



Bank of Lithuania  
Žirmūnų street 151,  
LT-09128 Vilnius

30-11-2012

## 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 nine 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.

Chief Executive Officer

Arvydas Tarasevičius

Head of Finance and Administration

Ramutė Ribinskienė



AB LESTO group  
Interim report  
for the nine months of 2012

---

30 November 2012

---

## CONTENTS

GENERAL INFORMATION.....	3
LESTO activities.....	4
LESTO company group .....	5
LESTO management.....	6
Electricity distribution network .....	11
LESTO personnel .....	13
Customer Service .....	15
Projects and initiatives on social responsibility .....	17
INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL.....	21
FINANCIAL STATUS .....	24
ANALYSIS OF PERFORMANCE RESULTS .....	30
Income, costs and profitability .....	30
Other financial ratios and investments.....	31
ESSENTIAL EVENTS.....	32

## GENERAL INFORMATION

### Reporting period covered by the report

Report covers January to September of 2012.

### Key data on issuer

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

### Information availability

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

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

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

Office	Name, surname	Telephone
Chief Executive Officer	Arvydas Tarasevičius	+370 5 277 7524
Director of Finance and Administration division	Ramutė Ribinskienė	+370 5 277 7524
Director of Finance department	Artūras Paipolas	+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 30 November, 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.

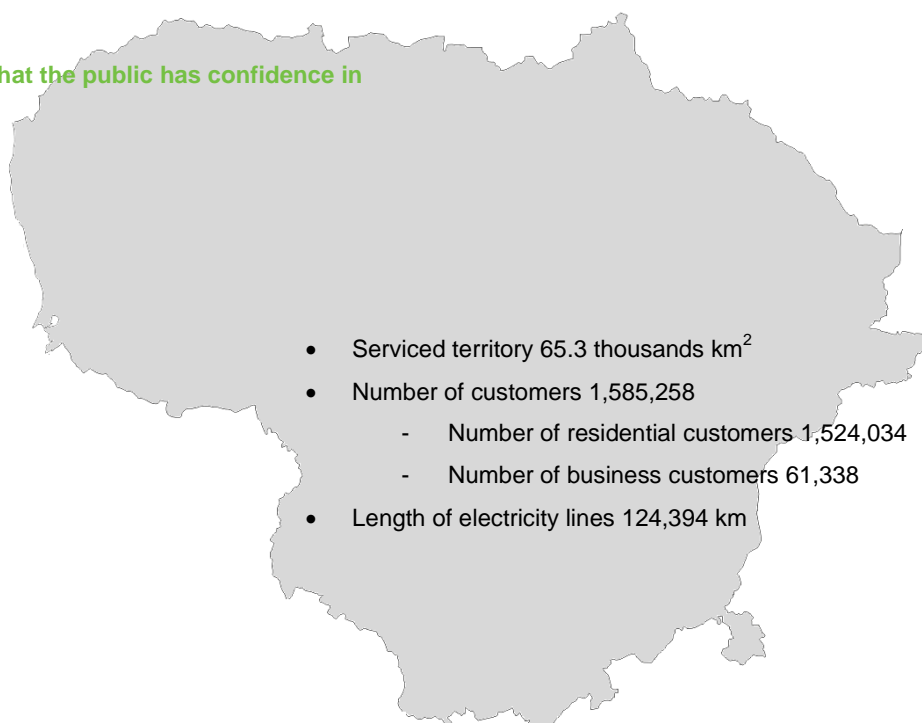
**INNOVATIVENESS:** We are seeking perfection and initiating changes.

## LESTO mission

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

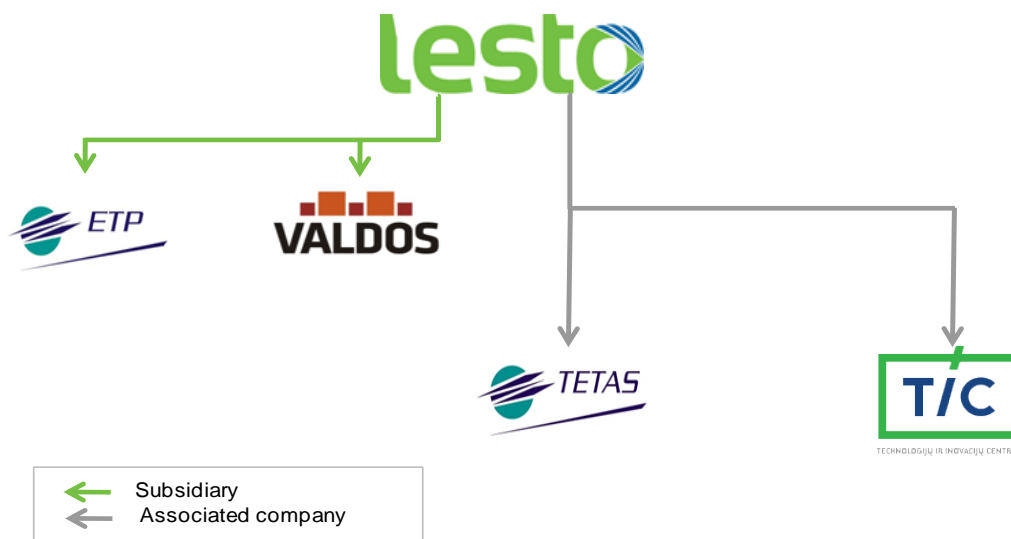
## LESTO vision

**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, 0,59% NT Valdოს, UAB capital<sup>1</sup>), 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	<a href="http://www.elektrostinklopaslaugos.lt">www.elektrostinklopaslaugos.lt</a>	<a href="http://www.valdos.eu">www.valdos.eu</a>	<a href="http://www.etic.lt">www.etic.lt</a>	<a href="http://www.tetas.lt">www.tetas.lt</a>
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

<sup>1</sup> On 1, November 2012, UAB „Data Logistics Center“ was merged to UAB Technologijų ir inovacijų centras by reorganization method (before that 100% of UAB „Data Logistics Center“ shares were controlled by UAB Technologijų ir inovacijų centras)

## **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.

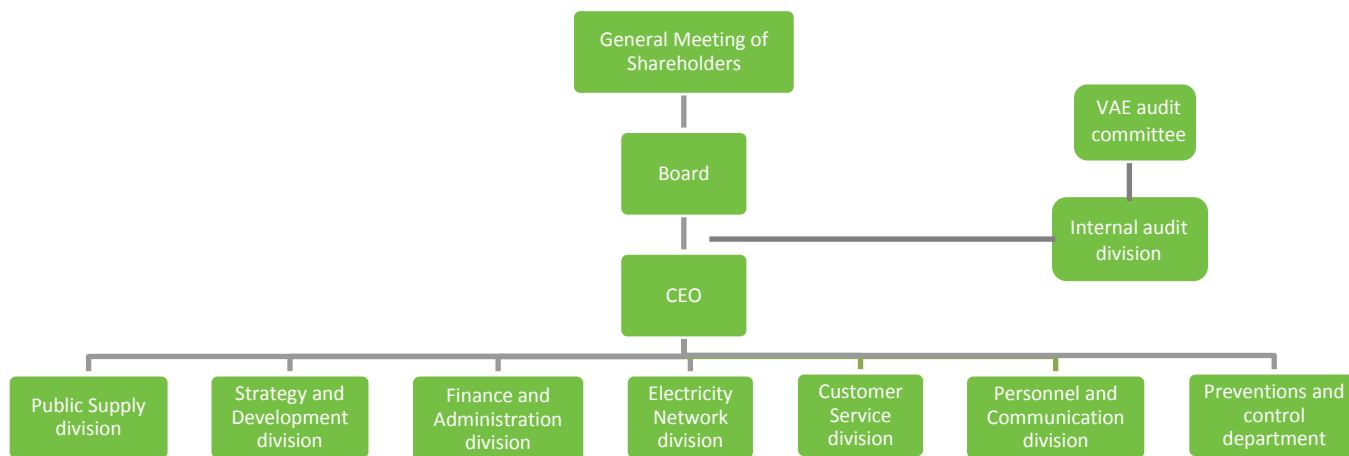
### **Chief Executive Officer**

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

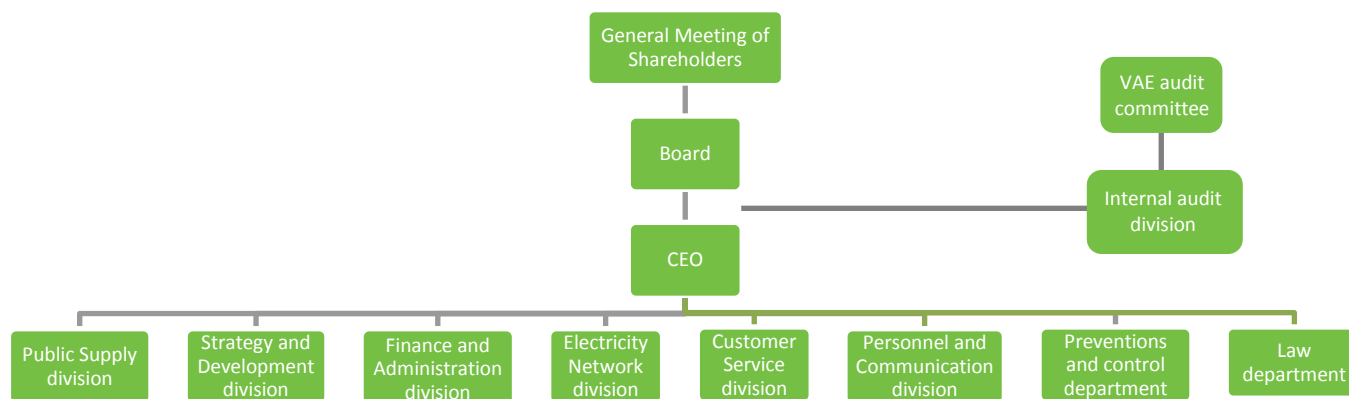
The competence of the Managing Director and the procedure for election and recall thereof are governed by the law, other legal acts and Articles of Association. CEO is elected and recalled by the Board of the Company. CEO organises the Company's activities, manages the Company, act on behalf of the Company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

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

### LESTO management structure



### LESTO management structure from 1 November, 2012





## 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:** the State  
Property Fund, head of state owned  
companies' control coordination  
department



**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	-	-
	Association „Baltic Institute of Corporate Governance“, member of the Board	-	-
Arvydas Tarasevičius	LESTO AB, CEO and member of the Board	-	-
	Technologijų ir inovacijų centras UAB, member of the Board	-	-
	NT Valdos UAB, member of the Board	-	-
	LITHUANIAN ELECTRIC ENERGY ASSOCIATION, member of the Council	-	-
	Homestead cooperative Žemyna, member of the Board	-	-
	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	-	-
	VsĮ The American International School of Vilnius, member of the Board	-	-
Paulius Martinkus	LESTO AB, member of the Board	-	-
	The State Property Fund, head of state owned companies' control coordination department	-	-
	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\*\***

	<b>Salaries, LTL</b>	<b>Other payments, LTL</b>
CEO Arvydas Tarasevičius	180,503	-
Chairman of the Board Darius Maikštėnas	9,000	-
Member of the Board Edita Jonikienė	-	-
Member of the Board Paulius Martinkus	-	-
Member of the Board Žygimantas Vaičiūnas	-	-
Director of Accounting department Zina Chmieliauskienė	127,488	-
Members of the Administration total	316,991	-

\* 27 April, 2012 by the decision of General Meeting of Shareholders, the agreement of independant member factual work was signed with chairman of the Board Darius Maikštėnas.  
 6, November 2012 by the decision of General Meeting of Shareholders, the agreement of independant member factual work was signed with member of the Board Edita Jonikienė.  
 The payoffs are not set to the other members of the Board.

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

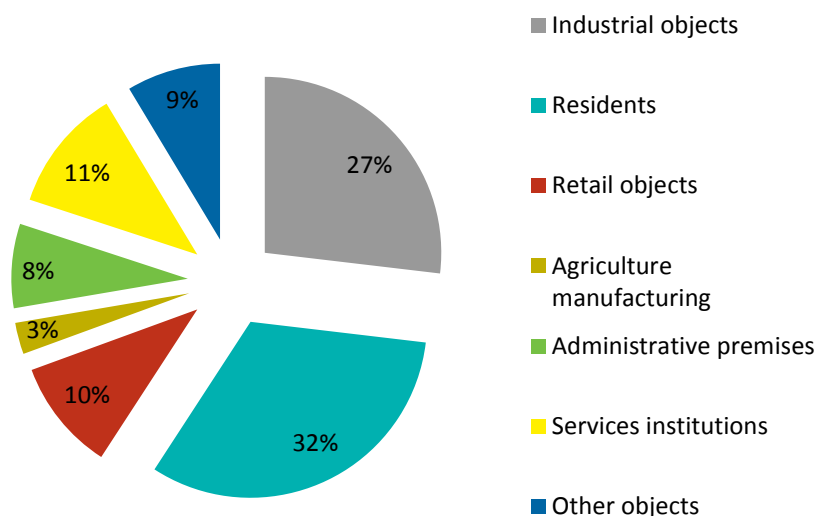
## Electricity distribution network

### Development and expansion of the activities

Activity indicators	2012 January - September	2011 January - September
Amount of electricity received to the distribution network, million. kWh	6,437	6,286
Technological losses in the distribution network, million kWh	476	516
Volume of network service, million kWh	5,962	5,770
Amount of electricity sold, million. kWh	2,672	3,108
<b>Electricity quality indicators:</b>		
SAIDI, minutes (with "force majeure")	126.9	204.0
SAIFI, times (with "force majeure")	1.3	1.58

During the nine months of 2012 the amount of LESTO network service reached 5,962 million kWh. Electricity sales made up 44.8 % of this amount, to the rest customers LESTO granted only network service. This was due to the increased number of new customers and the improved economic situation in Lithuania. Technological losses experienced by the Company during the nine months of 2012 amounted to 476 million kWh, this was 40 million kWh less compared to the same period of 2011. During the nine months of 2012 technological losses totalled to 7.4 %. Sales of electric energy decreased as more consumers have opted independent suppliers.

#### Structure of network service volumes by objects



32 % of electricity network service volume was allocated to residents. Industrial and retail objects consumed 27% and 11% respectively. The structure of electricity network service during the reporting period of 2012 changed insignificantly. The share of electricity transmitted to heat suppliers and other objects declined by 1 percentage point, and that of the trading companies increased by 1 percentage point.

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 nine month of 2012, LESTO investments in electricity network expansion and modernization reached 123.1 million LTL. This was 20.31 per cent more compared to the investment in the nine months of 2011 (102.3 million LTL).

#### LESTO investment, LTL thousand

	2012	2011	Change, %	Structure, %	
	January - September	January - September		2012 January - September	2011 January - September
<b>Investments in expansion</b>	<b>123,097</b>	<b>102,319</b>	<b>20.3</b>	<b>57.2</b>	<b>52.9</b>
Connection of new customers	121,835	100,262	21.5	99.0	98.0
Buyout of electricity objects	1,262	2,057	-38.7	1.0	2.0
<b>Investments in maintenance</b>	<b>92,230</b>	<b>91,029</b>	<b>-1.3</b>	<b>42.8</b>	<b>47.1</b>
Low voltage electricity grid	50,243	49,870	0.75	54.5	54.8
Medium voltage electricity grid	36,730	35,605	3.16	39.8	39.1
Other investments	5,256	5,553	-5.35	5.7	6.1
<b>Total</b>	<b>215,327</b>	<b>193,348</b>	<b>11.37</b>	<b>100</b>	<b>100</b>

During the first nine months of 2012, LESTO has connected 12,113 objects of new customers, 1.48 per cent more than in the first nine months of 2011 when it had 11,936 customers connected. The permissible power for new customers was equal to 162,943 kW, which is 5.6 per cent less than in the reporting period of 2011, when the permissible power was 172,684 kW.

In 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 nine months of 2012 LESTO redeemed 30 networks of the gardeners communities. From the beginning of the redemption process of the power networks (in 2003) to September 30 2012, LESTO redeemed 912 power networks or 94.5 per cent of the networks of the gardeners communities.

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", nine homesteads were connected to the company's power supply network. Technical works of the connection to the power network were finished in 18 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

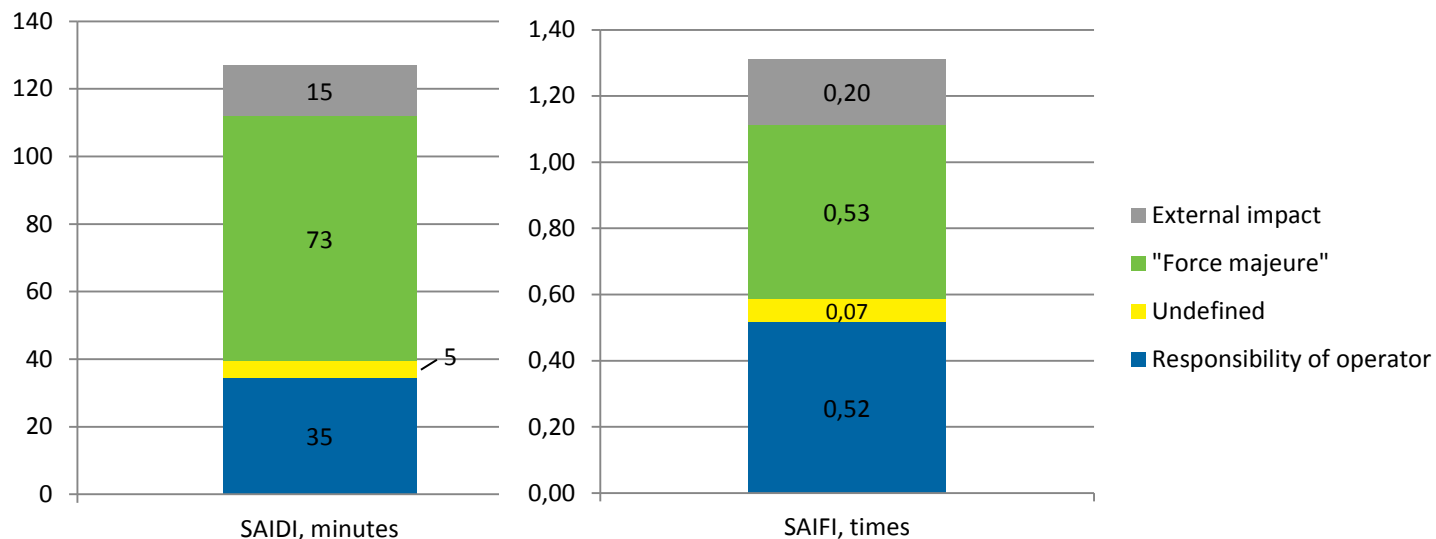
Lithuania, there were fully implemented network modernization and expansion works in 17 gardeners communities. Up to 12,460,321 LTL have been allocated from the EU Structural Funds for the project funding.

### Distribution network reliability indexes

In the first nine months of 2012, regardless of the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer was equal to 54.3 minutes, the system average interruption frequency index (SAIFI) per customer reached 0.78 times. The quality of electricity supply increased during the reporting period. In the first nine months of 2011 power supply quality indicators, regardless of natural disasters, were: SAIDI – 64.2 min. and SAIFI – 0.85 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 704 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.

### Quality of electricity supply (SAIDI, SAIFI) 2012 January – September



### 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.

In the first quarter of 2012, when implementing Distribution network strategy, finished transferring electric energy repair and technical maintenance works to the market. Company sought to ensure all social guarantees to those employees, which they

had working in LESTO AB, signed bilateral agreements with contractors which won in public procurement. 44 workers were transferred to new workplaces. This is the reason why the number of LESTO workers decreased.

From the second quarter of 2012, 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. For these reasons the number of AB LESTO employees decreased, but some employees were transferred to UAB „ELEKTROS TINKLO PASLAUGOS“. Therefore the number of employees in this company of LESTO group has grown.

Since July, one of the customer service functions (meter readings write down) has been transferred to external service providers, resulting in decreased number of LESTO workers.

These changes have had an impact on the number of employees of AB LESTO. From the beginning of the year 2012 the number of employees of AB LESTO company declined 11.7 per cent, from 2,890 employees in 1 January, 2012, up to 2552 employees in 30 September, 2012. During the reporting period the number of employees of AB LESTO group decreased 5.1 per cent, from 3,564 employees in 1 January, 2012, up to 3,382 employees in September 30, 2012.

## 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 automotive platform hoist operators, construction managers and construction maintenance managers, workers, high-scalers, lifting equipment operators, logging managers, trees, shrubs and branches reapers in protection zones, 0,4 kV voltage branch line connection/disconnection workers, and in other trainings. In the first nine months of 2012, the compulsory trainings involved 627 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 valuation, employee opinion survey, and the results of annual interviews the follow-up program of the development of the leadership skills was created – till the end of 2012 educational leadership competencies of the management is being strengthened. In the first nine months of 2012, open trainings in Lithuania (external conferences, seminars) were attended by 170 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 stress management, MS Excel skills, 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 nine months of 2012 the internal training involved 1,484 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.

## 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 nine months of 2012, LESTO received 120 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 nine months, there have been implemented 34 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 third quarter of 2012 showed that the quality of LESTO customer service is increasing. Customers point out the problem solving and attentive and kind servicing as strong sides of the service.

### The Number of the Customers Serviced

At the end of the nine months 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 third quarter the number of contracts increased by 3,976 units and 203 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.

In the first quarter of 2012, for the convenience of customers, additional services of self-service web site "My Electricity" were introduced: possibility to withdraw (download) electricity purchase and sale agreements, their annexes, property boundaries acts; alerts and notifications to customers (also information by SMS/e-mail, mail); detailed accounts are presented directly from LESTO account management system.

The Company customers are actively using the Company services and information supplied. In the first nine months of 2012, the number of visitors of LESTO self-service site "My Electricity" (compared to the first nine months of 2011) has grown from 973 thousand up to 1.237 million, the number of unique visitors of the system from 514 to 706 thousand. Information by the short customer service number 1802 was provided to more than 654 thousand customers (in the first nine months of 2011 information was provided to more than 484 thousand customers). More than 301 thousand customer referrals on various issues were received and solved. The growth was driven by the increasing use of short customer service phone number 1802. During the first nine months of 2012, about 263 thousand customers were serviced in customer service centers of seven largest cities of Lithuania.

#### Maintenance and Development of Accounting for Electricity

During the first nine months of 2012, further developing the electricity metering equipment automation, the Company has added 1802 electrical metering devices 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 17,137 energy metering devices which record the electric energy consumption of the customers. Electricity metering equipment automation has enabled automatically submit bills for electricity consumption for the clients, eliminating a need for customers to declare electricity consumption.

During the first nine months of 2012, the Company to new customers installed 17 483 electricity meters, of which 31 per cent were for a single-phase electricity metering in alternating current networks, and 69 per cent in three-phase networks, and 104,892 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.

#### Customer Settlement Management

The customers now more often use electronic payment methods. 28 per cent of LESTO private clients make their payments online.

During the third quarter 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 16 thousand. And the customers increasingly prefer payment plans "Home" and "Home Plus": by the end of September of 2012 16 thousand clients were using new payment plans. 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 more than 100,000 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. In the third quarter of 2012, there were more than 19 thousand direct debit agreements signed with private and business customers.

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.

At the end of September of 2012, the debt of the LESTO customers amounted to 60.37 million LTL; compared to the same period of 2011, the debt got decreased by 3 per cent.

### Market liberalisation

On September 30, 2012, the independent supplier was chosen by 6,732 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 88 per cent;

- With permissible power 100 kW and more – about 73 per cent;

- With permissible power 30 kW and more – about 55 per cent;

- With permissible power of less than 30 kW – about 17 per cent.

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

### 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, the report was prepared in accordance with the "Global Compact" principles.

### 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 continuously encourage customers to give up paper bills and billing books and move to a remote service channels or direct debit. Over 90 per cent of the Company's business customers have already switched to electronic billing. Direct debit agreement has already been signed over 100 thousand clients.

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.

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.

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.

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 nine months, 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](http://www.lesto.lt)) was made public in order to help clarify the power evaders or to inform about impaired network devices.

During the first nine months of 2012, there were received 66 calls of the population by the confidence line of LESTO, and 83 reports were received on the Internet. Eight calls and 12 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](http://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 third quarter 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](http://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](http://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](http://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.

In July, the Company announced the photo contest "Stork Season", in which it was possible to win the opportunity to look at the Earth from a stork flight. 270 participants from all over Lithuania, that photographed the storks in their environment, competed in the contest, sending 588 photographs.

### 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.

### Clarity

LESTO properly fulfilled distribution activity unbundling requirements.

The National Control Commission for Prices and Energy (NCC) stated that Lithuania's electricity distribution network operator AB LESTO distribution activity separation is in accordance with the Law on Electricity paragraphs 1 and 3 of Article 54. That means, that distribution activity separation ensures the independence of distribution activity management and control from the activities of electricity transmission, supply and production, and the commercial interests of these activities.

According to 13 July, 2009 European Parliament and Council Directive 2009/72/EC (OJ 2009, L 211, p. 55) concerning common rules for the internal market in electricity, when the distribution system operator is part of a vertically integrated undertaking it shall be independent in terms of its organization and decision-making from the other activities not related to distribution.



## 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.

### Shareholders

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

On September 30, 2012 number of LESTO shareholders amounted to 7,412.

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, 2012-09-30

Country	Number of shareholders
Lithuania	7,218
Russia	49
Belarus	38
Estonia	36
United States	19
Latvia	12
Other	40
<b>Total</b>	<b>7,412</b>

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

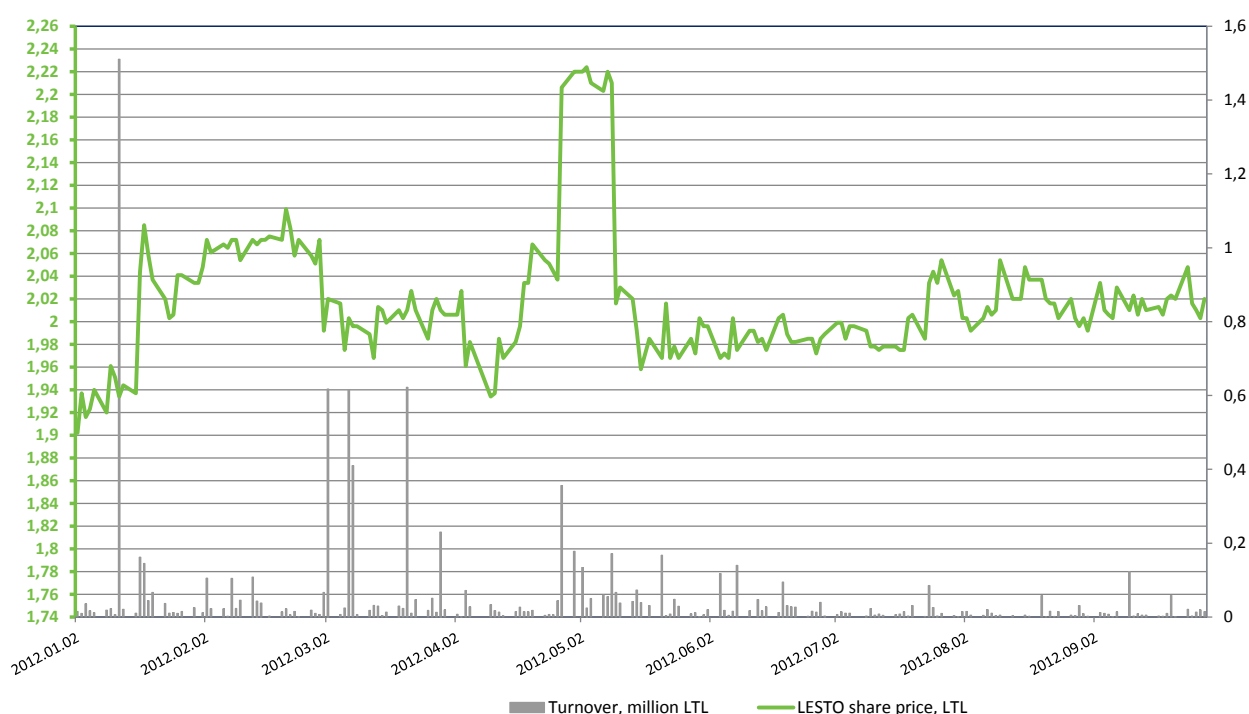
Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Visagino atominė elektrinė, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63	82.63
E.ON Ruhrgas International GmbH, Brüsseler Platz 1 45131 Essen, Germany HRB No 21974	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.

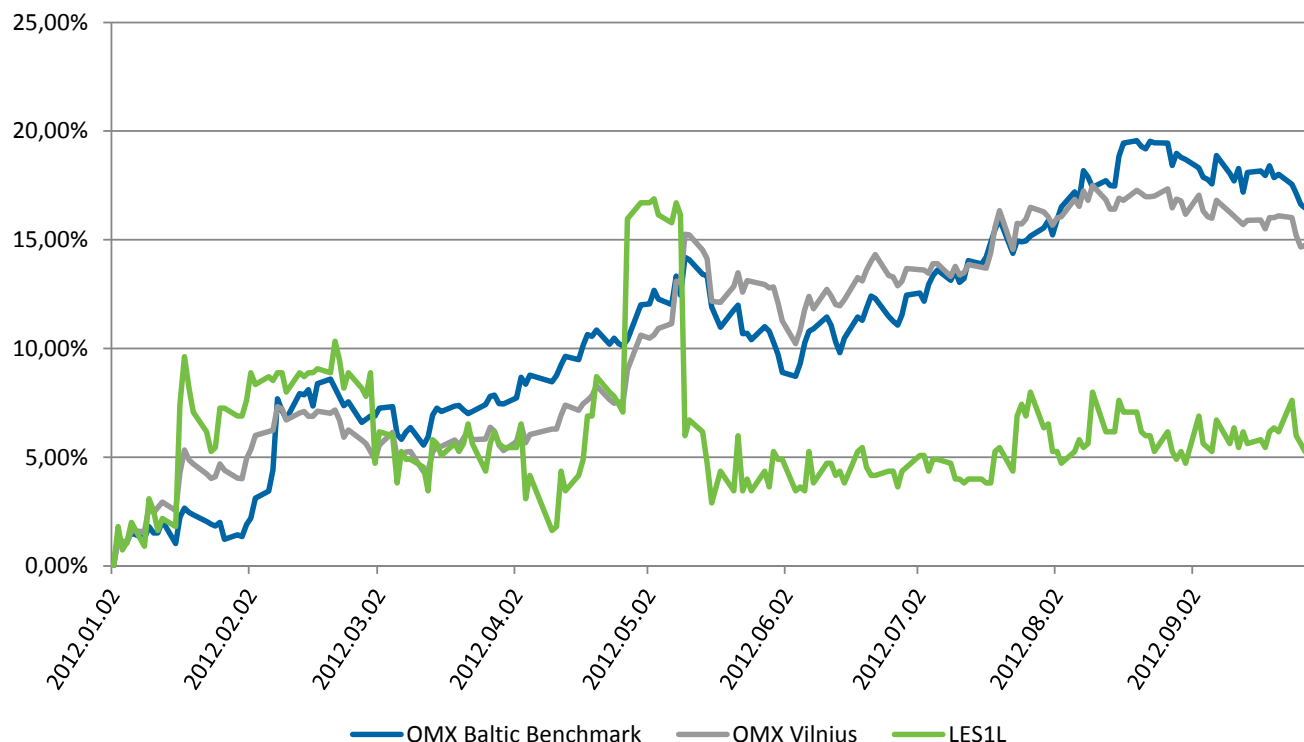
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

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



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 6.2 %. On 28 September, 2012, the last trading day in the nine months of 2012, the price of LESTO share was LTL 2.02. 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, 30-09-2012



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 28 September, 2012, the last trading day in the nine months of 2012, index OMX Vilnius increased by 14.99%, OMX Baltic Benchmark increased by 16.66%, while price of LESTO share increased by 6.2 %.

**LESTO securities account manager**

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

Contact details of Swedbank, AB:

Konstitucijos ave. 20 A, LT-03502 Vilnius

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



## FINANCIAL STATUS

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

### Statement of financial position, LTL thousand

	LESTO group		Company	
	2012-09-30	2011-12-31	2012-09-30	2011-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4 723 771	4 823 970	4 585 981	4 676 010
Intangible assets	5 754	5 728	5 694	5 672
Prepayments for property plant and intangible assets	7 402	7 344	7 402	7 344
Investments in subsidiaries	-	-	195 628	191 018
Investment in associates	21 674	21 194	21 570	21 570
Investment property	146 176	135 588	-	-
Non-current receivables	2 295	2 369	2 295	2 369
	<b>4 907 072</b>	<b>4 996 193</b>	<b>4 818 570</b>	<b>4 903 983</b>
<b>Current assets</b>				
Inventories	14 151	14 404	6 474	11 817
Trade and other receivables	176 479	184 228	170 688	178 478
Prepayments, deferred charges and accrued income	25 061	24 230	24 107	23 921
Prepaid income tax	-	22	-	-
Deposited money for guarantees	50	-	-	-
Short-term deposits	3 000	5 000	-	-
Cash and cash equivalents	29 178	58 708	7 992	44 161
	<b>247 919</b>	<b>286 592</b>	<b>209 261</b>	<b>258 377</b>
Non-current assets held for sale	922	760	-	-
	<b>248 841</b>	<b>287 352</b>	<b>209 261</b>	<b>258 377</b>
<b>Total assets</b>	<b>5 155 913</b>	<b>5 283 545</b>	<b>5 027 831</b>	<b>5 162 360</b>
<b>EQUITY</b>				
<b>Equity and reserves attributed to owners of the Company</b>				
Share capital	603 945	603 945	603 945	603 945
Revaluation reserve	1 687 453	1 837 060	1 654 424	1 803 976
Legal reserve	60 450	60 465	60 394	60 394
Retained earnings	967 396	1 014 492	1 012 907	1 060 429
	<b>3 319 244</b>	<b>3 515 962</b>	<b>3 331 670</b>	<b>3 528 744</b>
<b>Non-controlling interest</b>	<b>132 492</b>	<b>127 380</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>3 451 736</b>	<b>3 643 342</b>	<b>3 331 670</b>	<b>3 528 744</b>
<b>LIABILITIES</b>				
<b>Amounts payable after one year and non-current liabilities</b>				
Borrowings	421 394	325 362	421 394	325 362
Deferred income tax liabilities	370 234	391 813	367 464	389 643
Deferred income	322 782	334 086	322 782	334 086
Grants and subsidies	46 472	46 370	46 472	46 370
Non-current employee benefits	3 452	3 452	3 346	3 346
Other non-current liabilities	984	510	984	510
	<b>1 165 318</b>	<b>1 101 593</b>	<b>1 162 442</b>	<b>1 099 317</b>
<b>Amounts payable within one year and current liabilities</b>				
Borrowings	177 244	119 366	177 244	119 366
Trade and other payables	263 252	300 419	261 239	298 280
Advances received and accrued liabilities	78 774	88 635	75 711	86 463
Derivative financial instruments	2 091	1 511	2 091	1 511
Current income tax liabilities	17 498	28 679	17 434	28 679
	<b>538 859</b>	<b>538 610</b>	<b>533 719</b>	<b>534 299</b>
<b>Total liabilities</b>	<b>1 704 177</b>	<b>1 640 203</b>	<b>1 696 161</b>	<b>1 633 616</b>
<b>Total equity and liabilities</b>	<b>5 155 913</b>	<b>5 283 545</b>	<b>5 027 831</b>	<b>5 162 360</b>

## Statement of comprehensive income, LTL thousand

	LESTO group			
	2012 I-III quarters	2012 III quarter	2011 I-III quarters	2011 III quarter
Sales revenue	1 677 612	521 228	1 652 588	514 969
Purchases of electricity	(1 167 601)	( 356 973)	(1 146 236)	( 341 258)
Depreciation and amortization	( 303 574)	( 101 820)	( 325 717)	( 107 889)
Employee benefits and related social security contributions	( 118 307)	( 36 593)	( 114 770)	( 34 974)
Repair and maintenance expenses	( 45 971)	( 14 882)	( 46 589)	( 18 916)
Transportation costs	( 8 907)	( 2 769)	( 4 407)	( 1 532)
Telecommunications and IT services	( 17 550)	( 5 289)	( 17 753)	( 6 740)
Rent and utilities	( 5 543)	( 937)	( 6 838)	( 1 805)
Revaluation of long-term assets	( 372)	-	-	-
Other expenses	( 33 496)	( 11 213)	( 31 478)	( 12 280)
<b>Operating profit (loss)</b>	<b>( 23 709)</b>	<b>( 9 248)</b>	<b>( 41 200)</b>	<b>( 10 425)</b>
Finance income	2 168	886	2 588	270
Finance (costs)	( 7 939)	( 2 420)	( 7 593)	( 2 871)
<b>Finance income/ (costs), net</b>	<b>( 5 771)</b>	<b>( 1 534)</b>	<b>( 5 005)</b>	<b>( 2 601)</b>
Profit (loss) on investment in associates	480	-	636	( 174)
<b>Profit (loss) before income tax</b>	<b>( 29 000)</b>	<b>( 10 782)</b>	<b>( 45 569)</b>	<b>( 13 200)</b>
Income tax	4 093	( 248)	8 346	1 984
<b>Profit (loss) for the year</b>	<b>( 24 907)</b>	<b>( 11 030)</b>	<b>( 37 223)</b>	<b>( 11 216)</b>
<b>Other comprehensive income(expense):</b>				
Gain (loss) on revaluation of property, plant and equipment	93	-	-	-
Deferred income tax effect	( 14)	-	-	-
<b>Other comprehensive income (expense) for the year</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross profit (loss) for the year</b>	<b>( 24 828)</b>	<b>( 11 030)</b>	<b>( 37 223)</b>	<b>( 11 216)</b>
<b>Profit (loss) for the year attributable to:</b>				
Owners of the Company	( 26 357)	( 11 762)	( 38 547)	( 12 125)
Non-controlling interest	1 450	1 148	1 324	909
	<b>( 24 907)</b>	<b>( 10 614)</b>	<b>( 37 223)</b>	<b>( 11 216)</b>
<b>Gross profit (loss) for the year attributable to:</b>				
Owners of the Company	( 26 278)	( 11 762)	( 38 547)	( 12 125)
Non-controlling interest	1 450	1 148	1 324	909
	<b>( 24 828)</b>	<b>( 10 614)</b>	<b>( 37 223)</b>	<b>( 11 216)</b>
Earnings per share ratio	( 0,044)	( 0,019)	( 0,064)	( 0,020)

	Company			
	2012 I-III quarters	2012 III quarter	2011 I-III quarters	2011 III quarter
Sales revenue	1 660 283	513 746	1 631 961	507 161
Purchases of electricity	(1 167 601)	( 356 973)	(1 146 236)	( 341 258)
Depreciation and amortization	( 295 950)	( 99 287)	( 317 005)	( 104 466)
Employee benefits and related social security contributions	( 96 547)	( 28 998)	( 96 322)	( 29 292)
Repair and maintenance expenses	( 57 320)	( 19 270)	( 47 627)	( 18 942)
Transportation costs	( 11 289)	( 3 641)	( 14 158)	( 4 483)
Telecommunications and IT services	( 16 228)	( 4 845)	( 16 679)	( 6 385)
Rent and utilities	( 7 895)	( 2 306)	( 9 917)	( 3 305)
Revaluation of long-term assets	( 372)	-	-	-
Other expenses	( 33 406)	( 10 753)	( 28 180)	( 11 291)
<b>Operating profit (loss)</b>	<b>( 26 325)</b>	<b>( 12 327)</b>	<b>( 44 163)</b>	<b>( 12 261)</b>
Finance income	2 687	861	2 569	282
Finance (costs)	( 7 954)	( 2 420)	( 7 587)	( 2 864)
<b>Finance income/ (costs), net</b>	<b>( 5 267)</b>	<b>( 1 559)</b>	<b>( 5 018)</b>	<b>( 2 582)</b>
Profit (loss) on investment in associates	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>( 31 592)</b>	<b>( 13 886)</b>	<b>( 49 181)</b>	<b>( 14 843)</b>
Income tax	4 751	315	8 975	2 202
<b>Profit (loss) for the year</b>	<b>( 26 841)</b>	<b>( 13 571)</b>	<b>( 40 206)</b>	<b>( 12 641)</b>
<b>Other comprehensive income(expense):</b>				
Gain (loss) on revaluation of property, plant and equipment	93	-	-	-
Deferred income tax effect	( 14)	-	-	-
<b>Other comprehensive income (expense) for the year</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross profit (loss) for the year</b>	<b>( 26 762)</b>	<b>( 13 571)</b>	<b>( 40 206)</b>	<b>( 12 641)</b>
<b>Profit (loss) for the year attributable to:</b>				
Owners of the Company	( 26 841)	( 13 571)	( 40 206)	( 12 641)
Non-controlling interest	-	-	-	-
	<b>( 26 841)</b>	<b>( 13 571)</b>	<b>( 40 206)</b>	<b>( 12 641)</b>
<b>Gross profit (loss) for the year attributable to:</b>				
Owners of the Company	( 26 762)	( 13 571)	( 40 206)	( 12 641)
Non-controlling interest	-	-	-	-
	<b>( 26 762)</b>	<b>( 13 571)</b>	<b>( 40 206)</b>	<b>( 12 641)</b>
Earnings per share ratio	( 0,044)	( 0,022)	( 0,067)	( 0,021)

## Statement of changes in equity, thousand LTL

LESTO group	Share capital	Revaluation on reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2011</b>	<b>603 945</b>	<b>2 068 003</b>	<b>60 574</b>	<b>271</b>	<b>897 623</b>	<b>3 630 416</b>	<b>133 601</b>	<b>3 764 017</b>
<b>Comprehensive income</b>								
Profit (loss) for the period	-	-	-	-	( 38 547)	( 38 547)	1 324	( 37 223)
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 172 869)	-	-	172 869	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 172 869)</b>	<b>-</b>	<b>-</b>	<b>134 322</b>	<b>( 38 547)</b>	<b>1 324</b>	<b>( 37 223)</b>
<b>Transactions with owners</b>								
Transfers to reserves	-	-	70	-	( 70)	-	-	-
Reserves utilised	-	-	( 179)	( 271)	450	-	-	-
Dividends relating to 2010	-	-	-	-	( 60 998)	( 60 998)	-	( 60 998)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>( 109)</b>	<b>( 271)</b>	<b>( 60 618)</b>	<b>( 60 998)</b>	<b>-</b>	<b>( 60 998)</b>
<b>Balance at 30 September 2011</b>	<b>603 945</b>	<b>1 895 134</b>	<b>60 465</b>	<b>-</b>	<b>971 327</b>	<b>3 530 871</b>	<b>134 925</b>	<b>3 665 796</b>
<b>Balance at 1 January 2012</b>	<b>603 945</b>	<b>1 837 060</b>	<b>60 465</b>	<b>-</b>	<b>1 014 492</b>	<b>3 515 962</b>	<b>127 380</b>	<b>3 643 342</b>
<b>Comprehensive income</b>								
Profit (loss) for the period	-	-	-	-	( 26 357)	( 26 357)	1 450	( 24 907)
Other comprehensive income (loss)	-	79	-	-	-	79	-	79
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 149 686)	-	-	149 686	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 149 607)</b>	<b>-</b>	<b>-</b>	<b>123 329</b>	<b>( 26 278)</b>	<b>1 450</b>	<b>( 24 828)</b>
<b>Transactions with owners</b>								
Transfers to reserves	-	-	55	-	( 55)	-	-	-
Reserves utilised	-	-	( 70)	-	70	-	-	-
Dividends relating to 2011	-	-	-	-	( 170 312)	( 170 312)	( 238)	( 170 550)
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	3 772
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>( 15)</b>	<b>-</b>	<b>( 170 425)</b>	<b>( 170 440)</b>	<b>3 662</b>	<b>( 166 778)</b>
<b>Balance at 30 September 2012</b>	<b>603 945</b>	<b>1 687 453</b>	<b>60 450</b>	<b>-</b>	<b>967 396</b>	<b>3 319 244</b>	<b>132 492</b>	<b>3 451 736</b>

Company	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2011</b>	<b>603 945</b>	<b>2 032 898</b>	<b>60 394</b>	<b>-</b>	<b>939 141</b>	<b>3 636 378</b>
<b>Comprehensive income</b>						
Profit (loss) for the period	-	-	-	-	( 40 206)	( 40 206)
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 172 802)	-	-	172 802	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 172 802)</b>	<b>-</b>	<b>-</b>	<b>132 596</b>	<b>( 40 206)</b>
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Dividends relating to 2010	-	-	-	-	( 60 998)	( 60 998)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 60 998)</b>	<b>( 60 998)</b>
<b>Balance at 30 September 2011</b>	<b>603 945</b>	<b>1 860 096</b>	<b>60 394</b>	<b>-</b>	<b>1 010 739</b>	<b>3 535 174</b>
<b>Balance at 1 January 2012</b>	<b>603 945</b>	<b>1 803 976</b>	<b>60 394</b>	<b>-</b>	<b>1 060 429</b>	<b>3 528 744</b>
<b>Comprehensive income</b>						
Profit (loss) for the period	-	-	-	-	( 26 841)	( 26 841)
Other comprehensive income (loss)	-	79	-	-	-	79
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 149 631)	-	-	149 631	-
<b>Total transactions with owners</b>	<b>-</b>	<b>( 149 552)</b>	<b>-</b>	<b>-</b>	<b>122 790</b>	<b>( 26 762)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>( 149 552)</b>	<b>-</b>	<b>-</b>	<b>122 790</b>	<b>( 26 762)</b>
Dividends relating to 2011	-	-	-	-	( 170 312)	( 170 312)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 170 312)</b>	<b>( 170 312)</b>
<b>Balance at 30 September 2012</b>	<b>603 945</b>	<b>1 654 424</b>	<b>60 394</b>	<b>-</b>	<b>1 012 907</b>	<b>3 331 670</b>

## Cash flow statement, thousand LTL

	LESTO group		Company	
	2012 I-III quarters	2011 I-III quarters	2012 I-III quarters	2011 I-III quarters
<b>Cash flows from operating activities</b>				
Profit (loss) for the year	( 24 907)	( 37 223)	( 26 841)	( 40 206)
<b>Adjustment for:</b>				
– Income tax expense/(income)	( 4 093)	( 8 346)	( 4 751)	( 8 975)
– Depreciation and amortisation	305 439	327 346	297 815	318 634
– Revaluation of property, plant and equipment	372	-	372	-
– Amortisation of grants	( 1 865)	( 1 629)	( 1 865)	( 1 629)
– Gain/(loss) on disposal and write-off of property, plant and equipment	10 918	9 119	11 008	9 237
– (Profit)/loss on change in ownership interests in associates	( 480)	( 636)	-	-
– Dividend income			( 712)	-
– Finance (income)	( 2 168)	( 2 622)	( 1 975)	( 2 569)
– Finance costs	7 939	7 591	7 954	7 587
<b>Changes in working capital:</b>				
– Trade and other receivables	3 519	34 749	7 629	36 873
– Inventories, prepayments, deferred charges and accrued income	( 100)	( 4 131)	1 813	( 2 011)
– Trade and other payables, advance amounts received, accrued charges and deferred income	( 45 900)	( 57 262)	( 49 998)	( 57 443)
<b>Cash generated from operations</b>	<b>248 674</b>	<b>266 956</b>	<b>240 449</b>	<b>259 498</b>
– Income tax paid	( 28 668)	( 3 160)	( 28 690)	( 3 160)
<b>Net cash generated from operating activities</b>	<b>220 006</b>	<b>263 796</b>	<b>211 759</b>	<b>256 338</b>
<b>Cash flows from investing activities</b>				
– Purchase of PP&E and intangible assets	( 230 145)	( 211 682)	( 226 819)	( 206 844)
– Proceeds from sale of PP&E	653	807	9	-
– Loan repayments received	236	80	236	80
– Term deposits	2 000	( 28 836)	-	( 23 836)
– Increase in other financial assets	( 50)	-	-	-
– Dividends received	-	-	712	-
– Interest received	2 062	2 297	1 975	2 241
<b>Net cash used in investing activities</b>	<b>( 225 244)</b>	<b>( 237 334)</b>	<b>( 223 887)</b>	<b>( 228 359)</b>
<b>Cash flows from financing activities</b>				
– Proceeds from borrowings	189 904	-	189 904	-
– Repayments of borrowings	( 96 147)	( 103 324)	( 96 147)	( 103 324)
– Dividends paid to the Company's shareholders	( 169 838)	( 46 889)	( 169 839)	( 46 889)
– Dividends paid to non-controlling interests	( 238)	-	-	-
– Interest paid	( 8 126)	( 6 951)	( 8 112)	( 6 945)
<b>Net cash used in financing activities</b>	<b>( 84 445)</b>	<b>( 157 164)</b>	<b>( 84 194)</b>	<b>( 157 158)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>( 89 683)</b>	<b>( 130 702)</b>	<b>( 96 322)</b>	<b>( 129 179)</b>
Cash and cash equivalents at beginning of year	57 846	111 369	43 299	101 880
<b>Cash and cash equivalents at end of the period</b>	<b>( 31 837)</b>	<b>( 19 333)</b>	<b>( 53 023)</b>	<b>( 27 299)</b>

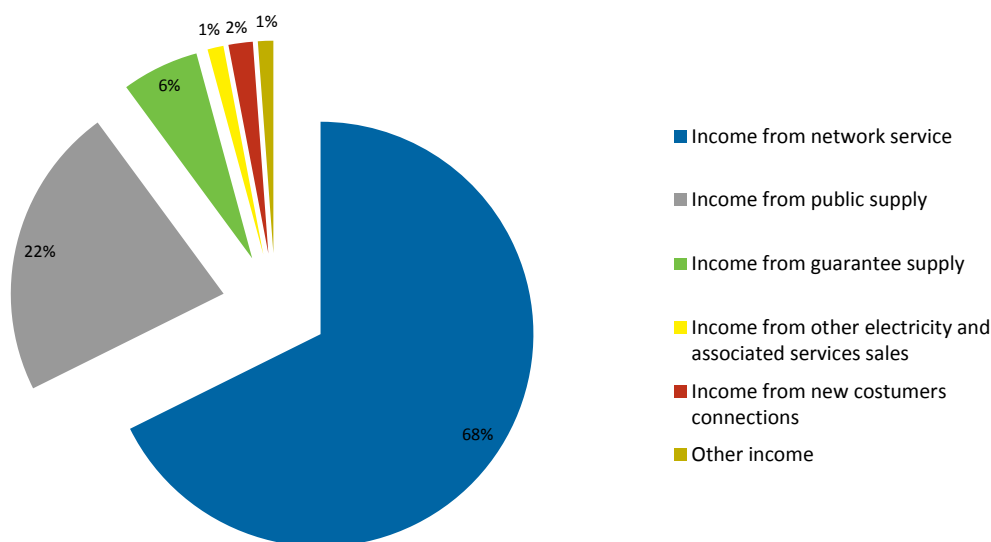
## ANALYSIS OF PERFORMANCE RESULTS

## Income, costs and profitability

LESTO group profitability ratios	2012 January - September	2012 January - June	2012 January - March	2011 January - September
Net profit margin, %	-1.48	-1.24	-1.03	-2.25
Operating profit margin, %	-1.41	-1.25	-1.15	-2.49
EBITDA, LTL thousand	299,292	201,064	99,853	284,517
EBITDA margin, %	17.84	17.39	15.96	17.22
ROA, %	-0.48	-0.28	-0.12	-0.70
ROE, %	-0.72	-0.41	-0.18	-1.02

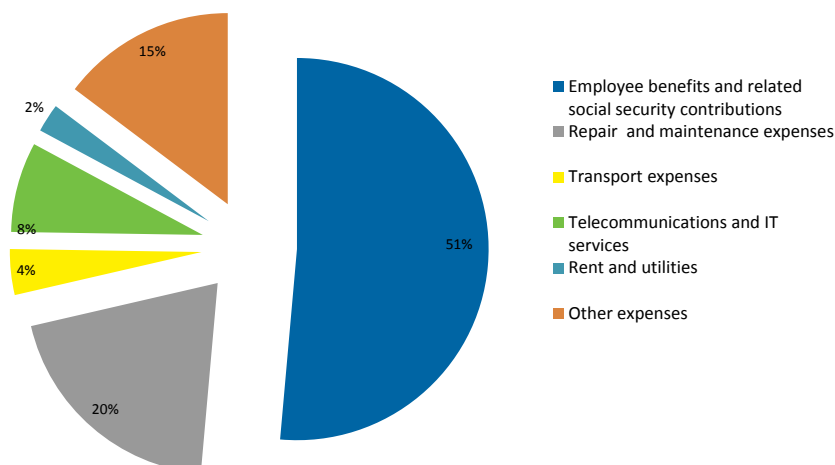
During the nine months of 2012 LESTO group earned LTL 1 677.6 million, Company's income share made up 99.0% of group income i.e. LTL 1 660.3 million. Comparing with the nine months of 2011 LESTO group income increased by 1.5 %.

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 1167.6 million i.e. 68.6% of total costs. Depreciation and amortization accounted to 17.8 % 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	2012-09-30	2012-06-30	2012-03-31	2011-12-31
Current liquidity ratio	0.46	0.42	0.55	0.53
Acid test ratio	0.44	0.40	0.53	0.51
Cash liquidity ratio	0.06	0.04	0.09	0.12
Working capital, LTL thousand	-290,018	-324,748	-237,027	-251,258
Working capital to total assets ratio	-0.06	-0.06	-0.05	-0.05

LESTO group financial leverage ratios	2012-09-30	2012-06-30	2012-03-31	2011-12-31
Total liabilities to total assets ratio	0.33	0.33	0.31	0.31
Debt to assets ratio	0.12	0.11	0.08	0.08
Total liabilities to equity ratio	0.49	0.49	0.44	0.45
Debt to equity ratio	0.17	0.17	0.12	0.12
Net financial debt, LTL thousand	566,460	550,211	391,743	381,020
Net financial debt to equity ratio	0.16	0.16	0.11	0.10
Long-term debt to equity ratio	0.12	0.11	0.08	0.09
Equity to total liabilities ratio	2.03	2.04	2.27	2.22
Equity to total assets ratio	0.67	0.67	0.69	0.69

The value of LESTO group assets at the end of reporting period made up LTL 5,155.9 million. Non-current assets share in total assets was equal to 95.17%. From the beginning of the year value of LESTO group assets shrank by 2.4 %. Short-term deposits and cash with cash equivalents accounted to LTL 32.2 million i.e. 12.9% of total current assets.

Equity of LESTO group exceeded liabilities 2.03 fold. At the end of reporting period, financial debts made up LTL 598.6 million or 35.1% of total liabilities. Non-current borrowings were 421.4 million LTL and made up 70.4% of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 538.9 million.

Current liabilities exceeded current assets by LTL 290.0 million. Current liquidity ratio stood at 0.46. 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 566.5 million and consisted only 16.4% of equity.

EBITDA of LESTO AB Group during the nine months of 2012 was 299,3 mln. Lt - 5.2 % more than last year during the same period.

LESTO group results for the nine months of 2012 is a net loss of 24.9 million LTL, it is 33.1 % less than 2011 nine 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.



## ESSENTIAL EVENTS

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

### LESTO essential events in 2012:

Date	Essential event
03-01-2012	<a href="#">Regarding the decisions of the Extraordinary General Meeting of Shareholders of LESTO AB and the decisions of the Board of LESTO AB</a>
20-01-2012	<a href="#">AB LESTO Investor' Calendar 2012</a>
08-02-2012	<a href="#">Regarding New Wording of Law on Electricity</a>
29-02-2012	<a href="#">Preliminary unaudited operating results of LESTO AB company group for twelve months of 2011</a>
16-03-2012	<a href="#">Regarding the Preparation of the Separation Plan of Electricity Distribution Activity<sup>2</sup></a>
30-03-2012	<a href="#">Regarding the Preparation of the Separation Plan of Electricity Distribution Activity<sup>3</sup></a>
03-04-2012	<a href="#">Regarding of the Ordinary General Meeting of Shareholders of LESTO AB</a>
06-04-2012	<a href="#">Regarding the Separation of Electricity Distribution Activity</a>
13-04-2012	<a href="#">Regarding supplement of agenda of Ordinary General Meeting of Shareholders of LESTO AB</a>
27-04-2012	<a href="#">Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 27 April 2012.</a>
27-04-2012	<a href="#">Annual information of LESTO AB company group of 2011</a>
18-05-2012	<a href="#">AB LESTO Social responsibility report of 2011</a>
25-05-2012	<a href="#">Regarding long-term loan agreement</a>
30-05-2012	<a href="#">Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB</a>
31-05-2012	<a href="#">Preliminary unaudited operating results of LESTO AB company group for three months of 2012</a>
21-06-2012	<a href="#">Regarding the decisions of the Extraordinary General Meeting of Shareholders of LESTO AB and the decisions of the Board</a>
04-07-2012	<a href="#">Regarding the adoption of resolution of the Government of the Republic of Lithuania</a>
26-07-2012	<a href="#">Regarding the Separation of Electricity Distribution Activity</a>

<sup>2</sup> 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.

<sup>3</sup> 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.

31-08-2012	Preliminary unaudited operating results of LESTO AB company group for six months of 2012
28-09-2012	Regarding the Change of Indirectly Controlling Person
05-10-2012	Regarding the electricity distribution price caps and supply service price cap for 2013
12-10-2012	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
12-10-2012	Regarding the public electricity price cap for 2013
06-11-2012	Regarding the decisions of the Extraordinary General Meeting of Shareholders of LESTO AB
09-11-2012	Regarding the prices of electricity transportation services and public electricity and their administration procedures and differentiation techniques for 2013
21-11-2012	Regarding the Publishing of Electricity Transportation Service and Public Electricity Prices