank account. Already almost 85,000 customers of LESTO are paying by direct debit. Each customer paying for electricity by direct debit is personally informed about the size of the individual payment. The LESTO customers who choose direct debit payment methods, at their request, have their payments recalculated after the periodic reading of their meters, and in the cases when the price of electricity is changed. Besides, the customers are free to determine themselves the most convenient payment date when the bill for the electricity consumed can be paid automatically.

Since May, the customers can declare the readings of electricity consumed at any time. Having declared the readings before the 20th day of a month, the payment is calculated according to the declared readings of the customer plus the average consumption of the rest days of the month. When the readings are declared from the 20th day to the end of the month, the payment is calculated according to the readings declared by the customer. The customers are free to determine the most convenient payment date when the bill for the electricity consumed can be paid automatically.

At the end of June of 2012, the delayed debt of the LESTO customers amounted to 62.02 million LTL; compared to the same period of 2011, the debt got decreased by 4.3 per cent.

Market liberalisation

On June 30, 2012, the independent supplier was chosen by 6,103 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 June 30, 2012 an independent electricity supplier has been chosen by the following objects:

- With permissible power of 400 kW and more – about 86 per cent;
- With permissible power 100 kW and more – about 70 per cent;
- With permissible power 30 kW and more – about 51 per cent;
- With permissible power of less than 30 kW – about 16 per cent.

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

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.

In May, AB LESTO published the (Progress) Report on socially responsible activities carried out in 2011.

Environmental Projects

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.

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.

More than 400 workers of the electricity distribution network operator AB LESTO across Lithuania joined the initiative "Let's Do It 2012" and collected more than 35,000 kilograms of various wastes, which pollute the environment by irresponsible people. AB LESTO invited people to behave responsibly throughout the year: to protect the environment, bring waste for recycling, rationally use the resources and electric power.

The Company has signed a contract with the Electrical and Electronic Equipment Manufacturers and Importers Association EEPA on the collection of energy saving bulbs, batteries and small electronics waste; for this purpose there were special boxes placed in 46 customer service centers of the Company.

In order to promote the use of environmentally friendly means of transport, AB LESTO invited a group of interested companies, public institutions and other organizations to develop the infrastructure for electric vehicles in Lithuania, to promote and support the development of environmentally friendly and energy-efficient technologies; there is no consensus on the subject in the country yet. It is expected that a group of companies will design and test the first pilot project of electric vehicles in Vilnius. Hitachi business mission to Lithuania organized by the Company gave the results: the representatives of the Company and Neringa municipality discussed the possibility of signing a letter of intent to invest in the electric vehicle infrastructure project in Neringa. Neringa municipality, the residents of the city and Curonian Spit, tourists, the business will benefit from the project.

LESTO envisions great potential for future development of electric vehicles; energy - efficient new technologies and their installation in the automotive industry becomes more competitive on the market, especially in comparison with the old cars using traditional fossil-fuel. It costs only about 4 to 8 LTL to go 100 km by an electric vehicle, so electricity is relatively cheaper and more efficiently used as compared to fossil fuels.

Together with the relevant authorities the negotiations have been carried out for the use of Pollution Permits and the funding of other areas of electric vehicles that are important to the public.

More than a half (53 per cent) of electricity distributed for the LESTO customers (they make up more than 1.5 million) is read remotely. Among the corporate clients it makes up to 90 per cent.

In 2012, while implementing a Development Program project of the United Nations "Gateway: social and environmental business innovation", the Company decided to review its socially responsible activities through the prism of sustainable development and to involve the employees in this process. The project is carried out through the experts, i.e., a public institution "Environmental Innovation and Technology Center", where the lectures and debate have been attended by over 140 employees. The expected outcome of the project is the directions of sustainable development of AB LESTO which were identified by the employees themselves.

To the public

This year was commemorated the 120-year anniversary when the first electric light bulb was lightened in Lithuania, and on April 17, a professional holiday of workers in the energy sector was celebrated. As every year, AB LESTO invited the public to the educational events of the holiday. The anniversary has received particular public attention: the events, workshops, tours, which were organized in the Energy Museum, have been visited by more than 2,000 people.

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 2012, LESTO continues 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. During the first half, there were active meetings of the LESTO employees with local self-government (administration, heads of local municipalities, police) 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

During the project, an anonymous trust line +370 5 255 2555 of the electronic form "I want to declare" (www.lesto.lt) was made public in order to help clarify the power evaders or to inform about impaired network devices.

During the first half of 2012, there were received 52 calls of the population by the confidence line of LESTO, and 64 reports were received on the Internet. Eight calls and 9 Internet messages have proved out.

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

The promotion of rational use of energy is one of the priority directions of the social responsibility of the company, thus contributing to environmental sustainability and conservation of energy resources and to the obligations of the country pursuing the goals of the European Union climate change program.

The project 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.

The company organized the second conference on rational use of energy for companies and organizations "Energy Efficiency Solutions - More Competitive Business." The conference where practical experience in implementation of sustainable solutions has been shared was visited by over 200 participants. 92 per cent of the participants that filled in the evaluation questionnaire of the event stated that their expectations were justified, and even 98 per cent indicated that they would participate in such an event again.

During the event, the companies were invited to join the "The Green Protocol". This is the company initiated agreement and the only of its kind; the companies confirm that they are familiar with sustainable ideas that promote rational use of electricity; they second the ideas and promise to apply them in practice. At the conference there was also notified and awarded one of the "The Green Protocol" companies that was a most rational user of electricity in 2011. A regularly updated list of the companies is published in the project site www.tiekkiekreikia.lt. The "Green Protocol" company which in 2011 was the most rational electricity power user was awarded by a special prize. The companies are invited to participate in the contest in 2012 too. At the end of the first half of 2012, the "Green Protocol" has been signed by 106 companies.

While promoting a sustainable behavior in the environment, the Company has actively commemorated the "Earth Day". There was made an educational video about the sustainable use at home; together with the environmentally friendly program "Top 10" of the National Consumer Federation there was carried out a population survey on the rational use of electricity which showed that people are aware of sustainability opportunities but they are little concerned about.

AB LESTO also participated in the European Sustainable Energy Week 2012 in Lithuania. The Company expert on rational use of electricity participated in the popular web site video - conference and answered the questions of the visitors, and presented the options on rational use of energy. The web conference was organized together with the Lithuanian National Consumer Federation.

The visitors of the project site www.tiekkiekreikia.lt can find tips for sustainable consumption, ask questions and get advice from competent experts.

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.

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.

The company actively helped Nordic Council of Ministers Office (NORDEN) in Lithuania in creation of an interactive game “Battle for the Earth” (www.musisdelzemes.lt), the purpose which was to develop the habits of sustainable use of energy resources. LESTO AB prepared all informational content required for this game.

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.

From the beginning of the project in 2009 till the end of the I half of 2012, LESTO mounted 2,896 artificial stalk nests on the overhead line poles, of which 1,156 were mounted this year.

Estimation

In Responsible Business Awards, AB LESTO was recognized as “The Best Socially Oriented Company of the Year” in the category of large Lithuanian companies; it received The National Responsible Business Award. The prize was presented for the progress in development of community-based projects closely linked to the aspirations of the Company, and a systematic approach to the partnership.

UNDP office in Lithuania recommended to present LESTO socially responsible activity campaigns as the samples of good practice. The Project presentation is given in a world journal which was distributed at the largest conference on sustainable development Rio +20 (Rio de Janeiro, Brazil) of this year. The Conference, held on June 20-22, was already the fourth world summit where the issues on the world development and environment were addressed.



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

There have been no changes in the Company's share capital in the accounting period and the share capital amounted to LTL 603,944,593.

All shares of the Company are fully paid.

Rights and obligations granted by shares

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

Information on major transactions of associated parties – indicate the value of transactions, the nature of relations among associated parties, and other information on transactions necessary to understand the Company's financial situation, if such transactions are significant or have been concluded in unusual market Conditions

Information on transactions of associated parties is provided in clause 11 of the notes to the consolidated and the company's condensed interim financial information for the first half of 2012.

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

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

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

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

Procedure for amending the Articles of Association

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

Restrictions on the transfer of securities

No restrictions are imposed on the transfer of LESTO securities.

Subsidiaries

On June 30, 2012, subsidiaries of AB LESTO (NT Valdos, UAB and UAB "Elektros tinklo paslaugos") had no directly or indirectly controlled share stakes in other companies.

Information about branches and representations

There are no branches and representations of the Company

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

LESTO had no own shares prior to the accounting period and did not acquire any own shares in the first half of 2012.

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

The Company did not acquire or transfer its own shares in the first half of 2012.

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

The Company did not acquire or transfer its own shares in the first half of 2012.

Shareholders

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

On June 30, 2012 number of LESTO shareholders amounted to 7,473.

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

LESTO number of shareholders according to countries, 2012-06-30

Country	Number of shareholders
Lithuania	7 284
Russia	47
Belarus	38
Estonia	33
United States	19
Latvia	14
Other	38
Total	7 473

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

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

Restrictions on voting rights

No restrictions on voting rights are known to the Company.

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

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

Shareholders who owned more than 5 % of the issuer's authorized capital on 30 June, 2012.

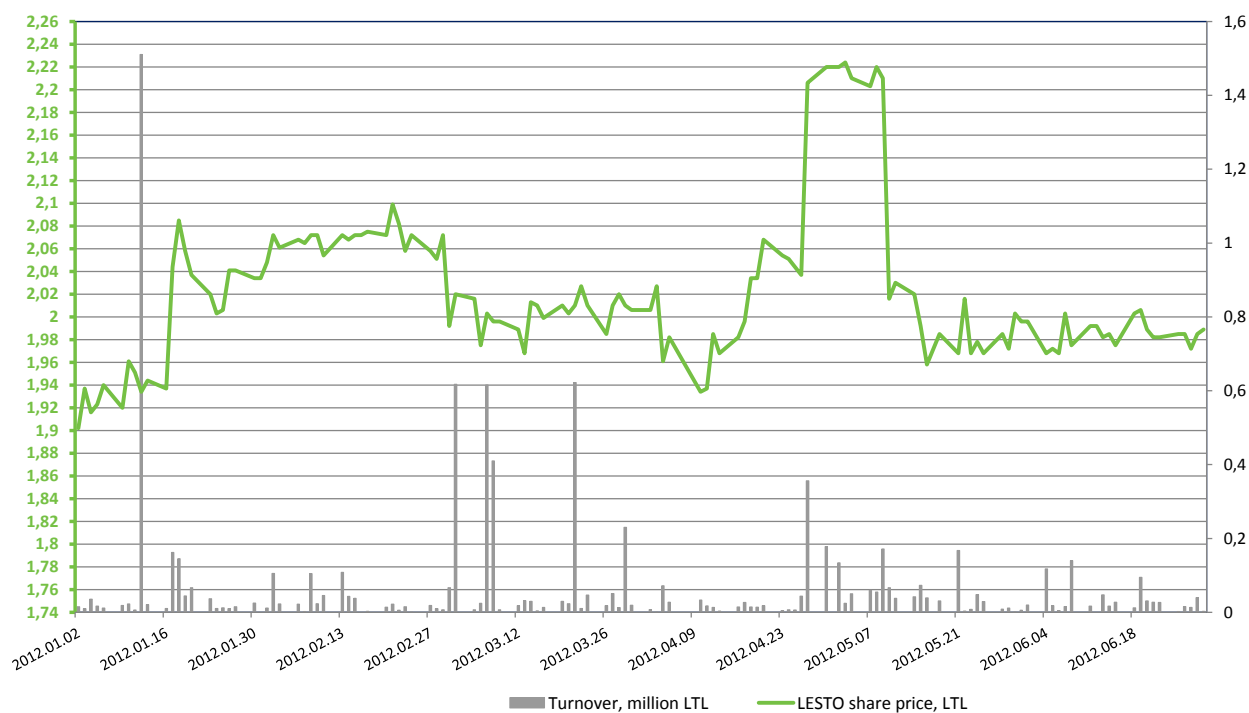
Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Visagino atominė elektrinė, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	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.

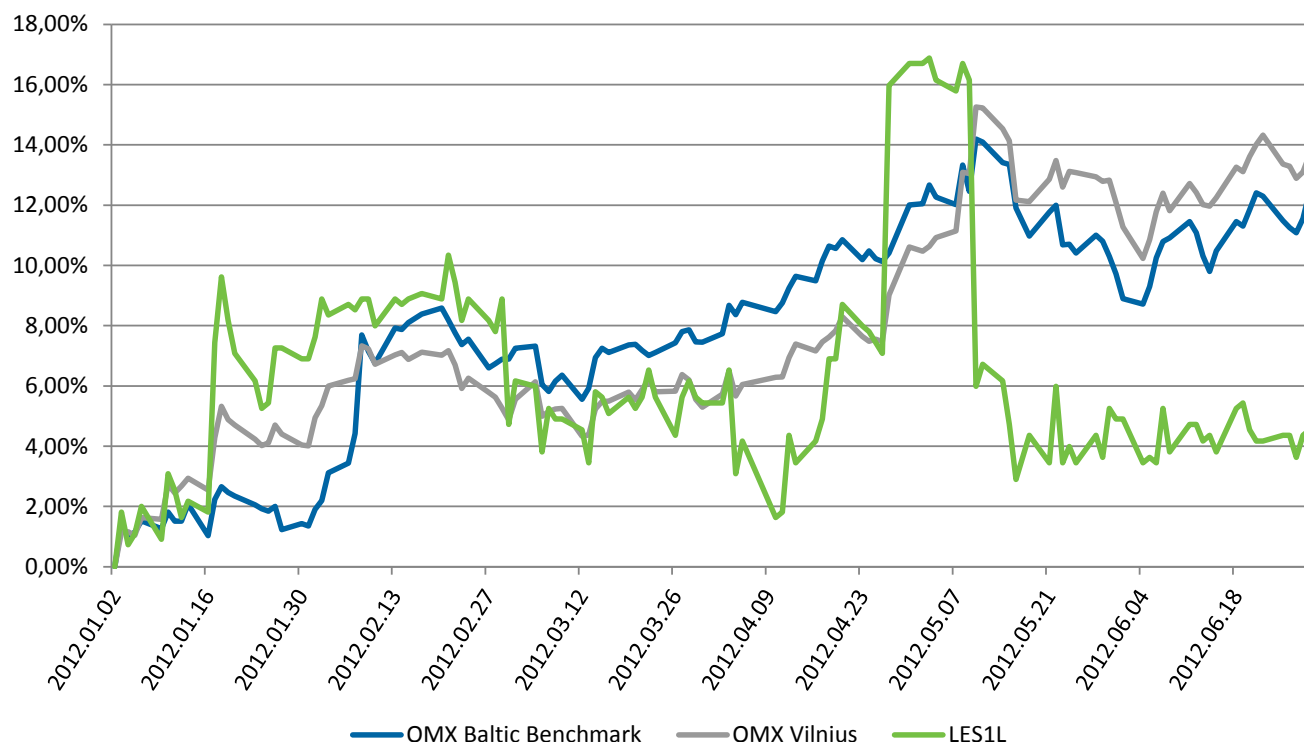
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

LESTO share price dynamics and turnover, 30-06-2011



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. On 3 May, 2012 LESTO share price reached the highest point during the reporting period – LTL 2.22. LESTO share price reached the lowest point (LTL 1.90) on 2 January, 2012. During the reporting period LESTO share price increased by 4.54 %. On 29 June, 2012, the last trading day in the first half of 2012, the price of LESTO share was LTL 1.99. The average price of LESTO share during the reporting period – LTL 2.02.

Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 30-06-2012



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 29 June, 2012, the last trading day in the first half of 2012, index OMX Vilnius increased by 13.86%, OMX Baltic Benchmark increased by 12.58%, while price of LESTO share increased by 4.54 %.

Dividends

On 27 April, 2012 the decision to pay dividends for shareholders was adopted in Ordinary General Meeting of Shareholders. Profit allocation to pay out dividends was 170,312 thousand LTL. Profit allocation to pay out dividends per share was 0.282 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.

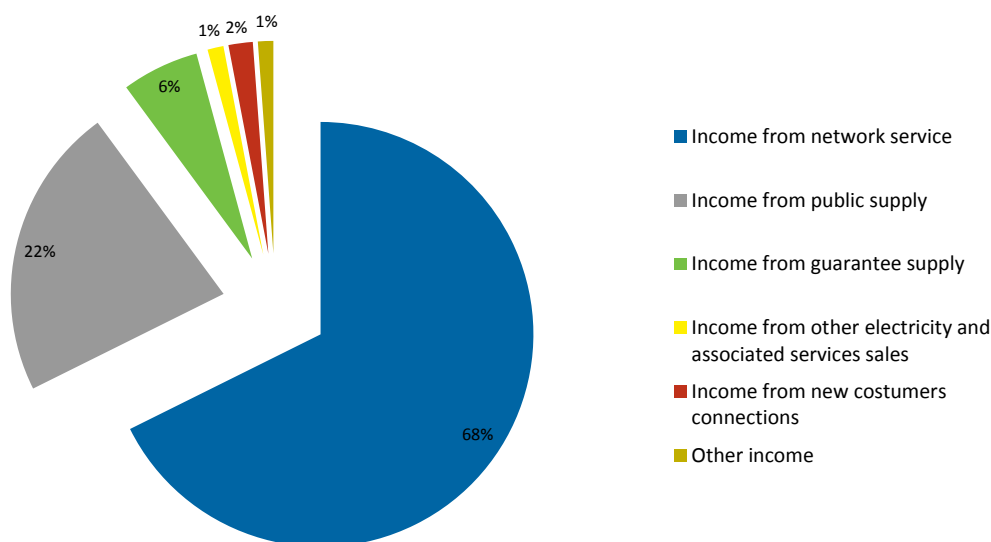
ANALYSIS OF PERFORMANCE RESULTS

Income, costs and profitability

LESTO group profitability ratios	2012 January - June	2012 January - March	2011 January - June
Net profit margin, %	-1.24	-1.03	-2.29
Operating profit margin, %	-1.25	-1.15	-2.71
EBITDA, LTL thousand	201 064	99 853	187 053
EBITDA margin, %	17.39	15.96	16.44
ROA, %	-0.28	-0.12	-0.49
ROE, %	-0.41	-0.18	-0.71

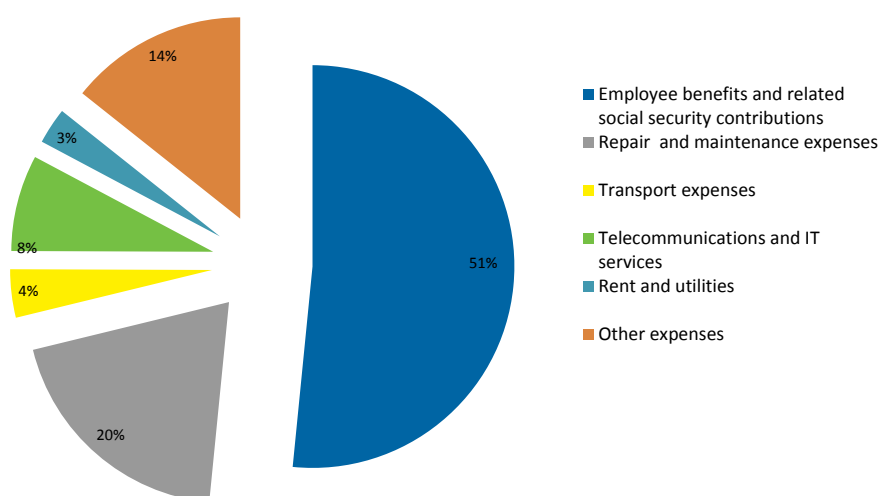
During the six months of 2012 LESTO group earned LTL 1 156.4 million, Company's income share made up 99.1% of group income i.e. LTL 1 146.4 million. Comparing with the first half of 2011 LESTO group income increased by 1.6 %.

LESTO income structure



The main source of Company's income is income from network service that made up 68% of total income, income from public supply service consisted 22%, 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 %.

LESTO operating costs structure



During the reporting period, electricity purchase costs made up LTL 810.6 million i.e. 69.2% of total costs. Depreciation and amortization accounted to 17.3 % of total costs and the rest costs of the group that made up 13.5 % are classified as operating costs.

Other financial ratios and investments

LESTO group liquidity ratios	30-06-2012	31-03-2012	31-12-2011
Current liquidity ratio	0.42	0.55	0.53
Acid test ratio	0.40	0.53	0.51
Cash liquidity ratio	0.04	0.09	0.12
Working capital, LTL thousand	-324 748	-237 027	-251 258
Working capital to total assets ratio	-0.06	-0.05	-0.05

LESTO group financial leverage ratios	30-06-2012	31-03-2012	31-12-2011
Total liabilities to total assets ratio	0.33	0.31	0.31
Debt to assets ratio	0.11	0.08	0.08
Total liabilities to equity ratio	0.49	0.44	0.45
Debt to equity ratio	0.17	0.12	0.12
Net financial debt, LTL thousand	550 211	391 743	381 020
Net financial debt to equity ratio	0.16	0.11	0.10
Long-term debt to equity ratio	0.11	0.08	0.09
Equity to total liabilities ratio	2.04	2.27	2.22
Equity to total assets ratio	0.67	0.69	0.69

The value of LESTO group assets at the end of reporting period made up LTL 5,162.9 million. Non-current assets share in total assets was equal to 95.44%. From the beginning of the year value of LESTO group assets shrank by 2.3 %. Short-term deposits and cash with cash equivalents accounted to LTL 21.2 million i.e. 9.0% of total current assets.

Equity of LESTO group exceeded liabilities 2.04 fold. At the end of reporting period, financial debts made up LTL 571.4 million or 33.6% of total liabilities. Non-current borrowings were 386.7 million LTL and made up 68% of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 559.97 million.

Current liabilities exceeded current assets by LTL 326 million. Current liquidity ratio stood at 0.42. Inventories made up only 6.0 % 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 550.2 million and consisted only 15.9% of equity.

EBITDA of LESTO AB Group during the first half of 2012 was 201,1 mln. Lt - 7,5 % more than last year during the same period. LESTO group results for the six months of 2012 is a net loss of 14.3 million LTL, it is 45.04 % less than 2011 six months net loss. LESTO activity is regulated, therefore the main loss reason is that depreciation and amortization costs in financial statements are higher than those which are set by regulator.

References and additional explanations of disclosures in the semi-annual financial statements

Other information is presented in the notes of the consolidated and the company's condensed interim financial information for the first half of 2012.

RISKS AND UNCERTAINTIES AND THEIR MANAGEMENT

Risk Concept

The objectives of the company's activity shall be understood in an extensive manner and shall cover the objectives of a general nature related to the vision, mission, values, and strategy of the Company as well as specific objectives related to implementation of the functions of individual structural divisions of the Company. In a wide sense the risk shall be perceived as a potential negative impact on implementation of the objectives of the Company and/or planned activity results.

Risks in the Company's Activity during the six forthcoming months and Management Thereof

- financial risk.

The main types of a non-financial risk which the Company encounters while carrying out its activity are as follows:

- strategic risk;
- technical and technological risk factors;
- operational risk;
- legal compliance risk;
- reputational risk.

Financial risk

Credit risk

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

There is no significant credit risk concentration in the Group and the Company. Credit risk or the risk of counterparties defaulting, is controlled by the application of credit terms and monitoring procedures. The Group does not issue guarantees to secure the fulfilment of obligations of third parties. The maximum exposure to credit risk is represented by the carrying amount of each item of financial asset, including derivative financial instruments in the statement of financial position, if any. Therefore, the management believes that the maximum exposure to credit risk is equal to the amount of mortgage loans, loans, trade and other receivables and derivative financial instruments less recognized impairment loss at date of the statement of financial position.

Because of the specific nature of the Group's and the Company's operations no collateral is required from customers.

Pursuant to the Articles of Association free liquid funds can be invested only in low-risk money market instruments and debts securities, i.e. term deposits, bonds of reliable financial institutions, securities of Governments. The priority objective of investing activities is to ensure the security of funds and maximise return on investments in pursuance of this objective. Funds can be invested only in debt financial instruments of financial institutions and states assigned with a long-term borrowing rating not lower than "A-" according to the rating agency Fitch Ratings (or a corresponding rating of other rating agencies).

Market risk

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

Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. All the Group's and the Company's borrowings bear variable interest rate linked to EURIBOR, EUR LIBOR and VILIBOR and expose the Group and the Company to the interest rate risk.

The Group and the Company manage the interest rate risk by entering into interest swap agreements by changing a variable interest rate into a fixed interest rate. The Company takes long-term borrowings from banks with the variable interest rate and

concludes respective interest rate swap agreements for changing the variable interest rate to fixed interest rate thus ensuring lower fixed interest rates as compared to those which would have been applicable if the loan agreements with the fixed rate were directly concluded with the banks.

An interest rate swap agreement is a bilateral agreement according to which the parties undertake to swap the cash flows of interest calculated for the period agreed when entering into transaction on the agreed amount. Usually, according to this agreement the cash flows of one financial instrument (either with fixed or variable interest rate) are exchanged with the cash flows from other financial instrument (either with fixed or variable interest rate). In such transaction both parties can pay the calculated amount of interest or one of the parties can pay the difference between the interest amounts. Interest rate swap agreements are concluded when the increase in the interest base-rate is projected in the future and hence the interest payable by the Group and the Company at the variable interest rate could increase respectively, or when the decrease in interest base-rate is projected in the future and hence the interest payable by the Group and the Company at the fixed interest rate could increase respectively.

Foreign exchange risk

All monetary assets and liabilities of the Group and the Company are denominated in the litas or the euro, and the exchange rate of the latter is fixed against the litas; therefore, the Group and the Company practically are not exposed to the foreign exchange rate risk.

Strategic Risk Management

Strategic risk occurs due to unfavourable or improper business decisions, improper implementation of said decisions or due to insufficient response to political changes or changes of the legal acts or energy sector. Occurrence of this risk is influenced by macroeconomic and political risk factors.

An important macroeconomic risk factor is the price of electricity production (or import) developing on the market. The price has a direct impact on the cost of electricity. The cost of public supply is controlled and fixed irrespective of the cost of electricity existing on the market at the time.

Since 2010 the process of liberalization of the electricity market has been well under way when consumers started to benefit from an opportunity to freely choose an independent electricity supplier. For this reason LESTO loses a part of its income from the supply. The Company is planning to mitigate this risk by seeking to compensate the income decrease by consistent increase of income from the non-controlled business activity. In Strategy Plan 2012-2020 the Company intends to achieve the result of not less than 10 percent of net income from non-controlled activity by the year 2020. The Company's income and profit from transmission and supply are directly dependent on the electricity transmission/consumption scopes. The macroeconomic situation of the country has a direct impact on the electricity sales trends, trends of connection of new consumers' electrical equipment and clients' solvency. This risk is managed in a conservative manner by means of planning electricity consumption and sales income.

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

Political risk factors are also taken into account. Electricity distribution and supply procedure is regulated by the Law on Electricity of the Republic of Lithuania. Amendments of said law and other related legal acts may affect the LESTO activity and results. The governmental policy regarding electricity prices is also significant. Service prices are controlled, price caps are set and controlled by the National Control Commission For Prices and Energy. Results of the LESTO activity depend on said

decisions. In order to mitigate the effect of said risk on business results the Company analyses international practice of energy company control and, if necessary, presents proposals to national legislative drafting bodies.

Management of Technical and Technological Risk Factors

When distributing electricity, the grid is subjected to electricity losses. These losses depend on technical characteristics of the distribution network, its optimal use and management of risks related to other electricity losses in the network. The Company's management focuses on the management of electricity losses in the network; it has established the standing commission for managing electricity losses in the network which discusses the loss reduction measures and drafts short-term and long-term plans of electricity loss reduction.

One of the main factors describing the activity of the distribution network operator is reliability of electricity distribution assessed on the basis of the duration and frequency of disconnections per consumer. Due to unpredictable external factors such as natural disasters the following risks exist: reliable electricity supply may not be secured, LESTO will not receive planned income and elimination of relevant failures will result in additional operational costs. The Company has developed comprehensive emergency response procedures with respect to the management of said risk.

In order to increase the quality and reliability of supplied electricity LESTO intends to allocate a major part of its investments to renovation of distribution networks, reconstruction of electrical transformer substations and installation of new, long-term, modern electrical equipment compliant with the quality standards; LESTO looks for technological solutions which would help ensure continuous control of operating distribution network condition, prompt failure elimination and prevent electricity supply malfunctions.

Operational Risk Management

The business/operational risk is the risk subject to the increase of losses and/or prestige loss, and(or) trust decrease which may be affected by external factors (e.g. natural disasters, main suppliers' operational occurrences, external criminal factors etc.) or internal factors (e.g. ineffective activities and management, inappropriate and ineffective fund allocation including procurement, ineffective and inappropriate executives informing, internal audit deficiency, ineffective procedures, IT system malfunctions, lack of internal control, improper assignment of functions or responsibilities, improper staff selection and motivation etc.).

The business/operational risk management is based on determination and assessment of a potential negative effect on the Company's structural divisions and/or results of business processes, installation of risk management means and regular risk control. Identification and assessment of the Company's business risks are carried out on a regular basis as established by the Company's management. Risks determined and assessed during this cycle the complex probability and effect assessment whereof exceeds the tolerance limit are subject to the risk management measures designed to mitigate residual risk to the tolerable limits. When managing the risk the Company's managers aim at implementing proper organizational measures, installing information systems which support procedural and business processes the integrity whereof must secure installation of an appropriate internal control system. The following main internal control elements are applied in the Company: comparing data on performed operations in the primary systems with operation data in the accounting system, separation of business decision making and controlling functions, operation performance and accounting control procedures, limits of authorizations to make decisions and control thereof, "four-eye" principles, adoption of collegial decisions subject to fundamental business processes, etc.

Legal Compliance Risk Management

The legal compliance risk is the risk subject to the increase of losses and/or prestige loss, and (or) trust loss which may be affected by external factors (the Company's non-compliance with the requirements of legal acts of the Republic of Lithuania, noncompliance of requests of supervisory institutions, the suppliers' failure to fulfill the contractual obligations, etc.) or internal factors (e.g. actions of the Company's employees which are not compliant with the requirements of the Company's internal regulations, actions of abuse or other illicit actions of the employees, etc.).

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

Reputational Risk Management

The Company seeks the highest reputational standards by carrying out the function of the electricity distributor, public and guarantee electricity supplier. This objective is reflected in the Company's mission, vision, strategic objectives and values. The managers of the Company focus on communicating the Company's mission, vision, values and strategic objectives to their employees. In addition, the Company is implementing a range of social projects which consolidate the image of the socially responsible Company.

Internal control system

On 3 March, 2011 shareholders of "Visagino atominė elektrinė", UAB made the decisions to form an Audit Committee, approved regulating documents and defined that Audit Committee covers "Visagino atominė elektrinė", UAB and its directly and indirectly controlled companies, including LESTO. The main function of Audit Committee is to observe inner control, risk management and inner audit systems and their performance. Audit Committee also supervise the procedure of financial reporting etc.

LESTO has an Internal Audit Division established. The responsibility of this division includes systemic and through risk management and inner control, that help LESTO to achieve main goals.

Members of Audit Committee of "Visagino atominė elektrinė", UAB:

Name, Surname	Capital held of the Issuer (%)	Term	Workplace
Vygantas Reifonas (independant member)	0	2011 m. March – 2015 m. March.	AB „Lietuvos draudimas“
Danielius Merkinas (independant member)	0	2011 m. March. – 2015 m. March	UAB „Nordnet“
Marius Garuckas (independant member)	0	2011 m. March. – 2015 m. March	UAB „GlaxoSmithKline Lietuva“
Lina Šmočiukienė	0	2011 m. March – 2015 m. March	Ministry of Energy of the Republic of Lithuania

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 in 2012:

Date	Essential event
03-01-2012	Regarding the decisions of the Extraordinary General Meeting of Shareholders of LESTO AB and the decisions of the Board of LESTO AB
20-01-2012	AB LESTO Investor' Calendar 2012
08-02-2012	Regarding New Wording of Law on Electricity
29-02-2012	Preliminary unaudited operating results of LESTO AB company group for twelve months of 2011
16-03-2012	Regarding the Preparation of the Separation Plan of Electricity Distribution Activity¹
30-03-2012	Regarding the Preparation of the Separation Plan of Electricity Distribution Activity²
03-04-2012	Regarding of the Ordinary General Meeting of Shareholders of LESTO AB
06-04-2012	Regarding the Separation of Electricity Distribution Activity
13-04-2012	Regarding supplement of agenda of Ordinary General Meeting of Shareholders of LESTO AB
27-04-2012	Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 27 April 2012.
27-04-2012	Annual information of LESTO AB company group of 2011
18-05-2012	AB LESTO Social responsibility report of 2011
25-05-2012	Regarding long-term loan agreement
30-05-2012	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
31-05-2012	Preliminary unaudited operating results of LESTO AB company group for three months of 2012
21-06-2012	Regarding the decisions of the Extraordinary General Meeting of Shareholders of LESTO AB and the decisions of the Board
04-07-2012	Regarding the adoption of resolution of the Government of the Republic of Lithuania
26-07-2012	Regarding the Separation of Electricity Distribution Activity

¹ The National Control Commission for Prices and Energy has obligated AB LESTO to present to the Commission by 30 March 2012 a detailed description of the preferred method for separating operations and control from activities of the vertically-integrated undertaking that are not related to distribution, alongside with a detailed action plan.

² Following mandatory requirement set by the National Control Commission for Prices and Energy AB LESTO presented to the Commission a detailed action plan for separating operations and control from activities of the vertically-integrated undertaking that are not related to distribution.