



Bank of Lithuania  
Žirmūnų street 151,  
LT-09128 Vilnius

30-08-2013

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules of Drawing up and the Submission of the Periodic and Additional Information, we, Virgilijus Žukauskas, temporary acting Chief Executive Officer Director of Electricity Network division–vice 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 2013 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.

Temporary acting Chief Executive Officer  
Director of Electricity Network division–vice  
Chief Executive Officer

Virgilijus Žukauskas

Head of Finance and Administration

Ramutė Ribinskienė



AB LESTO group  
Interim report  
for the six months of 2013

---

30 August 2013

---

## CONTENTS

GENERAL INFORMATION .....	3
LESTO activities .....	4
LESTO company group .....	5
LESTO management .....	6
Strategy and goals .....	12
Electricity distribution network .....	13
LESTO personnel .....	15
Customer Service .....	18
Projects and initiatives on social responsibility .....	19
INFORMATION ON THE ISSUER'S SECURITIES AND AUTHORISED CAPITAL .....	25
FINANCIAL STATUS .....	31
ANALYSIS OF PERFORMANCE RESULTS .....	37
Income, costs and profitability .....	37
Other financial ratios and investments .....	38
Risks and risk management .....	39
Internal control system .....	42
ESSENTIAL EVENTS .....	44

## GENERAL INFORMATION

### Reporting period covered by the report

Report covers January to June of 2013.

### 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
Temporary acting Chief Executive Officer		
Director of Electricity Network division-vice CEO	Virgilijus Žukauskas	+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 Board of the Bank of Lithuania No. 03-48 (28 February, 2013) 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 August, 2013.

## 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.

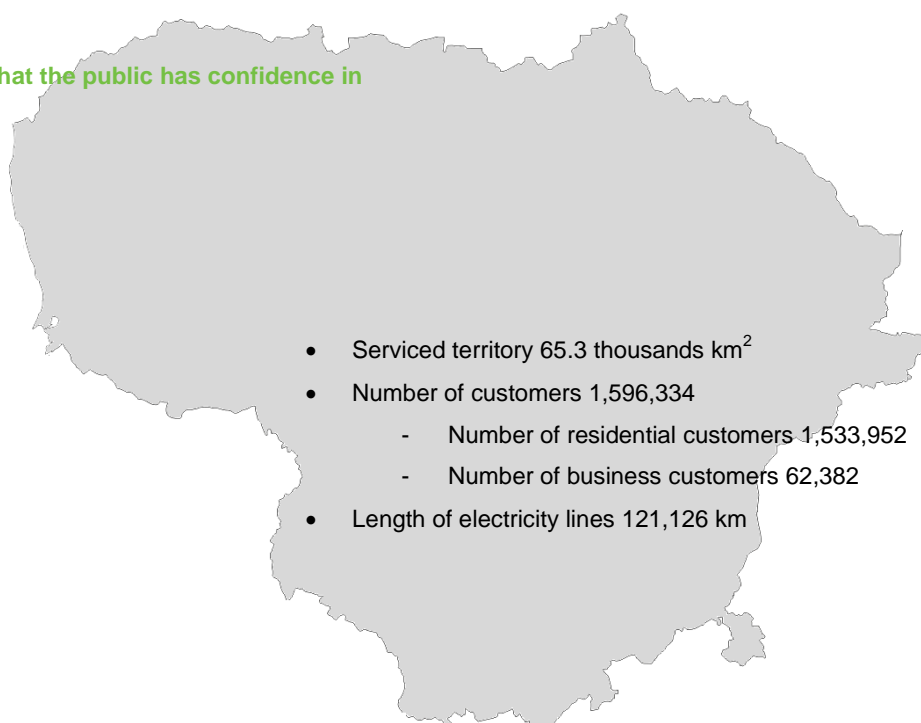
**INNOVATIVENESS:** We are seeking perfection and initiating changes.

## LESTO mission

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

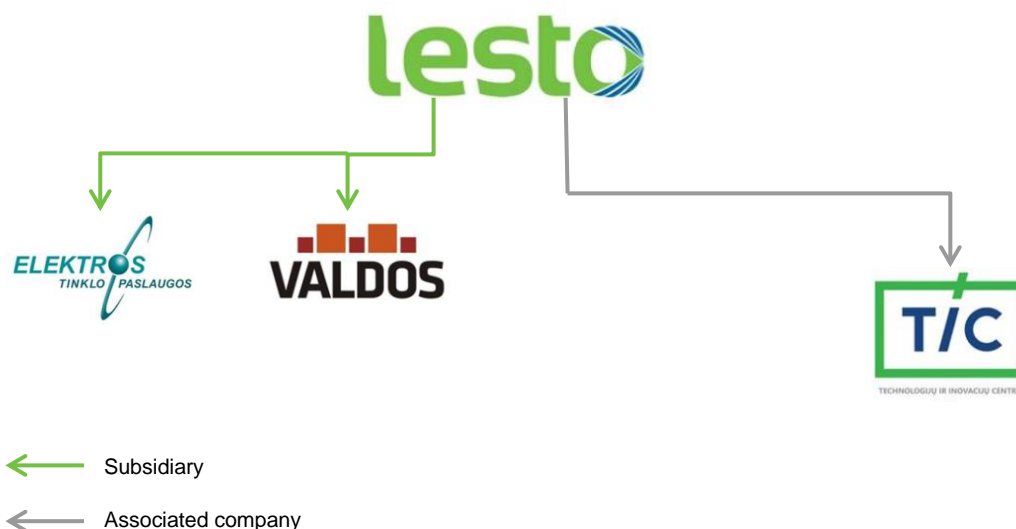
## LESTO vision

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



## LESTO company group

On 30 June, 2013, LESTO with its subsidiaries ELEKTROS TINKLO PASLAUGOS UAB, NT Valdოს UAB and associated company 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), 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
Address	Motorų str. 2, Vilnius	Geologų str. 16, Vilnius	A.Juozapavičiaus str. 13, Vilnius
Registration date	8 December 2004	18 January 2007	9 July 2010
Company code	300072351	300634954	302527488
Telephone	+370 5 210 6809	+370 5 210 6539	+370 5 278 2272
Fax	+370 5 216 7875	+370 5 210 6543	+370 5 278 2299
E-mail	etp@etpa.lt	info@valdos.eu	info@etic.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>
LESTO ownership, %, on report signature date	100.00	57.30	24.94
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.

## LESTO management

On 30 June, 2013, LESTO management bodies consisted of General Meeting of Shareholders, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

On 26 July, 2013, LESTO Extraordinary General Meeting of Shareholders approved a new version of the Articles of Association of the Company. The Articles of Association were registered on 31 July, 2013.

On the report signature date according the Articles of Association LESTO management bodies includes General Meeting of Shareholders, a collegiate supervisory body – Supervisory Board, a collegiate managing body – Board, and one-person managing body – Chief Executive Officer.

### 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.

### Supervisory Board

LESTO Supervisory Board is a collegiate supervisory body.

The competence of the Supervisory Board, the procedure for adoption of decisions, election and recall of members are governed by the law, other legal acts and Articles of Association. LESTO Supervisory Board consists of three members who are elected by the General Meeting of Shareholders for the term of four years. At least one-third of LESTO Supervisory Board composes of independent members. The Supervisory Board members elect the chairman of the Supervisory Board out of its members.

On 26 July, 2013, the General Meeting of Shareholders elected Ilona Daugėlaitė and Darius Kašauskas as LESTO Supervisory Board members. The third member of the Supervisory Board was not elected by the decision of the General Meeting of Shareholders.

Beginning of term of the Supervisory Board is 31 July, 2013, i. e. the registration date of the new version of the Articles of Association. Ending of term of the Supervisory Board is 31 July, 2017.

### 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.

On the report signature day the Board of the Company consists of the chairman of the Board Darius Maikštėnas (the independent member of the Board) and the Board members: Arvydas Tarasevičius, Edita Jonikienė\* (the independent member of the Board), Paulius Martinkus\* and Ramutė Ribinskienė.

\* On 27 August, 2013 LESTO AB received the applications of the independent member of the Board Mrs Edita Jonikienė and the member of the Board Mr Paulius Martinkus on the resignation from the members of the Board. Based on articles of the Law on Companies of the Republic of Lithuania, the mandate of the members of the Board expires on 11 September, 2013.

### Chief Executive Officer

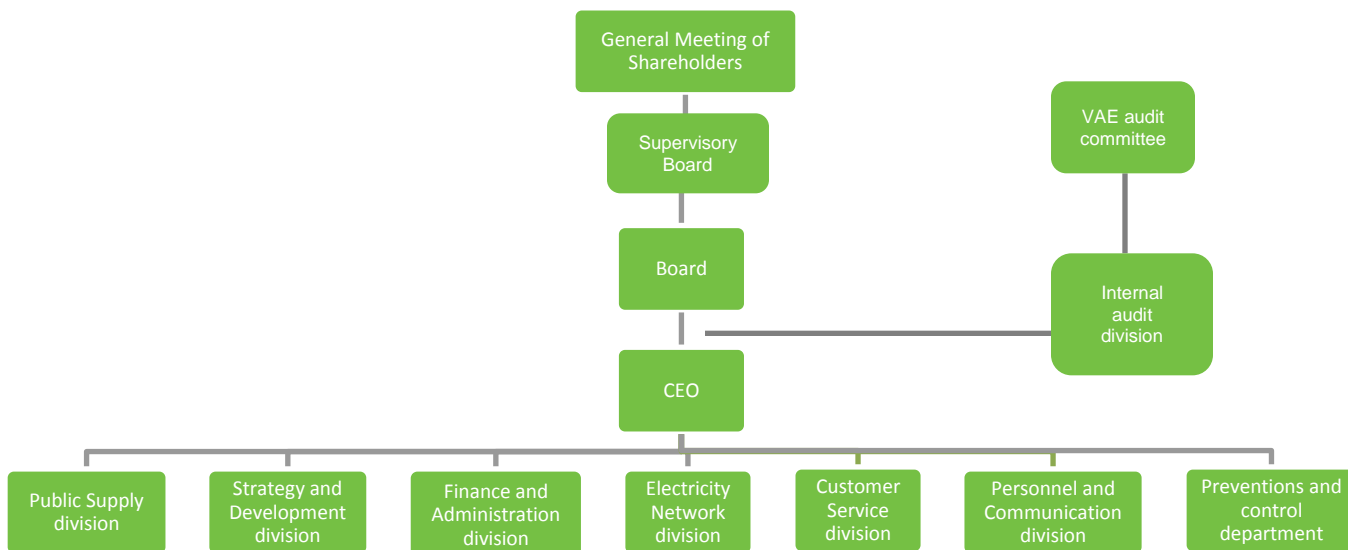
Chief Executive Officer (hereinafter – CEO) is a one-person managing body of the Company.

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, acts on behalf of the Company and unilaterally conclude transactions.

On 28 May, 2013, the Board recalled Arvydas Tarasevičius from the position of CEO from 21 June, 2013, because of reaching retirement age. Arvydas Tarasevičius was elected as a CEO of LESTO on 13 December, 2010.

On 19 June, 2013, the Board of LESTO made a decision to appoint Virgilijus Žukauskas as temporary acting CEO from 22 June, 2013, till the Board elects constantly acting CEO. Virgilijus Žukauskas is currently the acting director of Electricity Grid Division and vice CEO of LESTO.

LESTO management structure





## LESTO Supervisory Board



**Darius Kašauskas (1972)**  
**Member of the Supervisory Board**

**In this position:**

Since 31 July, 2013

**Ending of term:**

31 July, 2017

**Education:**

ISM University of Management and Economics,  
BI Norwegian Business school,  
Master in Management  
Vilniaus university,  
Master in Economics

**Main occupation:**

UAB „Visagino atominė elektrinė“,  
Director of Finance



**Ilona Daugėlaitė (1970)**  
**Member of the Supervisory Board**

**In this position:**

Since 31 July, 2013

**Ending of term:**

31 July, 2017

**Education:**

Vilnius university,  
Master in Hydrogeology and Engineering  
Geology.

**Main occupation:**

UAB „Visagino atominė elektrinė“,  
Director of Organizational Development

## LESTO Board



**Darius Maikštėnas (1970)**  
**Independent member of the Board,  
Chairman of the Board**

**In this position:**

since 3 January, 2012

**Ending of term:**

13 December, 2014

**Education:**

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

**Main occupation:**

UAB „Omnitel“, Vice-president



**Paulius Martinkus\* (1984)**  
**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



**Edita Jonikienė\* (1971)**  
**Independent member of the Board**

**In this position:**

since 21 June, 2012

**Ending of term:**

13 December, 2014

**Education:**

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

Vytautas Magnus university, Master in  
Business Management

**Main occupation:** UAB „Vilniaus  
investicijos“, CEO

\* On 27 August, 2013 the applications on the resignation from the members of the Board were received. The mandate of the members of the Board expires on 11 September, 2013.



**Arvydas Tarasevičius (1950)**  
**Member of the Board**

**In this position:**

since 29 April, 2011

**Ending of term:**

13 December, 2014

**Education:**

Vilnius University, Doctor of Social Sciences

Vilnius University, Master in Economic Cybernetics



**Ramutė Ribinskienė (1961)**  
**Member of the Board**

**In this position:**

Since 30 April 2013

**Ending of term:**

13 December, 2014

**Education:**

Vilnius University, Master in Economic Cybernetics

**Main occupation:**

LESTO, Director of Finance and Administration division

## LESTO CEO

---



**Virgilijus Žukauskas (1961)**  
**Temporary acting as CEO**  
**Director of Electricity Network division-vice CEO**

**In this position:**

Since 22 June 2013

**Ending of term:**

till the Board elects constantly acting CEO

**Education:**

Kaunas University of Technology,  
Master in Electricity Supply for Industry,  
Cities and Agriculture

**Information on LESTO Supervisory Board, 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, %
Supervisory Board			
Darius Kašauskas	LESTO AB, member of the Supervisory Board	-	-
	UAB „Visagino atominė elektrinė“, member of the Board, Director of Finance	-	-
Ilona Daugėlaitė	LESTO AB, member of the Supervisory Board	-	-
	UAB „Visagino atominė elektrinė“, member of the Board, Director of Organizational Development	-	-
	UAB Technologijų ir inovacijų centras, member of the Board	-	-
Board			
Darius Maikštėnas	LESTO AB, chairman of the Board, independent member of the Board	-	-
	UAB „Omnitel“, vice-president	-	-
	“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, 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 Council	-	-
Edita Jonikienė*	LESTO AB, independent 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“, chairman of the Board	-	-
	VsĮ The American International School of Vilnius, member of the Board	-	-
Paulius Martinkus*	ABIOTEK UAB, member of the Board, CEO	50	50
	LESTO AB, member of the Board	-	-
	The State Property Fund, head of state owned companies' control coordination department	-	-
Ramutė Ribinskienė	LESTO AB, member of the Board	-	-
	LESTO AB, Director of Finance and Administration division	-	-
Administration			
Virgilijus Žukauskas	LESTO AB, temporary acting as CEO, Director of Electricity Network division-vice CEO	0,000012	0,000012
	UAB „ELEKTROS TINKLO PASLAUGOS“, chairman of the Board	-	-
	UAB TETAS, member of the Board	-	-
Zina Chmieliauskienė	Chief Accountant, Director of Accounting department	-	-

\* On 27 August, 2013 the applications on the resignation from the members of the Board were received. The mandate of the members of the Board expires on 11 September, 2013.

**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	230,239***	-
Chairman of the Board Darius Maikštėnas	-	18,600
Board member Edita Jonikienė		9,750
Director of Accounting department Zina Chmieliauskienė	85,806	-
Members of the Administration total	316,045	28,350

\* 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.

\*\*\* From this amount redundancy and vacation compensation contributed to LTL 109,808

**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 till the year 2020 projects Company's aspiration to be effective, to use resources optimally, to serve customers' needs, and act as a 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.

Three priorities for activities are distinguished during the realisation of a long-term strategy:

- efficiency of activities;
- technologies;
- development of activities.

### 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 till the year 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 united dispatch control centre and network distribution management 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 and to improve the quality of network service: 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 employees to the right direction, the Company is planning to create and provide additional services. Potential can be seen in such services as “Electrician to your home”, services for settlers.

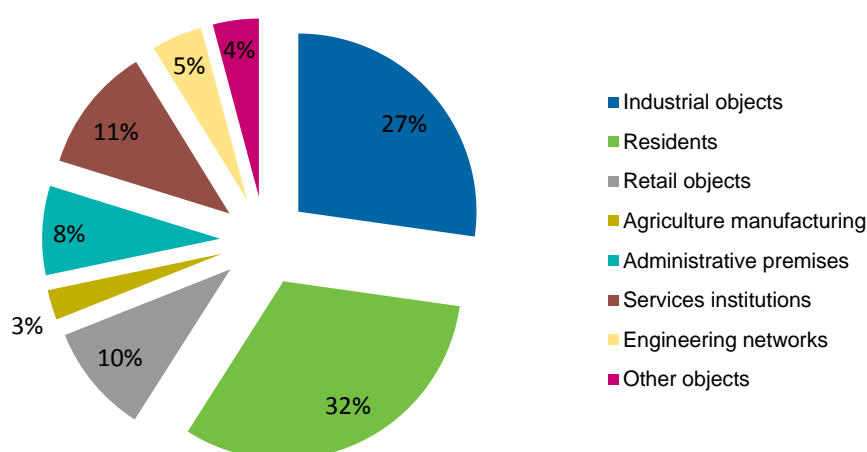
### Electricity distribution network

#### Development and expansion of the activities

Activity indicators	2013	2012
	January–June	January–June
Amount of electricity received to the distribution network, million kWh	4,460	4,401
Technological losses in the distribution network, million kWh	313	321
Volume of network service, million kWh	4,147	4,079
Amount of electricity sold, million kWh	1,584	1,887
<b>Electricity quality indicators:</b>		
SAIDI, minutes (with “force majeure”)	50.41	59.53
SAIFI, times (with “force majeure”)	0.58	0.74

During the six months of 2013 the amount of LESTO network service reached 4,147 million kWh. Electricity sales made up 38.2% of this amount, to the rest customers LESTO granted only network service. Comparing with the same period of 2012, the amount of electricity received and the volume of network service has increased. Such a change was due to the fact that the number of customers has increased and Lithuania’s economic situation has improved. Technological losses experienced by the Company amounted to 313 million kWh, i. e. 8 million kWh less than in the same period of 2012. During the six months of 2013 technological losses totalled to 7% of the amount of electricity received to the distribution network. The amount of electricity sold has 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 10% respectively. The structure of electricity network service during the reporting period of 2013 changed insignificantly. The share of electricity transmitted to industrial objects, residents and retail objects increased by 1 percentage point, and that of administrative premises, services institutions and other objects declined by 1 percentage point.

LESTO pays much attention to the development and maintenance of the electricity network. This guarantees that society is provided with economic and social benefits, that the reliability and quality of the electricity supply are increased, that the more rational use of energy is facilitated, all of which contributes to the Company's environmental policy.

During the first six months of 2013, LESTO investments in electricity network expansion and modernization amounted to LTL 74.4 million. This was 10.9 % less compared to the investment in six months of 2012 (LTL 83.5 million) because the biggest part of annual investment program was planned to implement in the second half of the year. During the six months of 2013 investments in medium voltage electricity grid decreased by 43.1%, comparing with the same period of 2012. Such a decline was due to later than scheduled signed contracts.

#### LESTO investment, LTL thousand

	2013	2012	Change, %	Structure, %	
	January–June	January–June		2013	2012
				January–June	
<b>Investments in expansion</b>	<b>74,392</b>	<b>83,471</b>	<b>-10.88</b>	<b>65.6</b>	<b>63.8</b>
Connection of new customers	74,027	83,075	-10.9	99.5	99.5
Buyout of electricity objects	0.365	0.396	-7.8	0.5	0.5
<b>Investments in maintenance</b>	<b>39,031</b>	<b>47,293</b>	<b>-17.5</b>	<b>34.4</b>	<b>36.2</b>
Low voltage electricity grid	23,762	23,017	3.2	60.9	48.7
Medium voltage electricity grid	12,289	21,607	-43.1	31.5	45.7
Other investments	2,980	2,670	11.6	7.6	5.6
<b>Total</b>	<b>113,423</b>	<b>130,764</b>	<b>-13.26</b>	<b>100.0</b>	<b>100.0</b>

During the first six months of 2013, LESTO has connected 8,606 objects of new customers, 7.6 % more than in the first six months of 2012 when it had 7,997 customers connected. The permissible power for new customers was equal to 137,364 kW, which is 24.1 % more than in the reporting period of 2012, when the permissible power was 110,701 kW.

In 2013, LESTO continued the acquisition of networks of gardening communities in order to meet the rising demands for electricity consumption of gardeners and the needs of infrastructure maintenance and to ensure a reliable, safe supply of electricity and network upgrades. In the second quarter of 2013, LESTO acquired electricity networks of 7 gardening communities. Since the start of the acquisition process (in 2003), LESTO has acquired 924 power networks, or 96% of the gardening communities networks.

Implementing the financing and administration contract between LESTO, the Ministry of Economy of the Republic of Lithuania and the public enterprise Lithuanian Business Support Agency (hereinafter – LVPA) “AB LESTO Electricity Distribution Network Modernization and Expansion in the Gardeners Communities”, signed on 29 March, 2012 (project code No. VP2-4.2-ŪM-01-K-03-002) regarding the modernization of the electricity networks of 76 gardening communities located on the LESTO serviced territory of Lithuania, modernization and expansion works of the electric power networks in 17 gardening communities were completed during the first six months of 2013. The sum allocated to the project financing from the EU structural funds was equal to LTL 9.147 million.

Implementing the financing and administration contract between LESTO, the Ministry of Economy of the Republic of Lithuania and the LVPA “AB LESTO Electricity Distribution Network Development – Electrification of Homesteads”, signed on March 29, 2012, on the electrification of 31 non-electrified homesteads in the western part of Lithuania, technical works on connection to the electric power network were completed for 30 homesteads out of total number of 31 homesteads included in the Project by the end of June, 2013. Electric power purchase/sales contracts were concluded with residents of 21 homesteads.



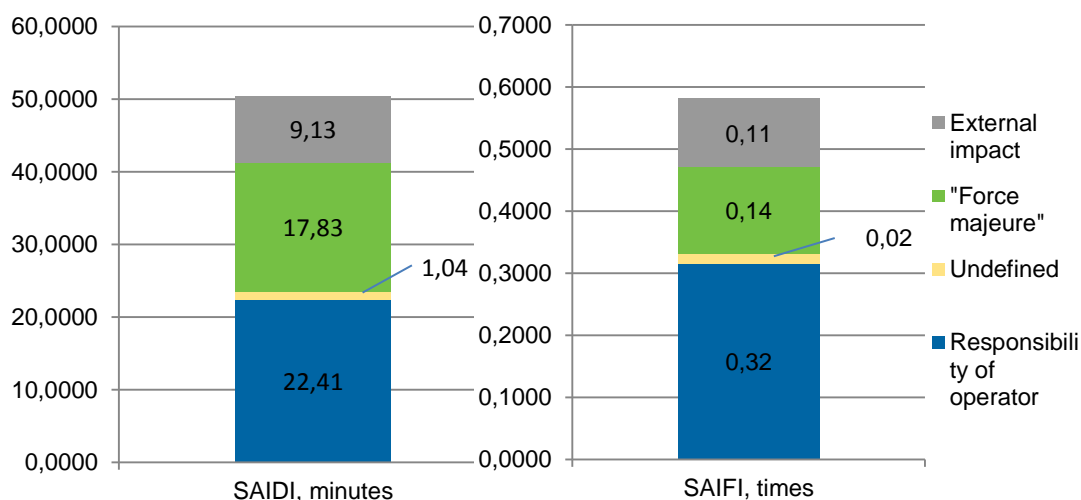
In the second half of 2013 the Company plans to continue implementing projects partly financed by the EU structural funds. Three financing and administration contracts were signed by the Ministry of Economy of the Republic of Lithuania, LVPA, and LESTO on December 28, 2012 (contracts were updated on 2013), for the implementation of the following projects:

- "AB LESTO Electricity Distribution Network Modernization and Expansion in the Gardeners Communities" (project code No. VP2-4.2 ŪM-01-K-04-004), on the modernization and development of the electricity networks of 17 gardening communities located on the LESTO serviced territory of Lithuania. Up to LTL 3.48 million should be given to project financing from the EU structural funds. During the first six months of 2013, LESTO has chosen the contractors and concluded contractual agreements with 14 gardening communities on the modernization and development of the electricity distribution network for the total amount of LTL 5.745 million.
- "AB LESTO Overhead Power Lines Replacement by Cable Lines" (project code No. VP2-4.2-ŪM-01-K-04-002) (36 objects). LTL 5.408 million was allocated to project financing from the EU structural funds. During the six months of 2013, LESTO has chosen the contractors and concluded contractual agreements for 28 projects "AB LESTO Overhead Power Lines Replacement by Cable Lines" for the total amount of LTL 9.3 million.
- "AB LESTO Transformer Substations Modernization" (project code No. VP2-4.2-ŪM-01-K-04-003). Seven transformer substations will be upgraded during the implementation of this project. Up to LTL 13.2 million are allocated for the project, financing from the EU structural funds.

#### Quality of electricity supply (SAIDI, SAIFI)

In the six months of 2013, regardless of the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer was equal to 32.58 minutes, the system average interruption frequency index (SAIFI) per customer reached 0.44 times in the six months of 2013. In comparison with the same period of 2012, power supply quality indicators, regardless of natural disasters, have improved (in the first half of SAIDI was equal to 33.71 minutes and SAIFI – 0.5 times).

Distribution network reliability indexes



#### LESTO personnel

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

In order to increase the efficiency of the Company's activities, the project of optimization of warehouses and inventories was implemented by LESTO in the second quarter of 2013. This allowed to streamline the functions of warehouses, to combine



the warehouses of the inventories and electricity metering devices; rental cost of warehousing premises were reduced by refusing to use unnecessary warehousing areas, and value of fixed inventories in the warehouses started to decrease. After implementation of this project, total number of the Company's personnel decreased by 11 units.

At the beginning of 2013 2,555 of employees were working in the Company. During the first six months of 2013 the total number of employees of LESTO decreased by 66, and it was equal to 2,489 by the end of June, 2013. At the end of June 2013, 3,303 employees were working in LESTO Group. From the beginning of the year the number of employees declined by 2.4% (on 31 December, 2012, LESTO Group had 3,384 employees).

#### LESTO employees by categories

Category	Number of employees		Change, %
	30 06 2013	31 12 2012	
Top-level managers	8	9	-11,1
Middle-level managers and specialists	2,024	2,075	-2,5
Workers	457	471	-3,0
Total	2,489	2,555	-2,6

The structure of Company's employees by their education was as follows: 56.3% of the employees had higher education, 27.6% had post-secondary education, and 16.1% had secondary or specialized-secondary education.

#### Training of competencies

LESTO organizes different types of training courses. During mandatory training, the professional qualification of the employees is improved, and the certificates with the permission to carry out special works are issued. During the first six months of 2013, 731 employees attended these compulsory training courses. The employees participated in the training courses including the following topics: special driving licenses (C, CE, BE class), high-altitude works manager, electro-technical personnel carrying out works with live components of electric installations; cutters of trees, bushes, and branches working in protected zones, skills in the areas of safety and fire signalization, first medical aid and hygiene.

During the six months 974 participants attended general training courses focused on the improvement of general competencies. These courses were organized both by forming groups of participants within the Company and sending individual employees to the seminars and conferences organized by external suppliers in Lithuania and abroad. The Company focuses on quality of servicing the clients, and for this reason, during the second quarter of 2013 the employees of the electrical grid agency (electricians and dispatchers of the operational team) participated in the training courses on the management of critical and conflict situations. Once the operating manuals started to work at the Company, the attention is focused on improving processes and training the owners of these processes. Hence the training courses on the issues of the management and improvement of the processes which started at the beginning of the current year were continued into the second quarter as well.

An internal program for the lecturers is running successfully in the Company for the third year already, where the training of the colleagues is carried out by the employees of the Company. Internal teachers taught their colleagues the particularities of electrical ABC, MS Excel skills, effective time management, successful recruitment and other skills. 18 training disciplines are prepared, 16 internal trainers conduct training courses. 82 participants attended internal training courses during the first six months of 2013.

The Company also cooperates constantly with the manufacturers, equipment suppliers, who share their knowledge free of charge with the employees of the electrical grid agency of LESTO, teaching about market tendencies and innovations in the energy sector. 369 employees participated in such courses during the first half of the year.

In the second quarter the competence model was approved by the Company and the works of the integration to the other human resources management systems started. These means will support the targeted training of the employees.

In order to ensure the quality of the organized training courses, the preparation of the training programs is carried out on the basis of close cooperation with the training suppliers, ongoing training evaluation surveys are carried out.

### Payment system

The introduced remuneration system has placed LESTO among the 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	Average gross wage, LTL
	January–June of 2013	January–June 2012
Top-level managers	18,564	18,019
Middle-level managers and specialists	3,288	3,138
Workers	2,687	2,843
Total	3,229	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). The new provision of the collective agreement on congratulations of the employees on occasion of their personal celebrations and anniversaries was approved on April 11, 2013.

### Internship

LESTO actively cooperates with educational institutions and allows university and college students to apply their theoretical knowledge and to acquire practical skills from the Company's employees. During the six month of 2013 LESTO received 77 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. If necessary, LESTO invites the former trainees to get employed in the Company. During the six month of 2013 seven former trainees joined the Company with a fixed-term or open-ended employment contract.

## Customer Service

### Customer Satisfaction

LESTO carries out its customers' survey under the name "The Customer's Voice" on a regular basis. The survey displays the customers opinion about service quality and the Company, on the basis of results, it plans and implements activities for general service quality improvement. The results of the first six months of 2013 have demonstrated that the quality of LESTO customer service is improving. Customers point out such issues as problem solving and employee's communication skills as the strong sides of the Company's service.

### The Number of the Customers Serviced

On June 30, 2013 LESTO had 1.534 million of contracts with private clients and 62.4 thousand of contracts with commercial clients signed.

### Service Channel Development

In recent years, the number of customers using remote service channels (users of the self-service website "My Electricity" and the customer service hotline 1802) increased. The flow of electricity consumers in LESTO customer service centers in smaller towns is decreasing. As customer needs are changing, the Company consistently invests and expands the services that are supplied via telecommunication and Internet channels.

In 2013 remote customer service channels are continued to develop further. In the beginning of June 2013 the updated LESTO self-service website „Mano Elektra“ ([www.manoelektra.lt](http://www.manoelektra.lt)) was launched, where 4 additional services were installed. From now on, LESTO web self-service meets all customers' needs: there is a modern outlook, complying with customer's standards of experience; the renewed homepage, where clients can find all the up-to-date information on LESTO, new messages, statements and power consumption charts. Clients possessing several contracts can manage them with one log-in. Users of the web self-service can now make direct debit contracts, manage options. The available information on billing and payment history is now much longer (up to 36 months) and more detailed. Clients who pay for common utilities services can now find information on people who administrate their houses and on declared inductions of meter consumptions. Customers become more active in using the web log-in ordering services via electronic banking and electronic signature functions – each month approximately 7-8% of website's visitors log-in that way.

LESTO customers are actively using Company's services and supplied information. During the six months of 2013 LESTO self-service website „Mano Elektra“ had an increase in visitors number (comparing the half of 2013 to the same period of 2012) from 832 thousands of visitors to 1,211 thousands, and, accordingly, the number of the unique system visitors had increased from 474 thousands to 632 thousands of visitors. During the six months of 2013 the number of registered private clients of the Company had increased by 38% (from 209 thousands to 289 thousand of clients).

Information on the customer service help-line short number 1802 was provided to more than 455 thousands of customers (in 2012 information was provided to more than 430 thousands of customers) and more than 175 thousands of customers inquiries on various issues were received and resolved.

In the six months of 2013 about 152 thousands of customers were assisted in Company's customer service Centers of five largest cities of Lithuania.

### Maintenance and Development of Accounting for Electricity

During the first six months of 2013 the Company has installed 8,501 electricity meters to new clients, of which 27% is used for electricity accounts in single-phase varying stream networks, while 73% is used in three-phase networks. Also, more than 289 thousands of checks and measurements control tests of electricity accounts were executed.

By investing into modernization and automation of electricity metering equipment, the Company has added additional 1,183 electricity meters to the automatized data scanning system in the first six months of 2013, and currently by means of remote data scanning it receives the information from 18,956 energy metering devices which record the electric energy consumption of the customers. Automation of electricity metering equipment provides the opportunity to automatically supply clients with invoices on the actual consumed quantity of electricity, and in this case the client does not have to declare electricity consumption himself.

In order to constantly improve satisfaction with the Company's work, good client service memos were prepared. They are given to employees operating the electric metering devices. These memos will encourage and remind employees how to properly serve the customers.

### Customer Settlement Management

Customers use electronic payment methods more often today. As per information on the end of the reporting period, 39% of LESTO private clients make their payments online.

Direct debit is one of the fastest growing means of payment for consumed electricity, when the customer is charged constant price each month for the electricity used, and the payment is automatically being made by the system, subtracting from the client's bank account. More than 140.8 thousands of LESTO customers are paying by direct debit already. Each customer, paying for electricity by direct debit, is being personally informed on the amount of his payment. LESTO customers who chose to make direct debit payments, can ask for their payments recalculation after periodic inspections of meter readings and in cases when the price on electricity has changed. In addition, customers are free to determine the most convenient payment date when the bill for the electricity consumed to be paid automatically.

Clients have the opportunity to declare their power consumption measurements on the constantly updated self-service website „Mano elektra“.

### Market liberalization

On 30 June, 2013, the independent electricity supplier was chosen by almost 14,214 users.

On 8 July, 2009, the Government of the Republic of Lithuania had approved the Lithuanian electricity market Development Plan. In accordance with the Plan, on 30 June, 2013, the independent electricity supplier has been chosen accordingly:

- With permissible power 400 kW and more – about 97 per cent;
- With permissible power 100 kW and more – about 89 per cent;
- With permissible power 30 kW and more – about 73 per cent;
- With permissible power of less than 30 kW – about 51 per cent.

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

### Projects and initiatives on social responsibility

LESTO is a member of the Global Compact initiated by the United Nations, and submits an annual progress report, prepared in accordance with Global Compact principles. The Global compact includes the implementation of 10 principles of responsible activities and encourages companies to preserve the environment, community, and other businesses and, together with the United Nations, other governmental institutions and nongovernmental organizations, participate in the resolution of social and environmental safety, contribute to the development of society and economic growth. The Global compact is based on the principles of human rights, workers' rights, the environment and the fight against corruption.

### LESTO prioritizes socially responsible activities

The main goal of LESTO social responsibility activities is to cultivate the skills of safe and rational electricity use in 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's activities in the market include responsible behavior in cooperation with all who is concerned: customers, suppliers, contractors, state agencies. Particular attention is paid to the quality of the Company customer service; the Company has expanded the spectrum of services that help the customer to save time and money. Work with customers is based on the principles of respect, understanding of their needs, professional and expeditious decisions.

### Estimation

LESTO was invited to chair the National Network of Responsible Businesses (NAV|T), a development program of the United Nations, which presented the „Global Compact“ in Lithuania. NAV|T invited LESTO to Chair on the board of NAV|T in 2013. NAV|T is the unifying entity of socially responsible businesses in Lithuania. The main network mission is to promote responsible business ideas and their development as an essential condition for sustainable development in Lithuania.

On 18 June, 2013, in Kaunas NAV|T organized a conference „Socially responsible business – worth it“, where representatives of municipalities, science, environment, business organizations, industry and service sectors shared their experience on creating a sustainable and socially responsible business. The event was attended by more than 60 participants, mainly from Kaunas and its region. During the event, statements were read by the Mayor of Kaunas and the president of Industry, commerce and craft of Kaunas. The purpose of the conference was to expand the idea of socially responsible business, while trying to educate more socially responsible companies and to contribute to the sustainable development of the execution of the principles, while fully and clearly understanding their reason, benefits and responsibilities.

### Environmental Projects

In everyday activities, the Company encourages the application of working tools which reduce labor expenditure and pollution, actively seeks for ways to reduce the negative impact of energy facilities to people and the environment. LESTO invests in environmentally friendly modern technologies. LESTO, while implementing environmental projects, attempts to reduce the negative impact of energy facilities to people and the environment and to encourage wider public to participate in its initiatives.

**Let's Do It 2013.** During the ecological-thinking, social activities and sociality encouraging public event „Let's do it“, employees of LESTO cleaned up the environment in 25 cities of Lithuania – Alytus, Kaunas, Klaipėda, Panevėžys, Šiauliai, Vilnius and other cities. In 2013, same as in 2012 and 2011, the event was attended by more than 400 employees of LESTO, who replied positively to the organizers request to assist in the campaign of forests cleaning.

**Electro-mobiles.** LESTO envisions great potential for the future development of electric vehicles; new energy-efficient technologies and their installation in the cars industry become more competitive on the market, especially in comparison with older cars using traditional fossil-fuel. In order to execute tests and to assess practically the opportunities and potential to use electro-mobiles under Lithuanian climate and road conditions, LESTO has leased the electro-mobile for three years.

The first charging stations and other required infrastructure are being planned to be gradually installed in Lithuania. The Company also hopes to contribute to the development and expansion of such infrastructure, thus it wants to be prepared to offer the best solutions for future owners of electro-mobiles. LESTO plans to open the first charging station next to their central Headquarters at Žvejų Street in Vilnius.

In order to promote the use of environment-friendly means of transport, LESTO invited a group of interested companies, public institutions and other organizations to develop infrastructure for electric vehicles in Lithuania, to promote and support the development of environmentally friendly and energy-efficient technologies. There is currently no consensus on this subject in the country.

The section of „Social responsibility“ on LESTO website [www.lesto.lt](http://www.lesto.lt) was updated with new information and special attention was paid to the part on electro-mobiles: the introductory film was introduced, „Electro-mobile ABC“ was prepared, that everyone can download.

**Paper Issues.** The Company continuously encourages its customers to give up filling of the paper bills and billing books, moving on to the remote online service channels or direct online debit. About 90% of the Company's business customers have already switched to electronic billing.

The attention was paid at the fact that about one quarter of all municipal waste is paper, cardboard and plastic, and that most of this type of rubbish is disposed of at offices. Thus in May of 2013 the Company Headquarters and its employees started the new initiative against waste in the recycling of plastic and paper. All offices now have special boxes for paper and plastic.

Newsletter „Elektros žmonės“ designed for employees is being now prepared in the electronic format only. The recipients of the e-mail messages of the Company employees are encouraged to print the information only when it is necessary.

**Natural heritage protection.** LESTO, together with the Lithuanian Ornithological Society and the Institute of Ecology for the Nature Research Center and partners, had implemented the project of European Union Financial Instruments for the Environment LIFE + “White Stork Protection in Lithuania”. The stork nests built on electricity poles are not safe either to birds or to people. When storks touch the electrical wires, they are often fatally injured; and LESTO incurs losses due to electrical leakage and breaks in wires. This year, on their return to Lithuania, storks found 1,520 new artificial stork nests on electricity poles, during the project LESTO installed a total of 3,260 artificial nests.

### To the public

LESTO executes large-scale and long-term social responsibility projects, devoted to children, youth and the rest of the public united by the involvement of active communities and target groups of the society, secure and efficient energy use and environmental sustainability ideas.

### “Operation 2020“

The program „Operation 2020“ is expected to continue until 2020, by which time it will have served to promote responsible behavior with equipment of the electricity network, increased public knowledge and understanding of electric equipment use, reduced the negative consequences attributed to irresponsible or malicious behavior. Active meetings of LESTO employees with local self-government (administration, heads of local municipalities, police) were held regionally, inviting them to find ways of solving the most pressing population problems related to security, modernization of the electric network or lighting, and how to increase public responsibility.

In order to prevent thefts of distribution network equipment, LESTO cooperates with major infrastructure companies - TEO AB, Lietuvos geležinkeliai AB, Electronics collectors association” (EEPA), the Recycling Association (APIA), the Metal Scrap Buyers' Association. "The Association of Chiefs of Local Authorities of Lithuania" is the main partner in the initiative “Operation 2020”, and is also dedicated to promoting citizenship and responsibility. Citizens are encouraged to call if they notice damaged equipment of the network, tree branches close to or on electricity lines, detect or suspect theft of equipment. During the six months of 2013, LESTO had lost the technological wealth worth LTL 465 thousand throughout Lithuania – this is a 15% increase compared to the six months of 2012. More than half losses fall to the region of Vilnius (LTL 261 thousand), where the volume of thefts increased almost thrice, while the number of thefts in all other regions decreased. By collaborating with legislative institutions, the Company was able to reduce the losses caused by theft of metal and wires. However, losses from theft of transformer oil increased by 42%, to the amount of LTL 392 thousand – losses for theft of oil accounts for 84% of all losses caused by thefts.

The biggest pillar in a fight against thefts is the public spirit – citizen reports allow for the fast determination of suspects, as well as quick repair for damaged transformers, while they still have not caught fire and cut all electricity for citizens. During these 6 months, the trust line and the special form on the internet regarding suspected thefts received 122 messages. According to them, 12 cases of electricity theft have been confirmed and people responsible for this will have to compensate losses of more than LTL 17 thousand.



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

The promotion of the rational use of energy is one of the priority directions in the social responsibility of the Company, thus contributing to environmental sustainability and conservation of energy resources and to the obligations of the country in pursuing the goals of the European Union climate change program. The projects are devoted to creating traditions for the rationally living society – rational ways of using electricity in business and at home are invented.

#### *For business*

Lithuanian energetic efficiency is twice as low as the average one of the European Union. This demonstrates that business is not using all opportunities to consume electricity effectively and rationally. One of the goals of LESTO's social responsibility is to promote the rational consumption of electricity and to create higher value with the same amount of electricity.

„**The Green Protocol**“. All companies were invited to join "The Green Protocol" for the third year in a row. This is the Company initiated agreement and is the only agreement of this kind; companies confirm that they are familiar with sustainable ideas that promote the rational use of electricity; they support the ideas and promise to apply them in practice.

**Annual Conference.** In 2013, the annual conference on the rational consumption of electricity took place, organized together with the newspaper „Verslo žinios“, and was attended by more than 300 participants from more than 160 companies in the country. The increase of the number of participants by more than one third as compared to the previous year's conference can be attributed to the increasing popularity of practical solutions in electricity savings for business, that allow not only to increase competitiveness but also to contribute to global goals by saving natural resources.

More than 95% (from 173 who filled out the surveys) of participants of this conference confirmed the importance of energy efficiency solutions, while 143 participants (83%) confirmed that they would participate in a similar event repeatedly. During the conference, a company that has signed the „Green Protocol“ has been awarded with the award for „the most rationally energy consuming company“. The company that used power most rationally and the enthusiast of energy savings were awarded special souvenirs symbolizing the idea of conservation. Currently, 118 enterprises are members of the „Green Protocol“.

#### *For people*

**Block houses Project.** In order to draw attention of the public towards issues of electricity saving in public areas, LESTO, together with its social partners - „Mano būstas LT“ UAB, „ACME Europe“ UAB and „Elektros taupymo sprendimai“ UAB had completed the project „Items necessary to an apartment building: the home of safety and savings“. During the project, a model example, sponsored by the partners, was installed in four blockhouses in different cities, and included modern lighting of the staircase and front door, together with the presence cycle – this means that the light is switched on not only for a movement, but also in the presence of a person. With this project, attention was drawn not only to energy saving but also to aspects of safety. Statistics show that, where electrical installations are disorderly or outdated, the number of fires in the country increases by 12%. By constantly maintaining and renewing installation and lighting, not only is the number of breakdowns that might cause a fire had decreased, but safety had also increased. The public areas, the surroundings of blockhouses, the entrances to staircases and the foundations now all have lighting, which proved to be the extremely effective prevention measure against theft and robbery.

### Educational Project for Children and Young People “Electro-Magic“

The youth-oriented educational initiative “Electro-Magic” is designed to educate children and youth about energy use, threats, and safety problems. The initiative's aim is to encourage students to learn safe handling of electricity and electrical facilities, to promote interest in the responsible use of energy, as well as environmental and sustainable development ideas. “Elektromagija.lt” organizes annual contests and fosters public information about saving electricity and the environment, for

instance, children were invited to participate in a contest to design future cars. The competition has been organized for the third time by „EKO Kalėdos“, which promotes „green“ initiatives.

During the project, LESTO cooperated with Lithuanian schools and their communities. On the project site [www.elektromagija.lt](http://www.elektromagija.lt), playful virtual characters speak about electricity, and children, by playing interactive games, acquire knowledge on safety, electrical threats and their potential. Site visitors are encouraged to join in the creation of the site content. In February-March, 2013, children were invited to create a new inhabitant of the electro-magic land – Elektronė, who will join the already existent characters on the Company's website. The contest was attended by more than 1,000 children, who submitted more than 1,000 drawings, and the main prize was won by a 16 year old girl, a student, from Josvainiai (Kėdainiai region). During the competition, the website was visited by 31,972 unique visitors, and the number of website views reached 348,676 – tenfold more than usually.

#### Free events on „Energetics Days“

April 17th is considered as the date of the beginning of electrical era in Lithuania. On this day, when the first power station started operations in Rietavas in 1892, energetics celebrates their mini-profession day. The 121 anniversary celebration, with the slogan „energetics live!“, reached its culmination – for the citizens of Vilnius and city guests, a plethora of entertaining and informative events occurring at the museum of energetics and technology of the Republic of Lithuania – from lectures for students, tours in museums to an exhibition of electro-mobiles and the execution of various experiments. Citizens were invited to hear directly and clearly what energetics do in everyday life and everything about the energetics of Lithuania today and in the future. The museum invited visitors to free tours, during which it was possible to become acquainted with the history and accomplishments of Lithuania's energetics and technology, and to see the impressive exhibition of the museum. The program of „Energetics Days“ was given as a gift by the National Lithuanian Electrical Association (LESTO AB, Lietuvos energija AB, Litgrid AB, Technologijų ir inovacijų centras UAB, „Visagino atominė elektrinė“ UAB, „Klaipėdos nafta“ AB) together with its partners – the Kaunas University of Technology, Faculty of Electrical and Management Engineering, the student association ENDI. The events were attended by more than 800 guests.

#### Research on the opinion of the society

In the beginning of 2013, following LESTO's order, „Baltijos tyrimai“ conducted a research on public opinion about habits of electricity consumption. Most participants had stated that they try to save electricity at home; however, when asked about the means of saving, one third of them could not mention even one. Most of the participants of the study associate savings only with economic lamps and switched off lights. One third of all respondents know about the means to save electricity, but do not use any of them.

#### Improvements in services for clients with special needs

In June, LESTO conducted a research, during which the possibilities for improvements in services for physically disabled and elderly people, taking into account their specific needs, were assessed. The study was conducted by „Socialinių klausimų sprendimai“. The client service centers of LESTO were evaluated in order to determine the current situation and to provide recommendations on the elimination of obstacles for the disabled, and eliminating the creation of new obstacles. After the recommendations were received, some problems were immediately fixed: improvements in the website's version for the disabled were installed, the contrast of the text was enhanced, special markings were installed. The installation of additional improvements is planned, such as modifications in the printed material and while selecting the places for the client service centers – a focus on how to assure comfortable access, accessibility to the parking lot, appropriate door width, arrangement of premises and special facilities.

The study is conducted in order to contribute to the guarantee of human rights and as a solution to the problem of integration of the disabled into society. The Company strives, for the equal treatment of our clients at any contact, and would be able to



use the same opportunities, independently of whether the person goes to client service centers or looks for information on the internet or reads the information on the brochure. This research is another step towards the integration of the disabled. This spring, LESTO signed an agreement with a social company for the disabled which won the public purchase for the delivery of the document archiving service.

#### **Operative information about problems and inconsistencies**

From the end of June, LESTO started informing power consumers via e-mail and text messages about known troubles in distribution networks that are causing the loss of electric power. Clients are informed about the estimated time of repairs, changes in repair time, elimination of the issue. Messages, in the form of text messages or e-mails, about any issues are sent to all private and business clients of LESTO that have already provided the Company with their contact information (mobile phone number and e-mail address).

#### **Fight against corruption**

LESTO does not tolerate any kind of corruption and endorses honest business and a transparent collaboration with government institutions. The risk is minimized via existing complex mechanisms for internal control, which are used to determine possible risk factors for corruption. Prevention of corruption is one of the functions of the Company's Department of Prevention and Control. LESTO constantly executes activity controls, improves activity processes and acts to correct determined violations, to eliminate rising threats against the image of the Company.

#### **Clarity**

In order to ensure transparency in public purchases on services, goods and labor, more specialized procedures on public purchases issues had been introduced in the Central Information System for Public Purchases (CVP IS). The system allows the companies to organize the whole process of public purchases electronically; for suppliers it is now more convenient to participate in public purchases procedures under the principle of „one window “ by electronic means.

#### **Report on the development of social responsibility in 2012 had been published**

In May LESTO had announced the annual Report on the development of social responsibilities, made ready in compliance with the main principles of Global Compact. During 2012, LESTO had increased its participation in the sphere of social responsibilities – it expanded the rational power consumption movement, actively took part in the environmental activities, executed different educational projects for students and the public. LESTO Projects, being the examples of good practice, were presented globally – in the Conference on sustainable development – “RIO +20”. The public report is also accessible on the Company's website (in the section on information for investors and social responsibilities), on the system of the NASDAQ OMX securities' Market and on the website of the United Nations organization „Global Compact“[www.globalcompact.org](http://www.globalcompact.org), in Lithuanian and English.

## 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**

The Company's related parties in the first half of 2013 and 2012 were as follows:

- Visagino Atominė Elektrinė UAB (the major shareholder of the Company) its subsidiaries and associates;
- Subsidiaries of the Company;
- Associates of the Company;
- Key management of the Company as well as entities managed by the management or where the management has control or significant influence in those entities;
- All state controlled or significantly influenced entities (disclosures are made only for those state controlled entities, with which the transactions are significant).

Transactions with related parties are presented below (LTL thousand):

**Sales of goods and services to:**

	Group		Company	
	1 January–30 June		1 January–30 June	
	2013	2012	2013	2012
Subsidiaries	-	-	2 468	6 570
Associates	2 849	2 885	11	3
Companies of Visagino Atominė Elektrinė UAB group	1 148	1 291	144	129
	3 997	4 176	2 623	6 702

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

	Group		Company	
	1 January–30 June		1 January–30 June	
	2013	2012	2013	2012
Subsidiaries	-	-	35 791	36 495
Associates	14 805	15 166	13 997	14 282
Companies of Visagino Atominė Elektrinė UAB group	190 718	253 299	189 835	252 531
	205 523	268 465	239 623	303 308

**Compensation of key management personnel**

	Group		Company	
	1 January–30 June		1 January–30 June	
	2013	2012	2013	2012
Salaries and other short-term employee benefits*	1 113	973	1 113	973

On 30 June, 2013, the number of the Company's key management personnel was 8 persons (on 30 June, 2012, the Company's key management personnel was 9 persons).

\* Including Redundancy and unused vacation compensations, sickness benefits.

**Amounts receivable from related parties:**

	Group		Company	
	30-06-2013	31-12-2012	30-06-2013	31-12-2012
Subsidiaries	-	-	267	598
Associates	1 606	1 237	-	1
Companies of Visagino Atominė Elektrinė UAB group	302	271	20	23
	1 908	1 508	287	622

**Amounts payable to related parties:**

	Group		Company	
	30-06-2013	31-12-2012	30-06-2013	31-12-2012
Subsidiaries	-	-	17 044	17 172
Associates	4 215	3 429	3 989	3 135
Companies of Visagino Atominė Elektrinė UAB group	45 500	40 152	45 287	39 972
	49 715	43 581	66 320	60 279

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, 2013, subsidiaries of AB LESTO (NT Valdov, 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 2013.

#### **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 2013.

#### **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 2013.

#### **Reasons for acquisition of own shares in the accounting period**

The Company did not acquire its own shares in the first half of 2013.

#### **Shareholders**

On December 31, 2012 the number of LESTO shareholders totalled – 7,431.

On June 30, 2013 the number of LESTO shareholders amounted to 7,468.

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, 2013-06-30

Country	Number of shareholders
Lithuania	7,267
Russia	49
Belarus	38
Estonia	36
United States	20
Latvia	12
Other Countries	46
<b>Total</b>	<b>7,468</b>

**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, 2013.**

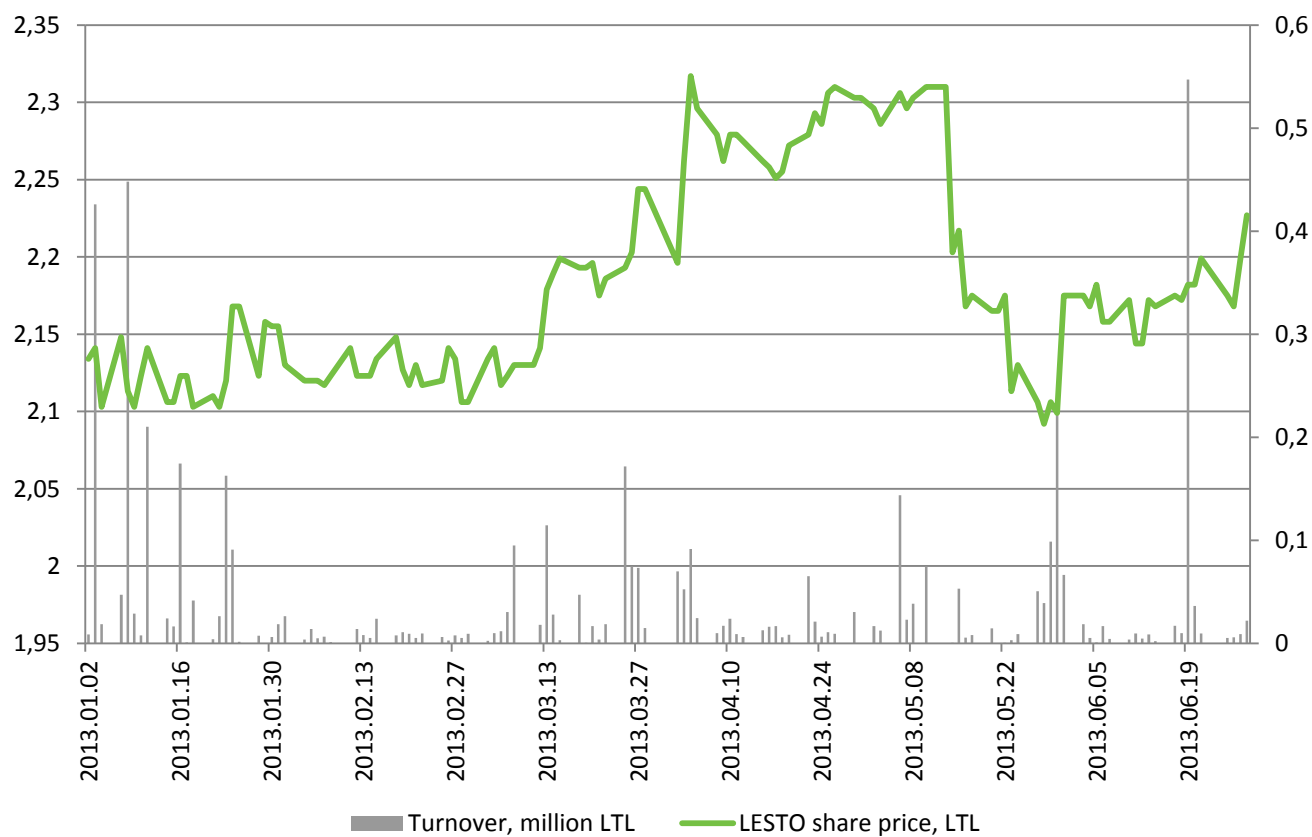
Full names of the shareholders (names of companies, types, headquarter addresses, company register code)	Number of ordinary registered shares	Share of authorized capital, %	Votes granted by shares owned, %
Visagino atominė elektrinė, UAB Žvejų str.14, Vilnius, company reg. No. 301844044	499,026,209	82.63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

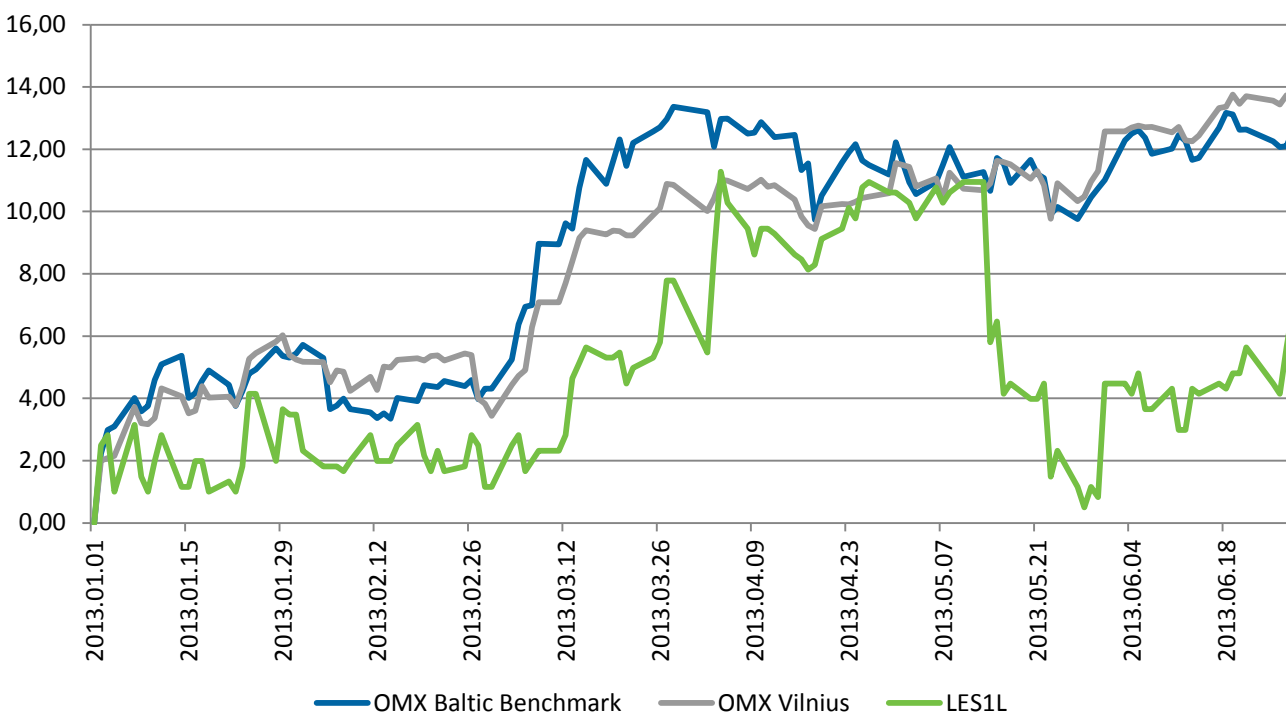
ISIN code	Trading list	Abbreviation of securities	Number of shares	Nominal value, LTL	Industry according to ICB standard	Supersector according to ICB standard
LT0000128449	BALTIC MAIN LIST	LES1L	603,944,593	1	7000 Utilities	7500 Utilities

## LESTO share price dynamics and turnover, 01-01-2013 – 30-06-2013



LESTO is one of the biggest companies by market capitalization in OMX Baltic securities exchange market. During the first six months of 2013, LESTO share price reached the highest point of LTL 2.317 on 4 April, 2013. The lowest point of LESTO share price was reached on 28 May, 2013, when the information about the CEO resignation was published, the price of LESTO share was LTL 2.092. During the reporting period LESTO share price increased by 4.36% and on 28 June, 2013, the last trading day of the first half, the price of LESTO share was LTL 2.227. The average price of LESTO share during the reporting period – LTL 2.18.

## Dynamics of LESTO share price, OMX Vilnius and OMX Baltic Benchmark indexes, 01-01-2013 – 30-06-2013



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 17.49%.

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 the year 2013 until 30 June, 2013, the last trading day of the first half of the year 2013, index OMX Vilnius increased by 13.77%, OMX Baltic Benchmark increased by 12.63%, while price of LESTO share increased by 4.36 %.

### Dividends

On 30 April, 2013, the decision to pay dividends for shareholders was adopted in Ordinary General Meeting of Shareholders. Company's 2012 financial year distributable profit was LTL 102.7 million. Profit allocation to pay out dividends per share was LTL 0.17.

### 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	
	30-06-2013	31-12-2012	30-06-2013	31-12-2012
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4 634 861	4 733 676	4 494 076	4 585 537
Intangible assets	7 822	7 057	7 749	6 974
Prepayments for property plant and intangible assets	7 349	7 394	7 349	7 394
Investments in subsidiaries	-	-	203 652	195 628
Investment in associates	18 690	18 020	19 082	19 082
Investment property	144 666	141 730	-	-
Deferred income tax asset	456	210	-	-
Non-current receivables	2 077	2 183	2 077	2 183
	<b>4 815 921</b>	<b>4 910 270</b>	<b>4 733 985</b>	<b>4 816 798</b>
<b>Current assets</b>				
Inventories	10 318	9 981	3 104	4 900
Trade and other receivables	191 629	190 911	186 013	184 296
Prepayments, deferred charges and accrued income	23 685	22 003	22 954	21 638
Short-term deposits	-	3 000	-	-
Cash and cash equivalents	25 593	30 066	8 852	9 581
	<b>251 225</b>	<b>255 961</b>	<b>220 923</b>	<b>220 415</b>
Non-current assets held for sale	652	4 280	-	2 488
	<b>251 877</b>	<b>260 241</b>	<b>220 923</b>	<b>222 903</b>
<b>Total assets</b>	<b>5 067 798</b>	<b>5 170 511</b>	<b>4 954 908</b>	<b>5 039 701</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	1 544 710	1 634 355	1 515 635	1 605 245
Legal reserve	60 394	60 450	60 394	60 394
Retained earnings	1 007 815	1 001 228	1 055 050	1 044 584
	<b>3 216 864</b>	<b>3 299 978</b>	<b>3 235 024</b>	<b>3 314 168</b>
<b>Non-controlling interest</b>	<b>126 717</b>	<b>131 452</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>3 343 581</b>	<b>3 431 430</b>	<b>3 235 024</b>	<b>3 314 168</b>
<b>LIABILITIES</b>				
<b>Amounts payable after one year and non-current liabilities</b>				
Borrowings	285 556	395 647	285 556	395 647
Deferred income tax liabilities	347 350	360 697	344 519	358 373
Deferred income	311 478	319 014	311 478	319 014
Grants and subsidies	47 864	45 940	47 864	45 940
Non-current employee benefits	3 476	3 220	3 476	3 220
Other non-current liabilities	382	322	369	322
	<b>996 106</b>	<b>1 124 840</b>	<b>993 262</b>	<b>1 122 516</b>
<b>Amounts payable within one year and current liabilities</b>				
Borrowings	341 825	181 120	341 819	181 120
Trade and other payables	278 941	330 224	278 932	324 000
Advances received and accrued liabilities	86 942	84 486	85 705	79 722
Derivative financial instruments	799	1 558	799	1 558
Current income tax liabilities	19 604	16 853	19 367	16 617
	<b>728 111</b>	<b>614 241</b>	<b>726 622</b>	<b>603 017</b>
<b>Total liabilities</b>	<b>1 724 217</b>	<b>1 739 081</b>	<b>1 719 884</b>	<b>1 725 533</b>
<b>Total equity and liabilities</b>	<b>5 067 798</b>	<b>5 170 511</b>	<b>4 954 908</b>	<b>5 039 701</b>



## Statement of comprehensive income, LTL thousand

	LESTO Group			
	2013 H1	2013 Q2	2012 H1	2012 Q2
Sales revenue	1 220 356	573 003	1 156 384	530 601
Purchases of electricity	( 843 652)	( 385 722)	( 810 628)	( 356 239)
Depreciation and amortization	( 201 720)	( 99 170)	( 201 754)	( 101 220)
Employee benefits and related social security contributions	( 79 747)	( 39 305)	( 81 714)	( 39 121)
Repair and maintenance expenses	( 25 302)	( 15 521)	( 31 089)	( 18 548)
Transportation costs	( 5 489)	( 2 743)	( 6 138)	( 3 010)
Telecommunications and IT services	( 11 440)	( 5 703)	( 12 261)	( 6 078)
Rent and utilities	( 5 519)	( 2 233)	( 4 606)	( 1 129)
Revaluation of long-term assets	3 142	-	( 372)	-
Other expenses	( 23 376)	( 11 873)	( 22 283)	( 12 492)
<b>Operating profit (loss)</b>	<b>27 253</b>	<b>10 733</b>	<b>( 14 461)</b>	<b>( 7 236)</b>
Finance income	2 139	1 157	1 282	594
Finance (costs)	( 3 655)	( 2 279)	( 5 519)	( 2 773)
<b>Finance income /(costs), net</b>	<b>( 1 516)</b>	<b>( 1 122)</b>	<b>( 4 237)</b>	<b>( 2 179)</b>
Profit (loss) on investment in associates	670	459	64	177
<b>Profit (loss) before income tax</b>	<b>26 407</b>	<b>10 070</b>	<b>( 18 634)</b>	<b>( 9 238)</b>
Income tax	( 3 561)	( 1 638)	4 341	1 391
<b>Profit (loss) for the year</b>	<b>22 846</b>	<b>8 432</b>	<b>( 14 293)</b>	<b>( 7 847)</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>-</b>	<b>-</b>	<b>79</b>	<b>-</b>
<b>Gross profit (loss) for the year</b>	<b>22 846</b>	<b>8 432</b>	<b>( 14 214)</b>	<b>( 7 847)</b>
<b>Profit (loss) for the year attributable to:</b>				
Owners of the Company	21 961	7 750	( 14 595)	( 8 760)
Non-controlling interest	885	682	302	913
	<b>22 846</b>	<b>8 432</b>	<b>( 14 293)</b>	<b>( 7 847)</b>
<b>Gross profit (loss) for the year attributable to:</b>				
Owners of the Company	21 961	7 750	( 14 516)	( 8 760)
Non-controlling interest	885	682	302	913
	<b>22 846</b>	<b>8 432</b>	<b>( 14 214)</b>	<b>( 7 847)</b>
Earnings per share ratio	0,036	0,013	( 0,024)	( 0,015)

	Company			
	2013 H1	2013 Q2	2012 H1	2012 Q2
Sales revenue	1 206 616	565 590	1 146 537	522 590
Purchases of electricity	( 843 652)	( 385 722)	( 810 628)	( 356 239)
Depreciation and amortization	( 196 314)	( 96 509)	( 196 663)	( 98 681)
Employee benefits and related social security contributions	( 64 807)	( 31 934)	( 67 549)	( 32 057)
Repair and maintenance expenses	( 34 247)	( 21 000)	( 38 050)	( 22 372)
Transportation costs	( 7 033)	( 3 583)	( 7 648)	( 3 733)
Telecommunications and IT services	( 10 604)	( 5 289)	( 11 383)	( 5 636)
Rent and utilities	( 4 961)	( 2 339)	( 5 589)	( 2 378)
Revaluation of long-term assets	4 264	-	( 372)	-
Other expenses	( 21 082)	( 10 416)	( 22 653)	( 10 924)
<b>Operating profit (loss)</b>	<b>28 180</b>	<b>8 798</b>	<b>( 13 998)</b>	<b>( 9 430)</b>
Finance income	2 277	1 242	1 826	1 147
Finance (costs)	( 3 630)	( 2 254)	( 5 534)	( 2 797)
<b>Finance income /(costs), net</b>	<b>( 1 353)</b>	<b>( 1 012)</b>	<b>( 3 708)</b>	<b>( 1 650)</b>
Profit (loss) on investment in associates	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>26 827</b>	<b>7 786</b>	<b>( 17 706)</b>	<b>( 11 080)</b>
Income tax	( 3 301)	( 1 209)	4 436	1 765
<b>Profit (loss) for the year</b>	<b>23 526</b>	<b>6 577</b>	<b>( 13 270)</b>	<b>( 9 315)</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>-</b>	<b>-</b>	<b>79</b>	<b>-</b>
<b>Gross profit (loss) for the year</b>	<b>23 526</b>	<b>6 577</b>	<b>( 13 191)</b>	<b>( 9 315)</b>
<b>Profit (loss) for the year attributable to:</b>				
Owners of the Company	23 526	6 577	( 13 270)	( 9 315)
Non-controlling interest	-	-	-	-
	<b>23 526</b>	<b>6 577</b>	<b>( 13 270)</b>	<b>( 9 315)</b>
<b>Gross profit (loss) for the year attributable to:</b>				
Owners of the Company	23 526	6 577	( 13 191)	( 9 315)
Non-controlling interest	-	-	-	-
	<b>23 526</b>	<b>6 577</b>	<b>( 13 191)</b>	<b>( 9 315)</b>
Earnings per share ratio	0,039	0,011	( 0,022)	( 0,015)

## Statement of changes in equity, thousand LTL

LESTO Group	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2012</b>	<b>603 945</b>	<b>1 837 060</b>	<b>60 465</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	-	-	-	-	( 14 595)	( 14 595)	302	( 14 293)
Other comprehensive income (loss)	-	79	-	-	-	79	-	79
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 100 081)	-	-	100 081	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 100 002)</b>	<b>-</b>	<b>-</b>	<b>85 486</b>	<b>( 14 516)</b>	<b>302</b>	<b>( 14 214)</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 June 2012</b>	<b>603 945</b>	<b>1 737 058</b>	<b>60 450</b>	<b>-</b>	<b>929 553</b>	<b>3 331 006</b>	<b>131 344</b>	<b>3 462 350</b>
<b>Balance at 1 January 2013</b>	<b>603 945</b>	<b>1 634 355</b>	<b>60 450</b>	<b>-</b>	<b>1 001 228</b>	<b>3 299 978</b>	<b>131 452</b>	<b>3 431 430</b>
<b>Comprehensive income</b>								
Profit (loss) for the period	-	-	-	-	21 961	21 961	885	22 846
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 89 645)	-	-	89 645	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 89 645)</b>	<b>-</b>	<b>-</b>	<b>111 606</b>	<b>21 961</b>	<b>885</b>	<b>22 846</b>
<b>Transactions with owners</b>								
Transfers to reserves	-	-	( 56)	-	56	-	-	-
Dividends relating to 2012	-	-	-	-	( 102 670)	( 102 670)	-	( 102 670)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>( 56)</b>	<b>-</b>	<b>( 102 614)</b>	<b>( 102 670)</b>	<b>-</b>	<b>( 102 670)</b>
Change in ownership interests in subsidiary that does not result in a loss of control	-	-	-	-	( 2 405)	( 2 405)	( 5 620)	( 8 025)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 2 405)</b>	<b>( 2 405)</b>	<b>( 5 620)</b>	<b>( 8 025)</b>
<b>Balance at 30 June 2013</b>	<b>603 945</b>	<b>1 544 710</b>	<b>60 394</b>	<b>-</b>	<b>1 007 815</b>	<b>3 216 864</b>	<b>126 717</b>	<b>3 343 581</b>

Company	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
<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	-	-	-	-	( 13 270)	( 13 270)
Other comprehensive income (loss)	-	79	-	-	-	79
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 100 044)	-	-	100 044	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 99 965)</b>	<b>-</b>	<b>-</b>	<b>86 774</b>	<b>( 13 191)</b>
<b>Transactions with owners</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 June 2012</b>	<b>603 945</b>	<b>1 704 011</b>	<b>60 394</b>	<b>-</b>	<b>976 891</b>	<b>3 345 241</b>
<b>Balance at 1 January 2013</b>	<b>603 945</b>	<b>1 605 245</b>	<b>60 394</b>	<b>-</b>	<b>1 044 584</b>	<b>3 314 168</b>
<b>Comprehensive income</b>						
Profit (loss) for the period	-	-	-	-	23 526	23 526
Other comprehensive income (loss)	-	-	-	-	-	-
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)	-	( 89 610)	-	-	89 610	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 89 610)</b>	<b>-</b>	<b>-</b>	<b>113 136</b>	<b>23 526</b>
Dividends relating to 2012	-	-	-	-	( 102 670)	( 102 670)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 102 670)</b>	<b>( 102 670)</b>
<b>Balance at 30 June 2013</b>	<b>603 945</b>	<b>1 515 635</b>	<b>60 394</b>	<b>-</b>	<b>1 055 050</b>	<b>3 235 024</b>

## Cash flow statement, thousand LTL

	LESTO Group		Company	
	2013 H1	2012 H1	2013 H1	2012 H1
<b>Cash flows from operating activities</b>				
Profit (loss) for the year	22 846	( 14 293)	23 526	( 13 270)
<b>Adjustment for:</b>				
– Income tax	3 561	( 4 341)	3 301	( 4 436)
– Depreciation and amortisation	203 213	202 867	197 807	197 776
– Revaluation of non-current assets	-	372	-	372
– Asset evaluation result	( 3 142)	-	( 4 264)	-
– Amortisation of grants	( 1 493)	( 1 113)	( 1 493)	( 1 113)
– Gain (loss) on disposal and write-off property, plant and equipment	6 200	7 002	6 378	7 093
– (Profit) loss for the investments in associates	( 670)	( 64)	-	-
– Dividend income	-	-	-	( 712)
– Finance (income)	( 2 139)	( 1 282)	( 2 277)	( 1 114)
– Finance costs	3 655	5 519	3 630	5 534
<b>Changes in working capital:</b>				
– Trade and other receivables	( 101)	10 017	( 1 814)	14 735
– Inventories, prepayments, deferred charges and accrued income	( 2 249)	172	480	887
– Trade and other payables, advances received, accrued charges and deferred income	( 27 375)	( 46 372)	( 25 449)	( 48 725)
<b>Cash generated from operations</b>	<b>202 306</b>	<b>158 484</b>	<b>199 825</b>	<b>157 027</b>
– Income tax paid	( 14 405)	-	( 14 405)	-
<b>Net cash generated from operating activities</b>	<b>187 901</b>	<b>158 484</b>	<b>185 420</b>	<b>157 027</b>
<b>Cash flows from investing activities</b>				
– Purchase of property, equipment and intangible assets	( 143 717)	( 148 790)	( 134 109)	( 146 926)
– Acquisition of subsidiaries	( 1 273)	-	( 1 273)	-
– Proceeds from sale of property, plant and equipment	562	258	37	6
– Grants received	3 416	-	3 416	-
– Loan repayments received	202	219	202	219
– Term deposits	3 000	5 000	-	-
– Increase of investment in financial assets	-	( 4 800)	-	-
– Dividends received	-	-	-	712
– Interest received	826	1 163	949	1 114
<b>Net cash used in investing activities</b>	<b>( 136 984)</b>	<b>( 146 950)</b>	<b>( 130 778)</b>	<b>( 144 875)</b>
<b>Cash flows from financing activities</b>				
– Proceeds from borrowings	128 265	149 456	128 265	149 456
– Repayments of borrowings	( 94 956)	( 41 988)	( 94 956)	( 41 988)
– Dividends paid to the Company's shareholders	( 102 316)	( 169 811)	( 102 316)	( 169 811)
– Dividends paid to non-controlling interests	-	( 238)	-	-
– Interests paid	( 3 689)	( 5 676)	( 3 664)	( 5 662)
<b>Net cash used in financing activities</b>	<b>( 72 696)</b>	<b>( 68 257)</b>	<b>( 72 671)</b>	<b>( 68 005)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>( 21 779)</b>	<b>( 56 723)</b>	<b>( 18 029)</b>	<b>( 55 853)</b>
Cash and cash equivalents at beginning of year	( 31 435)	57 846	( 51 920)	43 299
<b>Cash and cash equivalents at end of the period</b>	<b>( 53 214)</b>	<b>19 757</b>	<b>( 69 949)</b>	<b>( 12 554)</b>

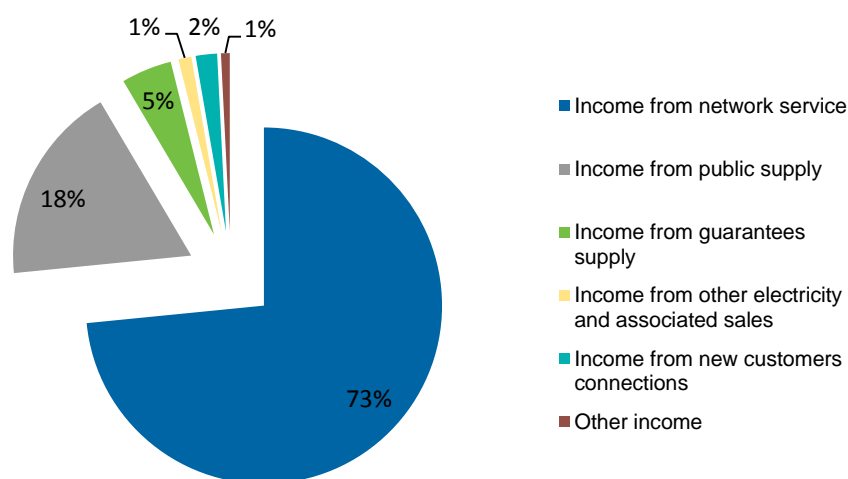
## ANALYSIS OF PERFORMANCE RESULTS

### Income, costs and profitability

LESTO group profitability ratios	2013 January–June	2012 January–June	2011 January–June
Net profit margin, %	1.87	-1.24	-2.29
Operating profit margin, %	2.23	-1.25	-2.71
EBITDA, LTL thousand	239,845	201,064	187,053
EBITDA margin, %	19.65	17.39	16.44
ROA, %	0.45	-0.28	-0.49
ROE, %	0.68	-0.41	-0.71

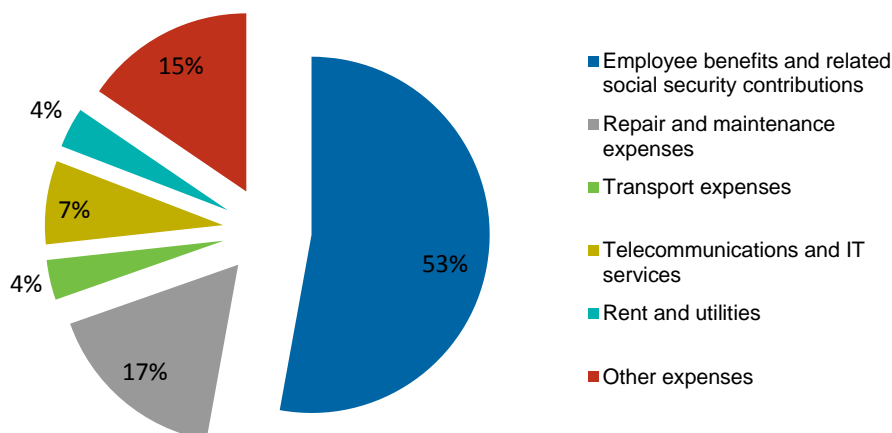
During the six months of 2013 LESTO group earned LTL 1,220.4 million. Company's income share made up 98.87%, i. e. LTL 1,206.6 million. Comparing with the six months of 2012 LESTO Group's income increased by 5.53%. Revenue growth was reasoned by the growth of the volume of network service, increase of Public Service Obligations (PSO) fee from 7.04 ct/kWh to 9.38 ct/kWh and increase of the average price of the network service from 3.09 ct/kWh to 3.45 ct/kWh.

### LESTO income structure



The main source of Company's income is income from network service, during the six months of 2013 income from network service made up 73% of total income. Income from public supply service consisted 18%, income from guarantee for customers that have not chosen independent supplier amounted to 5% of Company's income. Income from connection of new customers, other electricity and associated services and income from other sources made up only 4%.

## LESTO Group operating costs structure



During the six months of 2013 electricity purchase costs made up LTL 843.7 million, i. e. 70.53% of total LESTO Group's costs. Depreciation and amortization accounted to 16.86% of total costs and the rest costs of the Group that made up 12.61% are classified as operating costs. During the six months of 2013, employee benefits and related social security contributions made up 53% of total operating costs, repair and maintenance accounted to 17% of total operating costs.

Comparing with the six months of 2012, LESTO Group's operating costs of the six months of 2013 decreased by 4.79% and amounted to LTL 150.9 million. During the reporting period repair and maintenance expenses and transport expenses were among operating costs that declined the most, respectively 18.61% and 10.57%. The costs for rent and utilities increased by 19.82% during the reporting period and were equal to LTL 5.5 million.

## Other financial ratios and investments

LESTO group liquidity ratios	2013-06-30	2013-03-31	2012-12-31
Current liquidity ratio	0.35	0.54	0.42
Acid test ratio	0.33	0.52	0.41
Cash liquidity ratio	0.04	0.07	0.05
Working capital, LTL thousand	-476,234	-247,082	-354,000
Working capital to total assets ratio	-0.09	-0.05	-0.07

LESTO group financial leverage ratios	2013-06-30	2013-03-31	2012-12-31
Total liabilities to total assets ratio	0.34	0.33	0.34
Debt to assets ratio	0.12	0.11	0.11
Total liabilities to equity ratio	0.52	0.49	0.51
Debt to equity ratio	0.19	0.17	0.17
Net financial debt, LTL thousand	601,788	535,165	543,701
Net financial debt to equity ratio	0.18	0.16	0.16
Long-term debt to equity ratio	0.09	0.13	0.12
Equity to total liabilities ratio	1.94	2.03	1.97
Equity to total assets ratio	0.66	0.67	0.66

The value of LESTO Group assets at the end of the reporting period made up LTL 5,067.8 million. Non-current assets share in total assets was equal to 95.03%. From the beginning of the year LESTO Group assets shrank by 2%. Short-term deposits and cash with cash equivalents accounted to LTL 25.6 million, i. e. 10.2% of total current assets.

Equity of LESTO group exceeded liabilities 1.94 fold. At the end of the reporting period, financial debts made up LTL 627.4 million or 36.4% of total liabilities. Non-current borrowings were LTL 285.6 million and made up 45.5% of all borrowings. At the end of reporting period LESTO amounts payable within one year and current liabilities made up LTL 728.1 million.

Current liabilities exceeded current assets by LTL 476.2 million. Current liquidity ratio stood at 0.35. Inventories made up only 4.1% 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 LESTO group amounted to LTL 601.8 million and consisted only 18% of equity.

EBITDA of LESTO Group during the six months of 2013 was LTL 239.8 million – 19.3% more than last year during the same period.

LESTO Group results for the six months of 2013 is a net profit of LTL 22.8 million, while LESTO Group's net loss amounted to LTL 14.3 million in the same period of 2012 and LESTO Group's net loss amounted to LTL 26 million in the same period of 2011.

#### References and additional explanations of disclosures in the annual financial statements

On 7 January, 2013, in accordance with the decision of LESTO Board made on 30 October, 2012, LESTO transferred TETAS UAB shares which amounted 38.87% of authorized capital to LITGRID AB. In return LITGRID AB transferred Elektros tinklo paslaugos UAB shares which amounted 25.03% of authorized capital of Elektros tinklo paslaugos UAB. The exchanges were performed according the actual value assessed by property valuers.

### Risks and risk management

#### Risk Management Policy

Company's risk management system is proved by COSO (committee of Sponsoring Organizations of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines), ISO/IEC 27005:2011 (Information technology – Security techniques – Information security risk management) principles.

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. Company's risk management is based on evaluation of potential negative impact on implementation of the objectives of the Company and planned activity results. Risk identification, analysis, evaluation and management are performed systematically according to documents which are approved by the Board: Risk management Policy, Risk management procedure and other internal legal act which are related with risk management.

Periodic risk identification and evaluation cycle when activity (process) results residual risk and risk management means intensification runs every year during activity targets planning. During this cycle risks which can have a negative impact on activity targets and results are set. Set risks are evaluated considering their chance of occurrence. For those risks which exceed risk tolerance limit risk management means are selected. Implementation of those means would decrease the probability or influence impact that risk impact on results and objectives would occur under risk tolerance limit. Also risks can be evaluated unplanned before taking a meaningful decision for Company or after meaningful change of internal or external situation. Risk management means are directed to risks avoidance, reduction, transferring and (or) assumption evaluating their influence to the Company's implementation of objectives, activity's continuity considering costs and effectiveness of means decreasing risks. All the risks which can critically affect Company's objectives and activities' continuity are sought to be controlled independent of their probability. Residual risk accordance to risk tolerance, occurrence of new risks or disappearance and accordance of implementation of risk management means to risk management plan are revised once in a quarter.



Risk management system is developed and risk controlling process is coordinated by Company's risk manager. The owner of the process or department, which results can be influenced by those risks, is responsible for setting the means, their influence analysis and evaluation for Company's activity process, proper plan of risk management means creation.

### Risks in the Company's Activity and Management Thereof

The main types of risks which the Company encounters while carrying out its activity are as follows:

- strategic risk;
- electric energy supply malfunctioning risk;
- operational risk;
- legal compliance risk;
- reputational risk;
- financial risks: market risk (interest rate risk, foreign exchange risk, market products risk), credit risk, liquidity 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. 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 Electric Energy Supply Malfunctioning Risk

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 (SAIDI, SAIFI). 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.

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. On 30 June, 2013, technological losses totalled to 7% from amount of electricity received (on 30 June, 2012, - 7.3%).

### Operational Risk Management

**The business/operational risk** is the risk subject to the decrease of losses and (or) prestige loss/trust which may be affected by external factors (e.g. natural disasters, main suppliers' operational occurrences, criminal actions of third parties, etc.) or internal factors (e.g. inefficient procedures and management, inefficient use of funds, including purchases (public and other), inefficient and inadequate management information system, lack of internal control, improper assignment of functions or responsibilities, improper personnel selection and motivation system, etc.).

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-eyes" 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 decrease of losses and (or) prestige loss/trust which may be affected by external factors (the Company's non-compliance with the requirements of legal acts of the Republic of Lithuania, non-compliance with the requirements of supervisors, the suppliers' failure to fulfill the contractual obligations, criminal acts of the third parties, 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.

## Financial Risk Management

**Credit risk** is risk of losses that clients and (or) other parts will not be able to fulfill their commitments to the Company. The credit risk comprises from terminated and un-terminated funds in banks, investments in debt securities and derivative financial instruments balance value and customers obligation to pay for the used energy.

The Company does not have significant credit risk because a large number of consumers determines a small concentration of credit risk.

The underlying goal of investments is to secure the safety of funds and, in accordance with this objective, to maximize the return on investments. Credit risk arising from the inability of electricity consumers to pay for the electricity in time is managed by the Company's established debt management procedures.

The Company does not guarantees for obligations of other parties.

**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 revenues and cash flows from operating activities are not significantly dependent on interest rates changes in the market. All the Group's borrowings have a variable interest rate linked with EURIBOR, EUR LIBOR and VILIBOR indices. The Group and the Company manages interest rate risk by using interest rate derivative risk management instruments.

### *Foreign currency exchange risk*

All the Group's and the Company's monetary assets and liabilities are denominated in litas or euro. Euro exchange rate is fixed, so the foreign exchange risk in principle does not exist. There is only the risk of the national currency devaluation, which depends on the country's macro-economic condition and is currently very low.

## 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 it's directly and indirectly controlled companies, including LESTO.

The main functions of Audit Committee:

- to observe Company's and their subsidiaries procedures of financial reporting;
- to observe Company's and their subsidiaries inner control and risk management system effectiveness, to perform these systems demand and relevance analysis and review;
- to observe how certified auditor and audit company follow independence and objectiveness principles, to provide recommendations;
- to observe Company's and their subsidiaries audit processes, to evaluated audit effectiveness and administration reaction to recommendations which are presented to the leadership;
- to observe Company's and their subsidiaries inner audit function' effectiveness, to analyse those function demand and relevance, to provide recommendations for those questions like internal audit need, effectiveness and other, to initiate actions if needed.

LESTO has and 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	Lietuvos bankas
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“

## 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 from 2013-01-01

Date	Essential event
02-01-2013	<a href="#">AB LESTO Investor' Calendar 2013</a>
02-01-2013	<a href="#">CORRECTION: AB LESTO Investor' Calendar 2013</a>
08-01-2013	<a href="#">Regarding the Acquisition of Shares of UAB „ELEKTROS TINKLO PASLAUGOS“ and Transfer of Shares of UAB „TETAS“</a>
13-02-2013	<a href="#">AB LESTO information</a>
14-02-2013	<a href="#">Regarding the adoption of resolution of the Government of the Republic of Lithuania</a>
26-02-2013	<a href="#">Regarding the Change of Indirectly Controlling Person</a>
28-02-2013	<a href="#">Operating results of LESTO for twelve months of 2012</a>
13-03-2013	<a href="#">Regarding the intention to sign long-term loan agreement</a>
21-03-2013	<a href="#">Due to long-term loan agreement</a>
03-04-2013	<a href="#">Regarding of the Ordinary General Meeting of Shareholders of LESTO AB</a>
17-04-2013	<a href="#">Regarding candidate for the Board member of the company</a>
30-04-2013	<a href="#">Decisions adopted in Ordinary General Meeting of Shareholders of LESTO AB on 30 April 2013</a>
30-04-2013	<a href="#">Annual information of LESTO AB company group of 2012</a>
24-05-2013	<a href="#">AB LESTO Social responsibility report of 2012</a>
24-05-2013	<a href="#">Due to published information</a>
28-05-2013	<a href="#">Regarding the resignation of Chief Executive Officer of LESTO AB</a>
31-05-2013	<a href="#">Preliminary unaudited operating results of LESTO AB company group for three months of 2013</a>
10-06-2013	<a href="#">Regarding approval of the Ministry of Finance of the Republic of Lithuania of the management guidelines of the UAB Visagino atominė elektrinė company group</a>
20-06-2013	<a href="#">Regarding decision of The Board of LESTO to appoint temporary acting Managing Director</a>

04-07-2013	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
15-07-2013	Regarding the supplement of agenda of the Extraordinary General Meeting of Shareholders of LESTO AB
25-07-2013	Relating to the new version of draft solutions of General Meeting of Shareholders
26-07-2013	Decisions adopted in Extraordinary General Meeting of Shareholders of LESTO AB on 26th of July, 2013
28-08-2013	Regarding of the Extraordinary General Meeting of Shareholders of LESTO AB
28-08-2013	Regarding resignation of the members of the Board of LESTO AB