



ELEKTROS PERDAVIMO SISTEMOS OPERATORIUS

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## CONFIRMATION OF RESPONSIBLE PERSONS

August 30, 2012 Vilnius

Referring to the provisions of the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and Submission of the Periodic and Additional Information of the Securities Commission of the Republic of Lithuania, we, the undersigned Virgilijus Poderys, Chief Executive Officer, Vytautas Tauras, Director of Finance Department and Svetlana Sokolskytė, Chief Financier-Accounting Division Manager of LITGRID AB, hereby confirm that, to the best of our knowledge, the unaudited interim consolidated financial statements of LITGRID AB for the period ended 30 June 2012 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of the LITGRID AB and consolidated group assets, liabilities, financial position, profit (losses) and cash flows for the relevant period.

Virgilijus Poderys

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Chief Executive Officer

Vytautas Tauras

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Director of Finance Department

Svetlana Sokolskytė

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Chief Financier



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LITGRID AB

CONSOLIDATED INTERIM REPORT FOR THE  
FIRST HALF-YEAR OF 2012

## CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF-YEAR OF 2012

### The issuer and its contact information is as follows:

Name	LITGRID AB (hereinafter Litgrid or the Company)
Legal form	Public limited liability company
Date and place of registration	16-11-2010, Register of Legal Entities of the Republic of Lithuania
Company code	302564383
Address of registered office	A. Juozapavičiaus g. 13, LT-09311, Vilnius
Telephone	+370 5 278 2777
Fax	+370 5 272 3986
E-mail	<a href="mailto:info@litgrid.eu">info@litgrid.eu</a> ; <a href="http://www.litgrid.eu">www.litgrid.eu</a>

### Litgrid activities

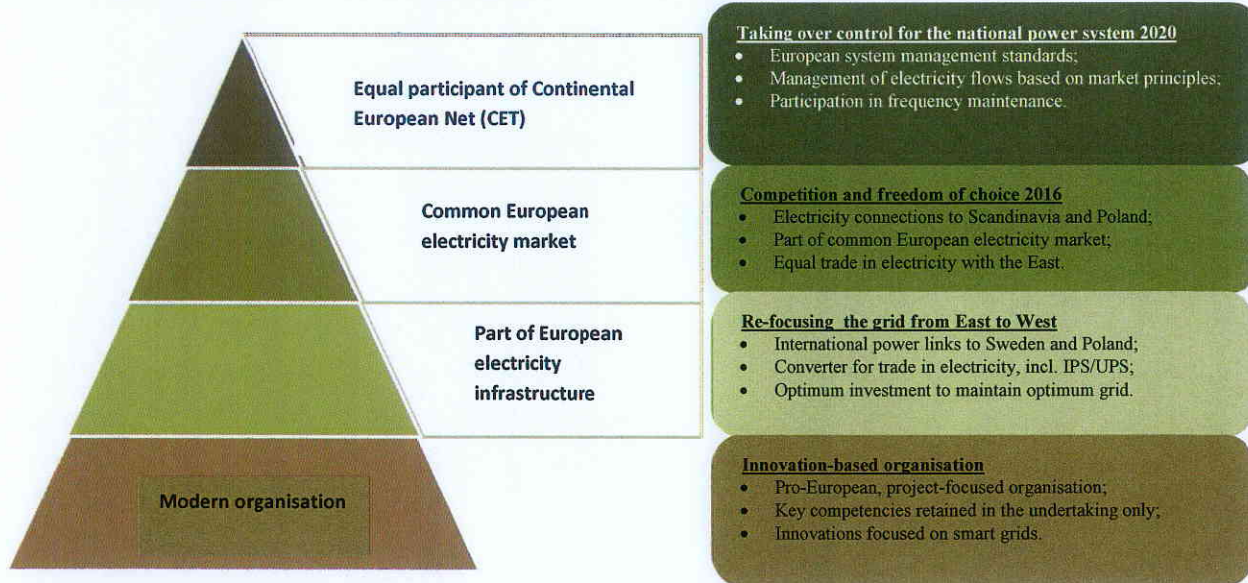
Litgrid represents electricity transmission system operator (hereinafter TSO), managing electricity flows in Lithuania and supporting steady operation of national electric energy system. Litgrid is responsible for infrastructure of Lithuanian energy transmission grid and its connection to the electric energy infrastructure in North and West Europe. Key strategic projects underway by electricity transmission system operator include development of interconnections with Sweden (NordBalt) and Poland (LitPol Link), development of Lithuanian electricity market and integration thereof into common European electricity market, preparation of national electric energy system to become full member of electricity transmission infrastructure, market and system of continental Europe.

Litgrid mission is to ensure a reliable transmission of electricity and provide competitive environment in an open electricity market.

Litgrid vision provides for complete integration of Lithuanian electricity system into European electricity infrastructure and common electricity market.

Litgrid values include responsibility, professionalism, co-operation, initiative and respect.

### Litgrid strategy 2020 provides for responsibility to control national electricity system



Having regained the national independence for over twenty years and being a member of European Union for almost a decade, Lithuanian electricity sector still remains part of a non-European energy system, under central control from a neighbour state. Together with Latvia and Estonia, the Baltic region remains an isolated island within the electricity system of the continental Europe. Litgrid, being the back-bone of the Lithuanian electricity sector, is responsible for balance of electricity consumption and generation in the system and reliable transmission of electricity; the company is also responsible for reliable operation of the national electricity system and complete integration thereof to the European electricity network and system. In implementing objectives of the National Energy Strategy in the field of electricity, Litgrid takes active and responsible steps in key fields as follows:



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**Taking over control for the national power system 2020**

Once Lithuania becomes a full and equal participant of European electricity system, electricity sector will see introduction of European system management standards, electricity flows shall be managed based on market principles and system frequency level will involve participation.

**Common European electricity market by 2016**

Development of electricity market in Lithuania, its integration to the Scandinavian electricity market, and subsequent participation in development of common European electricity market shall ensure competition and freedom of choice to all market players and equal trade in electricity with agents of electricity market of the East European states.

**Integration of electricity transmission market to European electricity infrastructure by 2015**

Lithuania can boast a solid and well developed electricity transmission, with excellent connections to electricity transmission infrastructure of the East neighbour states; once electricity connections to Sweden (NordBalt) and Poland (LitPol Link) are laid by late 2015, the national transmission grid will have first connecting lines to electricity grids in North and West Europe. Direct current insertion, intended to provide interim connection between Lithuanian and Polish electricity arteries, will allow for trade in electricity between different energy systems, whereas optimum investment into the national grid shall ensure integration of new electricity generators, secure transmission of electricity and reliable system operation.

**Innovation-based organization**

Litgrid is a pro-European, project-focused undertaking, employing best practices of modern management and social responsibility. The company, implementing energy projects of utmost scale and strategic importance to the entire national economy, retains key competencies only: system management and reliable transmission of electricity, maintenance of national electricity balance, maintenance of infrastructure and project management. Litgrid, specialised undertaking of electricity sector, employs energy professionals of top qualification; technical policy of transmission grid focuses on innovations supporting development of smart grids, regional and common European electricity market and integration of national power system into the infrastructure and system of Continental European Net. Litgrid co-operates with country's technical universities, takes active part in international organisations, responsible for planning of electricity infrastructure, markets and system.

**Key works in implementation of strategic electricity sector works in the first half-year of 2012**

On 3 January 2012, an international public procurement for the installation of the high voltage direct current back-to-back converter station with 400 kV switchyard in Alytus was announced. The procurement comprises technical design, acquisition of construction permits, equipment manufacture, construction and installation work.

On 2 February 2012, a contract was signed for the reconstruction of Klaipėda transformer substation, valued at nearly LTL 55 million, with 30 percent of the funds allocated from the European Regional Development Fund.

On 21 February 2012, a contract was signed for the technical design of the reconstruction of Alytus transformer substation. The contract is valued at almost LTL 1.3 million. The consortium that is subsequently awarded the public procurement contract will submit a technical design for the 330 kV switchyard, technical specifications for the procurement of contractual works, geological, geodesic, and archaeological surveys, and will obtain the permission for construction as well as ensure further implementation of the construction project.

On 26 March 2012, the agreement with power exchange Nord Pool Spot to launch a bidding area in Lithuania was signed.

On 26 April 2012, the Government of the Republic of Lithuania authorised Litgrid to implement the Lithuanian electric energy system synchronisation with the European Continental Network (ECN). The country's electricity system synchronisation with the European electricity system is the strategic goal of the Lithuanian energy sector.

On 30 April 2012, an agreement was signed for the performance of a feasibility study for the analysis of the price of electric energy system shift to the West, its economic benefit for Lithuania and the most viable variants for the interconnection with the European electricity network. The agreement was signed by the Baltic electricity transmission system operators Litgrid, Augstsprieguma Tīkls (Latvia), Elering (Estonia), and Sweden's Gothia Power AB, which will perform the study.



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On 18 June 2012, power exchange Nord Pool Spot launched its bidding area in Lithuania.

On 27 June 2012, the Lithuanian Business Support Agency (LVPA) drew up an agreement for the allocation of European Union funds to two projects that are related to international power links with Poland and Sweden. Transformer substations in Alytus and Klaipėda, the sites where the construction of the power links LitPol Link and NordBalt will commence as early as in 2013, will be reconstructed.

### Litgrid subsidiaries and nature of their activities

As of June 30 2012, the Litgrid group of undertakings included Litgrid AB, Baltpool UAB and Tetas UAB.

Name	BALTPPOOL UAB
Legal form	Private limited liability company
Date and place of registration	11-12-2009, Register of Legal Entities of the Republic of Lithuania
Company code	302464881
Address of registered office	A. Juozapavičiaus g. 13, LT-09311, Vilnius
Telephone	+370 5 278 2260
Fax	+370 5 278 2707
E-mail	<a href="mailto:info@baltpool.lt">info@baltpool.lt</a> ; <a href="http://www.baltpool.lt">www.baltpool.lt</a>
Nature of activities	Market operator of derivative instruments for the protection against electricity price fluctuations on the power exchange and natural gas market operator
Shareholding interest held by Litgrid	67%

Name	Tetas
Legal form	Private limited liability company
Date and place of registration	08-12-2005, Register of Legal Entities of the Republic of Lithuania
Company code	300513148
Address of registered office	Senamiesčio g. 102B, LT-35116, Panevėžys
Telephone	+370 45 504 618
Fax	+370 45 504 684
Type of activities	Specialised services of technical maintenance, repair and installation of transformer substations, distribution stations, testing and trial work, design of energy objects
Shareholding interest held by Litgrid	61.13%

Litgrid Group also controls shares of the following undertakings:

LitPol Link Sp.z.o.o (Poland)	50% of shares and granted votes
Elektros tinklo paslaugos UAB	28.87% of shares and granted votes
Technologijų ir inovacijų centras UAB	20.36% of shares and granted votes
NT Valdys UAB	0.35% of shares and granted votes

### Services provided by Litgrid group of undertakings

Litgrid, electricity transmission system operator, provides the following services:

- transmission of electricity,
- capacity reserve,
- trade in balancing/regulating electricity,
- public obligation services (hereinafter POS) and administration of POS funds.

#### *Transmission of electricity*

Electricity transmission service is transmission of electricity via high-voltage (330-110 kilovolts, kV) facilities. Transmission system operator (hereinafter the TSO) transmits electricity from generators to users or suppliers. Transmission of electricity is a regulated activity. On 24 February 2011, for the purposes of transmission activities, the National Control Commission for Prices and Energy (hereinafter the Commission) granted an open-ended licence for transmission of electricity to Litgrid public limited liability company, effective as of 1 March 2011.

Key objective of SOP activities is to reliable, efficient, quality, transparent and safe transmission of electricity.



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*Capacity reserve service*

Litgrid warrants the reliable operation of the system and for this purpose it buys from energy generators capacity reserve service in electricity generation facilities and provides to the users capacity reserve services. Capacity reserve is necessary, in case of an unexpected reduction in electricity generation or increase in consumption.

*Trade in balancing/regulating electricity*

Litgrid ensures balance of the national electricity generation and consumption. Balancing electricity is electricity, consumed or generated not in compliance with electricity consumption or generation schedules. Litgrid organizes the trade of the balancing electricity, purchases and/or sells the balancing electricity necessary to maintain the national balance of the electricity generation and consumption.

Regulating electricity is electricity bought and/or sold on instruction of TSO, required to perform balancing function national electricity consumption and generation. The trade is carried out at the regulating electricity auction organized by Litgrid. The auction is used by the regulating electricity suppliers and transmission system operators from other countries, provided they are technically capable to promptly change electricity generation and consumption modes and have entered into a respective contract with Litgrid.

*Public obligation services and administration of POS funds*

Public interests in electricity sector include services, that ensure and enhance national energy security, as well as integration and use of electricity using renewable sources. List of public obligation services, providers and procedure of provision shall be approved by the Government of the Republic of Lithuania or its authorised authority, in line with public interests in electric energy sector. POS funds are funds payable to providers of POS services.

Litgrid provides the following POS services:

- preparation and implementation strategic projects, related to enhancement of energy security (Lithuania-Sweden and Lithuania-Poland international electricity interconnections, integration of Lithuanian electric energy system in the grid of continental Europe);
- connection of electricity generation facilities, using wind, biomass, solar energy or hydro energy, to transmission grid, optimising, development and/or reconstruction of transmission grid, related to acceptance and transmission of electricity, generated by generators using renewable energy sources;
- balancing of electricity, generated using renewable energy sources;
- administration of POS funds.

Procedure of POS provision procedure is prescribed by the description of provision procedure of public obligation services, approved by the order of the Ministry of Energy of the Republic of Lithuania dated 8 October 2010 No 1-283. POS funds administration procedure is prescribed by the description of administration procedure of funds of public obligation services, approved by resolution of the Commission dated 17 December 2010 No O3-328. The POS provision description provides, that Litgrid, transmission system operator, shall be administrator of POS funds, i.e. it shall collect POS funds and pay the same to beneficiaries of POS funds, as designated by the Government of the Republic of Lithuania.

*Technical maintenance and repair of transmission grid*

Tetas UAB, subsidiary of Litgrid, provides the following technical maintenance and repair services of transmission grid facilities:

- performs technical maintenance and repair of electricity grid facilities;
- provides construction services of new energy objects and reconstruction services of the existing energy objects;
- provides designing services of the electric facilities.

The activity of Tetas UAB complies with the requirements of ISO 9001:2008 and ISO 14001:2004. The Quality and Environment Protection Management System, implemented in the company in 2007, is applied for the operation of the electric facilities up to 400 V and the performance of the designing and construction works of the building part of the special designation constructions.

*Services of market operator of derivative instruments for the protection against electricity price fluctuations on the power exchange*

The electricity transmission system operator, acting as an independent participant of electricity system, is responsible for development of national electricity market. Such practice is also met elsewhere in Europe.



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On 18 June 2012, Litgrid subsidiary Baltpool, formerly the Lithuanian power exchange operator, became the market operator trading in derivative instruments for the protection against electricity price fluctuations on the power exchange. The market of Baltpool-administered derivative instruments for the protection against electricity price fluctuations on the power exchange involves the participation of the Lithuanian bidding area of Nord Pool Spot power exchange participants, seeking protection against price fluctuations.

The market of derivative instruments offers power exchange participants the possibility to conclude insurable contracts and establish the price of electricity futures in advance. Insurable contracts allow market participants to set the price of their electricity futures for the coming time, thus offering protection against possible electricity price fluctuations on the power exchange.

**Environmental protection**

Environmental impact assessment or selection procedures are performed for the electricity transmission lines and transformer substations to be built, the finding whereof will be taken into consideration where preparing technical designs. Designing of new structures or reconstruction of the old ones is subject to environmental requirements. In any case it is endeavored to select such equipment that would be less harmful to the environment. Where procuring services, the demand is that the contractors would have introduced the Environmental Management Systems as per LST EN ISO 14001 standard; contractors are committed to manage waste produced during construction and provide the Company with the supporting documentation.

Litgrid operates in accordance with administrative documents governing waste and waste-water treatment and safe use of chemical substances by establishing environmental requirements to objects to be built or being reconstructed.

The main hazardous waste produced includes insulating oil and waste related to the use of such oil, accumulators, luminescent lamps, remains of various chemical substances, etc. Litgrid has liability insurance relating to damage, caused to environment.

**Transmission system operator's customers**

Direct customers of Litgrid are users of electricity transmission grid and balancing and regulating energy suppliers.

Users of transmission grid:

- Distribution networks operator Lesto,
- Electric power consumers having their facilities connected to the transmission grid of the transmission system operator and buying electricity for their consumption needs,
- Electric power generators;

Balancing and regulating energy suppliers are electric power generators and suppliers.

**Employees**

There were 692 employees employed in Litgrid Group for the June 2012: Litgrid – 201 employees, Tetas – 479 employees, Baltpool – 12 employees (whereof three - Litgrid employees, working in the secondary position in Baltpool). In the first half of 2012, staff turnover at Litgrid reached 6.4%.

The payroll fund in the reporting year amounted to 13 373 thousand litas.

	Number of employees for the 30 June 2012	Average monthly salary, LTL
Workers	270	1 768
Specialists	407	3644
Executive personnel	15	12 707
Total	692	3 109



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Education of employees by group at the end of the period

	Number of employees for the 30 June 2012	Number of employees for the 30 June 2011
Number of employees	692	621
of which have:		
University education	367	353
College education	196	144
Secondary and post-secondary education	129	124

In 2011 Litgrid signed a frame agreement with the labor union. This agreement defined and ensured a fair payroll policy, regulated socio-economic relations between the employer and the employee.

**Principles of social responsibility policy of Litgrid**

Litgrid activities are based on the principles of social responsibility, cohesive development, transparency, as well as progressive environmental protection. The Company's activity is a prerequisite for successful functioning of national economy, whereas long-term strategic objectives as well as strategic energy projects contribute to security and establishment of energy independence of the country. The scope and importance of projects implemented encourages the Company and its personnel as well as management to follow the highest professional and ethical standards as well as assume responsibility in nourishing and educating consciousness, responsibility, as well as willingness of society and individual groups thereof to be actively involved in creating the welfare of the country.

Implementing social responsibility policy, Litgrid gives most of its attention to ensuring honest and motivating work conditions, educating responsibility and public spirit, helping the society to grow and develop.

**Information about research and development activities of the Company Group**

Litgrid, on the annual basis, draws up research and development programs for development of the electricity system and improvement of the effectiveness of the transmission network. One of the main tasks is to reconstruct energy objects by replacing old equipment with the new and modern one and implementing the modern relay protection, systemic automation, control, information collection and transfer systems. The plans for construction and reconstruction of the objects, with reference to scientific research and studies, are drawn for the period of ten years and updated annually.

On 30 April 2012, Lithuanian, Latvian, and Estonian electricity transmission system operators and Sweden's Gothia Power AB signed an agreement for the performance of a feasibility study for the analysis of the price of electric energy system shift to the West, its economic benefit for Lithuania and the most viable variants for the interconnection with the European electricity network. The agreement is valued at almost EUR 1.25 million. The feasibility study is expected to be completed by the end of 2013.

**Principal features of internal control and risk management systems**

Consolidated financial statements of Litgrid Group are prepared as per EU certified International Financial Reporting Standards. Litgrid internal control process covers the process control of preparation of service provision related business processes, information system operation, and financial accounts.

Preparation of consolidated financial statement is determined by Litgrid accounting policy and description of procedures that ensure the performance of accounting as per EU certified International Financial Reporting Standards and laws of the Republic of Lithuania. Litgrid description of procedures provides for eventual risks relevant to accounting and preparation of financial statement, methods and control thereof, evidentiary material of control, and employees in charge of control.

The Company has appointed the persons in charge of risk management. The Department of Internal Audit and Prevention continually assesses the activity process of the Company and related risks as well as gives recommendations to the management on management of risks observed.



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### Financial results

The results of the Group's and the Company's activities are given in the table below.

	First half-year 2012		First half-year 2011	
	Group	Company	Group	Company
<b>Financial results (in thousands of litas)</b>				
Electricity related sales revenue	209 895	209 710	187 468	187 418
Other revenue	24 949	3 692	21 674	2 162
EBITDA	76 770	75 896	61 221	60 275
Operating profit (loss)	11 504	13 435	(6 690)	(6 341)
Net profit (loss)	11 254	12 836	(4 088)	(4 464)
Cash flow from ordinary activities	63 941	70 961	42 645	44 956
<b>Financial ratios</b>				
EBITDA margin (%)	32,7	35,6	29,3	31,8
Average return on equity (%)	1,2	1,5	(0,4)	(0,5)
Average return on assets (%)	0,9	1,0	(0,3)	(0,4)
Equity/assets (%)	63,0	63,4	79,9	80,5
Liabilities/Equity (%)	43,4	42,4	19,4	20,5
Financial liabilities/Equity (%)	0,0	0,0	0,0	0,0
Free cash flow (FCF)/revenue (%)	31,9	38,8	(7,9)	(7,8)
<b>TSO performance indicators</b>				
Volume of electricity transmitted, million kWh		4 555		4 620
Losses in the transmission network (%)		2,20		2,25
END, MWh (volume of electricity not delivered due to loss of connections)*		1,62		0,00
AIT, in minutes (average interruption time)*		0,08		0,00

\* Only for reasons attributable to the operator's liability and non-identified reasons.

### Revenue

Revenue of the first half-year of 2012 was 234.8 million litas and increased by 12.3% compared to first half-year of 2011 (234.8 million litas).

Transmission revenue totaled 109.4 million litas or 47.1 percent of total income. Compared to first half-year of 2011, the income increased by 6.8 percent.

In the first half-year of 2012 Litgrid transmitted 4 555 million kWh of electric power through high voltage electricity network for the needs of the country or 1.4 percent less than transmitted in the first half-year of 2011. For distribution networks operator Lesto was transmitted 4 182 million kWh – 2.5 percent more than in the same period in 2011, for other consumers – 373 million kWh – 30.7 percent less due to increased own generation and lower electricity demand, also due to the maintenance in the Orlen Lietuva oil refinery. The growth in revenue was due to increased actual electricity transmission price which was 2.40 ct/kWh, while it was 2.22 ct/kWh in the same period of 2011. The price difference is due to different proportions of energy and capacity components.

Revenue from balancing-regulating electricity increased by 27.4 percent and totaled 50 million litas (21.3 percent of total income of the Group), revenue from power reservation increased by 16.1 percent and totaled 32.8 million litas (14 percent). revenue from the participating in the inter-transmission system operators compensation mechanism totaled 7.5 million litas (3.2 percent of total income of the Group), revenue from public service obligations – 6.3



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million litas (2.7 percent), other revenue related to electricity (income from reactive power, transit, connection of new consumers) – 3.8 million litas (1.6 percent).

Revenue from design, technical service, repair works, and investment projects totaled 21.3 million litas or 9.1 percent of total income of the Group, other revenue – 3.7 million litas (1.5 percent).

**Expenses**

The expenses of the Group for the first half-year of 2012 totaled 223.3 million litas. Compared to the expenses of the Group for the first half-year of 2011 (215.8 million litas), it increased by 3.5 percent.

The expenses of purchase of electricity and related services accounted for the major share of the expenses of the Group – 106.4 million litas or 47.7 percent, which, compared to the same period of 2011 (96.7 million litas), increased by 10.1 percent. Whereof expenses of balancing-regulating electricity increased by 20.6 percent and totaled 36.9 million litas (16.5 percent of total expenses of the Group), expenses of power reservation increased by 12 percent and totaled 34.6 million litas (15.5 percent), expenses of purchase of electricity for compensation of technological losses in the network decreased by 7.4 percent and totaled 20.4 million litas (9.2 percent). Expenses of the participating in the inter-transmission system operators compensation mechanism totaled 8.4 million litas (3.8 percent), expenses of provision of public service obligations – 6.1 million litas (2.7 percent).

Depreciation and amortisation expenses decreased by 5.8 percent and totalled 63.1 million litas (28.2 percent of total expenses of the Group), other operational expenses increased by 3.2 percent and totalled 53.8 million litas (24.1 percent).

**Profit (loss)**

The Group's profit before tax for the first half-year of 2012 totaled 13.5 million litas, while the loss before tax for the same period of 2011 totaled 4.6 million litas.

The Group's EBITDA totaled 76.8 million litas, and compared to the first half-year of 2011 increased by 24.5 percent. EBITDA margin – 32.7 percent (29.3 percent in the same period of 2011).

**Balance sheet and cash flow**

For the first half-year of 2012 the Group's asset totaled 2.412 million LTL. Long-term asset of the Group totaled 86.6 percent of total asset of the Group. At the ordinary general meeting of "Litgrid" shareholders, convened on 30 April 2012, the shareholders decided to distribute the Company's profits for 2011 and pay 390.9 million litas in dividends. Due to the payment of dividends, the share of the shareholders' in the Group's assets decreased from 75.9 percent in December 2011 to 63 percent on 30 June 2012.

At the 30 June 2012 the Group had no financial liabilities to credit institutions, its cash, cash equivalents, and investments, kept until redemption, amounted to 88.2 million litas. 97.9 million litas funds of administered public service obligations, was kept in a separate bank account, and accounted as other current assets.

Net cash flow from the main activities of the Group for the first half-year of 2012 totaled 63.5 million litas (42.6 million litas in 2011), payments for acquired long-term tangible and intangible asset totaled 42.1 million litas (109.2 million litas in 2011). In the first half-year of 2012 190.9 million litas were paid in dividends. The rest part of the dividends according to payment agreement will be paid in the second half-year of 2012.

Net cash flow excluding cash flow into term deposits and investments held to maturity was negative - (115.9) million litas.

**Transmission system operator's performance indicators**

According to the requirements for electricity transmission reliability and quality of services approved by the National Control Commission for Prices and Energy, the following indicators are used for establishing the electricity transmission reliability level: END, i.e. volume of electricity not delivered, which shows the volume of electricity that was not transmitted due to loss of connections during the reporting period, and AIT, i.e. the average interruption time.

The minimum level of reliability determined by the Commission for 2012 was as follows: END – 5 MWh (actually it was 1.62 MWh), AIT – 0.26 min (actually it was 0.08 min).



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### **Investment into long-term asset**

Litgrid's investment in the property to be used in the transmission activity in the first half-year of 2012 amounted to 51.9 million LTL. The major portion of the investment was allocated for the implementation of strategic objects – 30.9 million LTL (60 percent of total investment). Investment into reconstruction and expansion of the transmission grid totaled 21 million LTL (40 percent of total investment).

### **Risk factors**

#### **Political risk factors**

Electricity sector is a particularly important area of economy that highly influences national political and economic interests. The management, structure and functioning of the power sector in the Republic of Lithuania is under the regulation of the Law on Energy and the legal instruments. Any amendments of the legal instruments regulating the power sector either at the European Union or national level may result in the changes of Litgrid Group operation.

The prices of electricity services are regulated and ceiling of prices are set by the National Control Commission for Prices and Energy. Results of Litgrid activities are directly dependent on these decisions.

#### **Financial risk management**

At the performance of the activity Litgrid Group companies may encounter the financial risk, i.e. credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect of the true value and cash flow, securities price risk). At managing such risks the Group companies seek to mitigate the influence of the factors that may have negative impact on the financial results of the Group activity. Risk management is performed by the Finance Planning and Treasury Department of the Company pursuant to the description of treasury management procedure of Litgrid Group, approved by Litgrid Board.

#### **Technical risk factors**

The Lithuanian power system has many interconnecting system lines with the neighboring power systems. The available power and balancing facilities are rather scarce therefore the management of the capacity and power balancing is quite complicated.

About 50 percent of all the equipment in transformer substations is older than 25 years. 35 percent of all the 110 kV overhead lines and 24 percent of all 330 kV overhead lines are older than 45 years. Failures and breakdowns of the most important technological facilities used in the activities can have a negative effect on the activities and financial results of Litgrid.

#### **Ecological risk factors**

The companies of the Group follow environmental protection rules providing for proper marking, use and storage of hazardous substances used by it, ensures that the facilities operated by it meet the requirements applicable to their use. The work in operated objects, where there is more risk of environmental damage due to the volumes of emitted pollutants or production of waste, is carried out in accordance with Integrated Pollution Prevention and Control (IPPC) permits issued to the Company by regional environmental protection departments.

### **References and additional explanatory notes regarding the data provided in the consolidated financial statements**

The explanatory note of financial statements for the first half-year of 2012 explains the financial information in more detail.

#### **Dividend policy**

The Government of the Republic of Lithuania, that indirectly (through Visagino Atominė Elektrinė UAB) holds 97.5 percent of Litgrid's shares, by its Resolution No. 20 of 14 January 1997 (version of Resolution No. 1451 of 3 December 2001) has set principles of distribution of dividend for state-owned shares.

At the ordinary general meeting of Litgrid shareholders, convened 30 April 2012, the shareholders decided to distribute the Company's profits for 2011 and pay 0.775 litas per share in dividends.



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### **Key events after the first half-year of 2012**

The Government of the Republic of Lithuania on 4 July 2012 has adopted a resolution on the establishment of a private limited company with the purpose of managing the electricity transmission system operator Litgrid and national asset investment. On 19 July 2012 the private limited company EPSO-G was established and on 25 July 2012 was registered by the Ministry of Energy. The shares of Litgrid owned by the Visagino atominė elektrinė will be passed to EPSO-G by 1 October 2012.

### **Other information on share capital and shareholders**

Litgrid has not acquired own shares; the Company did not acquire and did not assign own shares over the accounting period. Daughter-enterprises of the Company have not acquired the Company's shares either.

The authorized capital of the Company registered in the Register of Legal Entities on 16 November 2010 amounts to LTL 504,331,380. It is divided into 504,331,380 ordinary registered shares of one Litas nominal value each. All the shares are fully paid up and grant equal rights to the shareholders. As of 22 December 2010 Litgrid's shares have been included in Subsidiary trade list of NASDAQ OMX Vilnius Stock Exchange, issue ISIN code LT0000128415.

The number of shareholders of the Company for the first half year of 2012 was 5741 (five thousand seven hundred forty one). For the first half year of 2012 Visagino Atominė Elektrinė UAB (Žvejų g. 14, LT-09310 Vilnius, organization identification number 301844044) owned 491,736,153 ordinary registered shares of the Company, i.e. 97.5 percent of Litgrid's authorized capital.

On 25 October 2011 Litgrid signed a contract with AB SEB bankas on the Company's securities accounting and services related to securities accounting. The contract is valid until 1 November 2012.

Securities of daughter-enterprises of the Company are not traded on stock exchange.

### **Articles of Association**

Articles of Association of Litgrid are amended in the manner prescribed by the Law on Companies of the Republic of Lithuania. The decision is made by 2/3 majority vote of the shareholders attending the meeting.

### **General Meeting of Shareholders**

The General Meeting of Shareholders is the 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 laws, other legal acts and the Articles of Association.

### **Board of the Company**

The Board, constituting five members, is elected for the term of office of four years. The term of office of the Board starts after the end of the General Meeting of Shareholders that has elected the Board and ends on the day of the General Meeting of Shareholders that is held during the year of the end of the term of office of the Board.

If the Board or the member of the Board is withdrawn, resigns, or abandons the office due to some other reasons before the end of term of office, a new Board or a member of the Board is elected for the remaining term of office. Shareholder of the Company or his representative, where suggesting the candidacies to the members of the Board, must provide information in writing on qualification, experience, and eligibility of suggested member to hold the office of a member of the Board. Candidates to the members of the Board must submit a written consent to hold the office and the declaration of interests.

The Board shall elect the chairman of the Board from among its members.

The Board follows the laws, other legal acts, Articles of Association, decisions of the General Meeting of Shareholders, as well as regulation of work of the Board.

The Board is a collegial management body of the Company.

Powers of the Board, procedure of decision-making as well as election and revocation of the members is established by the laws, other legal acts, and Articles of Association.

The Board is subordinate to the General Meeting of Shareholders.



LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONSOLIDATED INTERIM REPORT  
AS AT 30 JUNE 2012**

**Activities of the Board**

The Board considers and approves the strategy of the Company's activities, its budget, as well as the organizational structure of the Company, employee positions, and total number thereof, establishes the terms and conditions of employment contract of the manager of internal audit subdivision, approves his job description, provides incentives for and imposes penalties against him. The Board makes decisions on assignment of shares or rights granted by shares to other persons, issuance of debenture bonds, allocation of assistance, involvement of the Company in the activities of various associations, establishment of daughter-enterprises and subsidiaries as well as activities thereof. Moreover, the Board takes the decision on the transactions of the value higher than 10 million litas and disposal of facilities of strategic significance to national safety.

The Board also resolves the issues in respect of which the Board is addressed by the Managing Director. If the decisions of the Board require the approval of the General Meeting of Shareholders, the Board decisions may be implemented only upon approval of the General Meeting of Shareholders.

**Activities of the Manager**

The Managing Director is a one-person managing body of the Company. The Managing Director organises the Company's activities, manage the Company, act on behalf of the Company and unilaterally conclude transactions.

The competence of the Managing Director and the procedure for election and recall thereof are governed by laws, other legal acts and the Articles of Association.

**Litgrid's Members of the Board, Managing Director, and Chief Financier:**

Position	Name, surname	Beginning date	End date	Number of issuer's shares held
Board				
Chairman of the Board	Arvydas Darulis	03/11/2011		-
Member of the Board	Romas Švedas	28/10/2010	12/09/2011	-
Member of the Board	Violeta Greičiuvienė	28/10/2010		-
Member of the Board	Renatas Šumskis	28/10/2010	01/04/2011	-
Member of the Board	Vidmantas Grušas	28/10/2010	01/04/2011	-
Member of the Board	Virgilijus Poderys	08/12/2010		
Member of the Board	Gintaras Labutis	01/04/2011	02/11/2011	
Member of the Board	Viktorija Sankauskaitė	03/11/2011		-
Member of the Board	Valentinas Pranas Milaknis	01/04/2011		-
Managing Director	Virgilijus Poderys	08/12/2010		-
Chief Financier	Tatjana Didikienė	17/11/2010	02/05/2012	-
Chief Financier	Svetlana Sokolskytė	02/07/2012		-

Benefits for the work in the Board of the Company are not paid to the manager of the Company. One of the Board members was paid 3 450 litas. Total amount of salary, calculated for the managing director and chief financier of the company over the accounting period, was 175 616 litas; average amount of calculated salary per person (for managing director and chief financier) was 87 808 litas.

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONSOLIDATED INTERIM REPORT  
AS AT 30 JUNE 2012**

Information on major transactions of affiliated parties, amounts thereof, nature of relations between affiliated persons, and such other information on transactions, which is necessary in order to understand the financial status of the company, is given in the explanatory note to the financial accounts under Note 9.

**Transparency**

The Company complies with all provisions of Sections IV–VIII of the Transparency Guidelines, except for the following:

- The Company has not published monthly salary of Company Managers and employees;
- The Company has not indicated in the annual report the average salary by divisions.

**In the first half-year of 2012 Litgrid made the following announcements on the material events:**

20.06.2012	Resolutions Adopted on June 20, 2012 at the Extraordinary General Shareholders Meeting of LITGRID AB
29.05.2012	Convocation of Extraordinary General Meeting of Shareholders of LITGRID AB
25.05.2012	LITGRID AB revenue increased in 2012 Q1
23.05.2012	Draft Government resolution on Litgrid unbundling submitted
23.05.2012	Announcement of LITGRID AB Dividend Payment Procedure for 2011
18.05.2012	„Litgrid“ will borrow 58 million Euros
02.05.2012	<b>CORRECTION:</b> Annual information for the year 2011 confirmed by the Ordinary General Shareholders Meeting
30.04.2012	Resolutions Adopted on April 30, 2012 at the Ordinary General Shareholders Meeting of LITGRID AB
30.04.2012	Resolutions Adopted on April 30, 2012 at the Ordinary General Shareholders Meeting of LITGRID AB
06.04.2012	Convocation of Ordinary General Meeting of Shareholders of LITGRID AB
06.04.2012	LITGRID AB Obligated to Implement Activity Separation Plan by 1 October
30.03.2012	Litgrid Prepared the Unbundling Plan
26.03.2012	Nord Pool Spot to Launch Bidding Area in Lithuania
15.03.2012	Preferred method for separation of LITGRID AB to be presented by March 30, 2012
29.02.2012	LITGRID AB announces interim activity results for 2011
21.02.2012	Parties Responsible for Preparation of Technical Design of the LitPol Link International Power Link Selected
08.02.2012	New Version of the Law on Electricity Comes into Effect
01.02.2012	Klaipėda Transformer Substation Reconstruction Contract Signed

All information on material events that took place during the first six months of 2012 is available on the website of NASDAQ OMX Vilnius at [www.nasdaqomxbaltic.com/market/?pg=news](http://www.nasdaqomxbaltic.com/market/?pg=news) and on the website of the Company at [www.litgrid.eu](http://www.litgrid.eu).

Consolidated interim report signed on 31 August 2012



Virgilijus Poderys  
General Director



Vytautas Tauras  
Director of Finance Department





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## LITGRID AB

CONSOLIDATED AND THE COMPANY'S  
CONDENSED INTERIM  
FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD  
ENDED 30 JUNE 2012  
(UNAUDITED)

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	5
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The condensed interim financial information was signed on 30 August 2012.



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Virgilijus Poderys  
Chief Executive Officer



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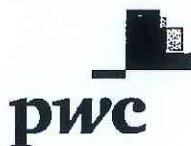
Vytautas Tauras  
Director of Finance Department



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Svetlana Sokolskytė  
Chief Financier





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

## **Report on review of interim financial information**

To the shareholders and Board of Directors of LITGRID AB

### **Introduction**

We have reviewed the accompanying stand alone and consolidated condensed interim statement of financial position of LITGRID AB ("the Company") and its subsidiaries (collectively "the Group") as at 30 June 2012 and the related stand alone and consolidated condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed interim explanatory notes set out on pages 5 – 21. Management is responsible for the preparation and presentation of this stand alone and consolidated condensed interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34, "Interim financial reporting"). Our responsibility is to express a conclusion on this stand alone and consolidated condensed interim financial information based on our review.

### **Scope of review**

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

### **Basis for qualified conclusion**

According to the Company's and the Group's accounting policy, property, plant and equipment should be carried at revalued amounts (being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses) and are subject to an impairment test when impairment indicators exist. As explained in Note 3.3 to the stand alone and consolidated condensed interim financial information, the amendments to the legislation may have had a significant adverse impact on the fair value and recoverable amount of the Company's and the Group's assets. The management has not reassessed fair values of property, plant and equipment with the carrying amounts of LTL 1,951 million and LTL 1,954 million, respectively, as at 30 June 2012 (LTL 1,986 million and LTL 1,989 million, respectively, as at 31 December 2011), or carried out a proper impairment test. It has not been possible to estimate reliably the effects of this non-compliance on the stand alone and consolidated condensed interim financial information.

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PricewaterhouseCoopers UAB, J. Jasinskio 16B, LT-01112 Vilnius, Lithuania  
T: +370 (5) 239 2300, F: +370 (5) 239 2301, E-mail: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)

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



### **Qualified conclusion**

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

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in black ink, appearing to read "Rimvydas Jogėla", written over a circular stamp or seal.

Rimvydas Jogėla  
Director  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
30 August 2012



LITGRID UAB

Company code: 302564383 A. Jozapavičiaus g. 13, LT-09311 Vilnius

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2012

(All amounts in LTL thousands unless otherwise stated)

	Notes	Group at 30 June 2012 unaudited	Company at 30 June 2012 unaudited	Group at 31 December 2011	Company at 31 December 2011
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Intangible assets		1,392	1,062	1,759	1,434
Property, plant and equipment	4	1,954,710	1,950,913	1,990,187	1,985,537
Prepayments for property, plant, equipment		111,109	111,109	87,029	87,029
Investments in subsidiaries		-	8,608	-	8,608
Investments in associates and joint ventures		21,056	21,332	20,804	21,332
Deferred income tax assets		303	-	297	-
Other financial assets		1,084	1,084	1,084	1,084
<b>Total non-current assets</b>		<b>2,089,654</b>	<b>2,094,108</b>	<b>2,101,160</b>	<b>2,105,024</b>
<b>Current assets</b>					
Inventories		7,105	2,177	4,202	2,214
Prepayments		2,337	411	236	2,440
Trade receivables		49,425	38,660	45,310	37,782
Other receivables		75,767	75,426	88,911	79,181
Other financial assets		99,884	99,884	61,096	61,096
Time deposits		-	-	115,079	115,079
Held-to-maturity investments		-	-	21,539	21,539
Cash and cash equivalents		88,235	85,723	65,185	57,131
<b>Total current assets</b>		<b>322,753</b>	<b>302,281</b>	<b>401,558</b>	<b>376,462</b>
<b>TOTAL ASSETS</b>		<b>2,412,407</b>	<b>2,396,389</b>	<b>2,502,718</b>	<b>2,481,486</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves:</b>					
Share capital		504,331	504,331	504,331	504,331
Share premium		29,621	29,621	29,621	29,621
Revaluation reserve		257,109	256,899	267,179	266,960
Legal reserve		50,465	50,433	50,477	50,433
Other reserves	5	654,738	654,654	979,738	979,654
Retained earnings	6	19,946	23,991	63,942	66,951
<b>Equity attributable to owners of the parent company</b>		<b>1,516,210</b>	<b>1,519,929</b>	<b>1,895,288</b>	<b>1,897,950</b>
<b>Non-controlling interests</b>		<b>3,728</b>	<b>-</b>	<b>4,253</b>	<b>-</b>
<b>Total equity</b>		<b>1,519,938</b>	<b>1,519,929</b>	<b>1,899,541</b>	<b>1,897,950</b>
<b>Non-current liabilities</b>					
Grants	7	232,085	232,085	182,359	182,359
Deferred income		14,299	14,299	14,642	14,642
Other non-current payables and liabilities		12,336	12,152	7,458	7,273
Deferred income tax liabilities		172,631	172,631	178,588	178,588
<b>Total non-current liabilities</b>		<b>431,351</b>	<b>431,167</b>	<b>383,047</b>	<b>382,862</b>
<b>Current liabilities</b>					
Trade payables		2,285	-	-	-
Advance amounts received		67,539	58,192	54,921	52,459
Income tax payable		2,093	1,347	4,340	1,363
Other payables		14,176	13,976	7,162	6,800
<b>Total current liabilities</b>		<b>375,025</b>	<b>371,778</b>	<b>153,707</b>	<b>140,052</b>
<b>Total liabilities</b>		<b>461,118</b>	<b>445,293</b>	<b>220,130</b>	<b>200,674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,412,407</b>	<b>2,396,389</b>	<b>2,502,718</b>	<b>2,481,486</b>
<b>Current liabilities</b>		<b>2,412,407</b>	<b>2,396,389</b>	<b>2,502,718</b>	<b>2,481,486</b>

The accompanying notes form an integral part of this condensed interim financial information.

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012

(All amounts in LTL thousands unless otherwise stated)

	Group January - June 2012	Company January - June 2012	Group January - June 2011	Company January - June 2011
Notes	unaudited	unaudited	unaudited	unaudited
<b>Revenue</b>				
Sales of electricity and related services	209,895	209,710	187,468	187,418
Other operating income	24,949	3,692	21,674	2,162
<b>Total revenue</b>	<b>234,844</b>	<b>213,402</b>	<b>209,142</b>	<b>189,580</b>
<b>Operating expenses</b>				
Purchase of electricity and related services	(106,440)	(107,368)	(96,708)	(97,917)
Depreciation and amortisation	(63,073)	(62,437)	(66,949)	(66,388)
Wages and salaries and related expenses	(17,272)	(8,150)	(16,945)	(8,143)
Repair and maintenance expenses	(6,501)	(10,047)	(6,261)	(9,944)
Telecommunications and IT systems expenses	(7,229)	(6,615)	(8,283)	(7,836)
Write-offs of property, plant and equipment	(93)	(93)	(790)	(790)
Other expenses	(22,732)	(5,257)	(19,896)	(4,903)
<b>Total operating expenses</b>	<b>(223,340)</b>	<b>(199,967)</b>	<b>(215,832)</b>	<b>(195,921)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>11,504</b>	<b>13,435</b>	<b>(6,690)</b>	<b>(6,341)</b>
Finance income	1,952	1,841	1,360	1,240
Finance costs	(222)	(219)	(9)	(4)
<b>Finance income, net</b>	<b>1,730</b>	<b>1,622</b>	<b>1,351</b>	<b>1,236</b>
Share of profit (loss) of associates and joint ventures	20	-	730	0
Gain on change in ownership interests in associate	232	-	-	0
	252	-	730	0
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>13,486</b>	<b>15,057</b>	<b>(4,609)</b>	<b>(5,105)</b>
Current income tax expenses	(8,196)	(8,179)	(5,248)	(5,045)
Deferred income tax income	5,964	5,958	5,769	5,686
	(2,232)	(2,221)	521	641
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>11,254</b>	<b>12,836</b>	<b>(4,088)</b>	<b>(4,464)</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>11,254</b>	<b>12,836</b>	<b>(4,088)</b>	<b>(4,464)</b>
<b>PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Owners of the Company	11,779	12,836	(4,088)	(4,464)
Non-controlling interest	(525)	-	-	-
	<b>11,254</b>	<b>12,836</b>	<b>(4,088)</b>	<b>(4,464)</b>
<b>Basic and diluted earnings (deficit) per share (in LTL)</b>	<b>0.02</b>	<b>-</b>	<b>(0.01)</b>	<b>-</b>

The accompanying notes form an integral part of this condensed interim financial information.



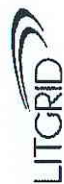
LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR A THREE-MONTH PERIOD ENDED 30 JUNE 2012**  
 (All amounts in LTL thousands unless otherwise stated)

	Notes	Group April – June 2012 unaudited	Company April – June 2012 unaudited	Group April – June 2011 unaudited	Company April – June 2011 unaudited
<b>Revenue</b>					
Sales of electricity and related services		94,137	94,040	85,917	85,879
Other operating income		16,232	1,866	14,744	1,331
<b>Total revenue</b>		<b>110,369</b>	<b>95,906</b>	<b>100,661</b>	<b>87,210</b>
<b>Operating expenses</b>					
Purchase of electricity and related services		(51,614)	(52,042)	(44,075)	(44,678)
Depreciation and amortisation		(31,568)	(31,231)	(33,467)	(33,189)
Wages and salaries and related expenses		(9,280)	(4,226)	(9,103)	(4,377)
Repair and maintenance expenses		(4,633)	(6,919)	(71)	(3,409)
Telecommunications and IT systems expenses		(3,486)	(3,129)	(4,141)	(3,882)
Write-offs of property, plant and equipment		-	-	(306)	(306)
Other expenses		(15,099)	(2,712)	(15,317)	(2,601)
<b>Total operating expenses</b>		<b>(115,680)</b>	<b>(100,259)</b>	<b>(106,480)</b>	<b>(92,442)</b>
<b>OPERATING PROFIT (LOSS)</b>		<b>(5,311)</b>	<b>(4,353)</b>	<b>(5,819)</b>	<b>(5,232)</b>
Finance income		965	917	718	648
Finance costs		(220)	(217)	(7)	(2)
<b>Finance income, net</b>		<b>745</b>	<b>700</b>	<b>711</b>	<b>646</b>
Share of profit (loss) of associates and joint ventures		(174)	-	206	-
Gain on change in ownership interests in associate		-	-	-	-
		(174)	-	206	-
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>(4,740)</b>	<b>(3,653)</b>	<b>(4,902)</b>	<b>(4,586)</b>
Current income tax expenses		(2,350)	(2,353)	(1,754)	(1,676)
Deferred income tax income		2,995	3,014	2,474	2,361
		645	661	720	685
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>(4,095)</b>	<b>(2,992)</b>	<b>(4,182)</b>	<b>(3,901)</b>
<b>Other comprehensive income</b>					
Other comprehensive income (loss) recognised directly in equity		-	-	(5)	-
<b>Other comprehensive income, net of deferred income tax</b>		<b>-</b>	<b>-</b>	<b>(5)</b>	<b>-</b>
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>(4,095)</b>	<b>(2,992)</b>	<b>(4,187)</b>	<b>(3,901)</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		(3,902)	(2,992)	(4,196)	(3,901)
Non-controlling interest		(193)	-	14	-
		<b>(4,095)</b>	<b>(2,992)</b>	<b>(4,182)</b>	<b>(3,901)</b>
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		(3,902)	(2,992)	(4,201)	(3,901)
Non-controlling interest		(193)	-	14	-
		<b>(4,095)</b>	<b>(2,992)</b>	<b>(4,187)</b>	<b>(3,901)</b>
<b>Basic and diluted earnings (deficit) per share (in LTL)</b>		<b>(0.01)</b>	<b>-</b>	<b>(0.01)</b>	<b>-</b>

The accompanying notes form an integral part of this condensed interim financial information.



LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012**

(All amounts in LTL thousands unless otherwise stated)

Group	Note	Equity attributable to owners of the Company						Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings		
<b>Balance at 1 January 2011</b>		<b>504,331</b>	<b>29,621</b>	<b>296,353</b>	<b>47,730</b>	-	<b>1,035,947</b>	<b>3,359</b>	<b>1,917,341</b>
<b>Comprehensive income</b>									
Profit (loss) for the period		-	-	-	-	-	(4,088)	-	(4,088)
Share of comprehensive income of associate		-	-	-	-	-	(1,638)	-	(1,638)
Depreciation of revaluation reserve and amounts written off		-	-	(13,025)	-	-	13,025	-	-
Deferred income tax arising from business combinations		-	-	-	-	-	10	-	10
<b>Total comprehensive income (loss)</b>		-	-	<b>(13,025)</b>	-	-	<b>7,309</b>	-	<b>(5,716)</b>
<b>Transactions with owners</b>									
Decrease in ownership interests in subsidiary that does not result in a loss of control		-	-	-	-	-	(92)	352	260
Transfers to reserves		-	-	-	2,747	979,738	(982,485)	-	-
<b>Total transactions with owners</b>		-	-	-	<b>2,747</b>	<b>979,738</b>	<b>(982,577)</b>	<b>352</b>	<b>260</b>
<b>Balance at 30 June 2011 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>283,328</b>	<b>50,477</b>	<b>979,738</b>	<b>60,679</b>	<b>3,711</b>	<b>1,911,885</b>
<b>Balance at 1 January 2012</b>		<b>504,331</b>	<b>29,621</b>	<b>267,179</b>	<b>50,477</b>	<b>979,738</b>	<b>63,942</b>	<b>4,253</b>	<b>1,899,541</b>
<b>Comprehensive income</b>									
Profit (loss) for the period		-	-	-	-	-	11,779	(525)	11,254
Depreciation of revaluation reserve and amounts written off		-	-	(10,070)	-	-	10,070	-	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(10,070)</b>	-	-	<b>21,849</b>	<b>(525)</b>	<b>11,254</b>
<b>Transactions with owners</b>									
Dividends	5	-	-	-	-	-	(390,857)	-	(390,857)
Transfers to retained earnings	6	-	-	-	(44)	(325,000)	325,044	-	-
Transfers to reserves		-	-	-	32	-	(32)	-	-
<b>Total transactions with owners</b>		-	-	-	<b>(12)</b>	<b>(325,000)</b>	<b>(65,845)</b>	-	<b>(390,857)</b>
<b>Balance at 30 June 2012 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>257,109</b>	<b>50,465</b>	<b>654,738</b>	<b>19,946</b>	<b>3,728</b>	<b>1,519,938</b>

The accompanying notes form an integral part of this condensed interim financial information.





LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012

(All amounts in LTL thousands unless otherwise stated)

Company	Note	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2011</b>		<b>504,331</b>	<b>29,621</b>	<b>296,353</b>	<b>47,665</b>	-	<b>1,040,304</b>	<b>1,918,274</b>
<b>Comprehensive income</b>								
Profit (loss) for the period		-	-	-	-	-	(4,464)	(4,464)
Depreciation of revaluation reserve and amounts written off		-	-	(13,025)	-	-	13,025	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(13,025)</b>	-	-	<b>8,561</b>	<b>(4,464)</b>
<b>Transactions with owners</b>								
Transfers to reserves		-	-	-	2,768	979,654	(982,422)	-
<b>Total transactions with owners</b>		-	-	-	<b>2,768</b>	<b>979,654</b>	<b>(982,422)</b>	-
<b>Balance at 30 June 2011 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>283,328</b>	<b>50,433</b>	<b>979,654</b>	<b>66,443</b>	<b>1,913,810</b>
<b>Balance at 1 January 2012</b>		<b>504,331</b>	<b>29,621</b>	<b>266,960</b>	<b>50,433</b>	<b>979,654</b>	<b>66,951</b>	<b>1,897,950</b>
<b>Comprehensive income</b>								
Profit (loss) for the period		-	-	-	-	-	12,836	12,836
Depreciation of revaluation reserve and amounts written off		-	-	(10,061)	-	-	10,061	-
<b>Total comprehensive income (loss)</b>		-	-	<b>(10,061)</b>	-	-	<b>22,897</b>	<b>12,836</b>
<b>Transactions with owners</b>								
Transfers to reserves	5	-	-	-	-	(325,000)	325,000	-
Dividends	6	-	-	-	-	-	(390,857)	(390,857)
<b>Total transactions with owners</b>		-	-	-	-	<b>(325,000)</b>	<b>(65,857)</b>	<b>(390,857)</b>
<b>Balance at 30 June 2012 (unaudited)</b>		<b>504,331</b>	<b>29,621</b>	<b>256,899</b>	<b>50,433</b>	<b>654,654</b>	<b>23,991</b>	<b>1,519,929</b>

The accompanying notes form an integral part of this condensed interim financial information.

LITGRID AB

Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
 (All amounts in LTL thousands unless otherwise stated)

	Notes	Group January - June 2012	Company January - June 2012	Group January - June 2011	Company January - June 2011
		unaudited	unaudited	unaudited	unaudited
<b>Cash flows from operating activities</b>					
Profit (loss) for the period		11,254	12,836	(4,088)	(4,464)
<b>Reversal of non-monetary items and other adjustments for:</b>					
Depreciation and amortisation expenses	4	63,928	63,292	67,898	67,337
Share of profit (loss) of associates and joint ventures		(20)	-	(730)	-
Gain on change in ownership interests in associate		(232)	-	-	-
Income tax expenses /(income)		2,232	2,221	521	641
Loss on write-off of property, plant and equipment	4	93	93	804	803
(Depreciation) of grants	7	(856)	(856)	(949)	(949)
Interest income		(1,893)	(1,806)	(1,128)	(1,008)
Finance costs		163	184	4	-
Change in other financial assets		(38,788)	(38,788)	(47,001)	(47,001)
<b>Changes in working capital:</b>					
(Increase) decrease in trade receivables and other receivables		7,749	1,597	40,844	24,475
(Increase) decrease in inventories and prepayments		(5,002)	2,068	(694)	(3,092)
Increase (decrease) in accounts payable and advance amounts received		26,045	31,123	(7,831)	13,455
<b>Cash generated from operations</b>		<b>64,673</b>	<b>71,964</b>	<b>46,608</b>	<b>48,916</b>
Income tax paid		(1 182)	(1 003)	(3 963)	(3 960)
<b>Net cash generated from operating activities</b>		<b>63,491</b>	<b>70,961</b>	<b>42,645</b>	<b>44,956</b>
<b>Cash flows from investing activities</b>					
(Purchase) of property, plant and equipment and intangible assets		(42,079)	(41,614)	(109,186)	(109,670)
Grants received	7	50,582	50,582	49,390	49,390
Interest received		3,173	3,086	597	477
Investments in time deposits		115,079	115,079	(34,217)	(34,217)
Acquisition of held-to-maturity investments		21,539	21,539	-	-
Other		(163)	(184)	(4)	-
<b>Net cash generated from (used in) investing activities</b>		<b>148,131</b>	<b>148,488</b>	<b>(93,420)</b>	<b>(94,020)</b>
<b>Cash flows from financing activities</b>					
Non-controlling interests' contribution to the share capital of the subsidiary		-	-	260	-
Credit line facility (overdraft)		2,285	-	-	-
Dividends paid		(190,857)	(190,857)	-	-
<b>Net cash generated from (used in) financing activities</b>		<b>(188,572)</b>	<b>(190,857)</b>	<b>260</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>23,050</b>	<b>28,592</b>	<b>(50,515)</b>	<b>(49,064)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>65,185</b>	<b>57,131</b>	<b>74,004</b>	<b>63,492</b>
<b>Cash and cash equivalents at end of the period</b>		<b>88,235</b>	<b>85,723</b>	<b>23,489</b>	<b>14,428</b>

The accompanying notes form an integral part of this condensed interim financial information.



LITGRID AB  
Company code: 302564383 A. Juozapavičiaus g. 13, LT-09311 Vilnius

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)**

**1. General information**

LITGRID AB (named as LITGRID Turtas AB until 14 March 2011) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. LITGRID AB (hereinafter LITGRID or "the Company") is a limited liability profit-making business entity established as a result of spin-off of Lietuvos Energija AB operations based on the decision of the Extraordinary General Meeting of Shareholders of Lietuvos Energija AB dated 28 October 2010, which was passed to approve the spin-off of Lietuvos Energija AB. On 16 November 2010, the Company was registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's code is 302564383; VAT payer's code is LT100005748413.

LITGRID is an operator of electricity transmission system, operating electricity transmissions in the territory of Lithuania and ensuring the stability of operation of the whole electric power system. In addition, the Company is responsible for the integration and development of the Lithuanian electricity market, as well as for the maintenance and development of electricity transmission network – the strategic projects for electricity interconnections with Sweden and Poland that will ensure the country's energetic independence.

The principal objectives of the Company's activities include ensuring the stability and reliability of electric power system in the territory of Lithuania within its areas of competence, creation of objective and non-discriminatory conditions for the use of the transmission networks, management, use and disposal of electricity transmission system assets and its appurtenances, management of companies fulfilling the functions and performing the activities of electricity market operator, including the companies that own electricity interconnections with other countries or those that develop, manage, use or dispose them.

With effect from 18 June 2012, LITGRID organises an additional trade session for electricity market participants as stipulated in the Electricity Trading Rules approved by the Order of the Lithuanian Minister of Energy. This additional trade session enables the market participants to secure against the risk of imbalance when trade is conducted between isolated trade areas. The additional trade session is relevant for as long as the Lithuanian trade area acts in isolation. Trade during the additional trade session is conducted at exchange prices, and involves the participants of the Lithuanian Power Exchange upon the closing of trade in the power exchange.

On 24 February 2011, the Company obtained a license of the electricity transmission system operator from the National Control Commission for Prices and Energy (the Commission).

As at 30 June 2012 and 31 December 2011, the Company's authorised share capital totalled LTL 504,331,380 and was divided into 504,331,380 ordinary registered shares with par value of LTL 1 each. All shares are fully paid.

As at 30 June 2012 and 31 December 2011, the Company's shareholders structure was as follows:

	Ownership interest (in LTL)	Number of shares held (%)
Visagino Atominė Elektrinė UAB	491,736,153	97.5 %
Other shareholders	12,595,227	2.5 %
<b>Total</b>	<b>504,331,380</b>	<b>100 %</b>

The ultimate controlling shareholder of Visagino Atominė Elektrinė UAB is the Ministry of Energy of the Republic of Lithuania.

The Company's shares are traded on NASDAQ OMX Vilnius Stock Exchange.

As at the date of this condensed interim financial information, the Group consisted of LITGRID and its directly controlled subsidiaries, which are listed below.

Subsidiary	Registered office address	Group's shareholding at 30 June 2012	Group's shareholding at 31 December 2011	Profile of activities
BALTPOL UAB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	67%	67%	Energy source exchange
TETAS UAB	Senamiesčio g. 102B, Panevėžys, Lithuania	61%	61%	Transformer substation, distribution station design, construction, repair and maintenance services



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)**

**1. General information (continued)**

The structure of the Group's investments in associates and joint venture as at 30 June 2012 and 31 December 2011 was as follows:

Company	Registered office address	Group's shareholding at 30 June 2012	Group's shareholding at 31 December 2011	Profile of activities
Technologijų ir Inovacijų Centras UAB	Žvejų g. 14, Vilnius, Lithuania	20%	20%	IT services
Elektros Tinklo Paslaugos UAB	Motorų g. 2, Vilnius, Lithuania	25%	29%	Power network and related equipment repair, maintenance and construction services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50%	50%	Designing of electricity transmission interconnection facilities

As at 30 June 2012, the Group had 692 employees (31 December 2011: 623 employees), whereas the Company had 201 employees (31 December 2011: 205 employees).

Despite the increase in the Company's revenue from electricity transmission activities in the first and fourth quarters of the year, seasonal variations do not have significant impact on the Company's half-year financial information. The Company's revenue for the first and the second quarters of 2011 amounted respectively to 26.3 % and 22.4 % of the Company's annual revenue of 2011, whereas the Company's revenue of the first and second half-years amounted respectively to 48.7% and 51.3% of the Company's total annual revenue of 2011. The same tendency remains in 2012.

**2. Basis of preparation**

The Company's and consolidated Group's condensed interim financial information for a six-month period ended 30 June 2012 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting').

This condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS as adopted by the EU.

This condensed interim financial information has not been audited, but reviewed.

**3. Accounting policies**

Except as described below, the accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements for the year 2011.

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

**3.1. New standards, amendments and interpretations**

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

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

**3.2. Restatement of comparative figures during the preparation of the financial statements for the year ended 31 December 2011**

Based on the explanation of the State Tax Inspectorate under the Lithuanian Ministry of Finance of 6 October 2011 in response to the inquiry as to the taxation of PSO service fees received/dispensed, the Company restated current year income tax expenses and deferred income tax for the year ended 31 December 2011 during the preparation of



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)

the financial statements as at 31 December 2011. The effects of restatement on the condensed interim statement of comprehensive income for a six-month period ended 30 June 2011 are given in the table below:

Group	Group January - June 2011 (as previously reported)	Company January - June 2011 (as previously reported)	Effects of restatement	Group January - June 2011 (restated)	Company January - June 2011 (restated)
Current income tax expenses	(18,782)	(18,579)	13,534	(5,248)	(5,045)
Deferred income tax income	19,303	19,220	(13,534)	5,769	5,686

### 3.3. Critical accounting estimates

The preparation of condensed interim financial information in conformity with IFRS requires management to make estimates and assumptions that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The actual results may ultimately differ from these estimates. Significant judgements made by management in relation to accounting policies and key sources of identification of contingencies were consistent with those applied in preparation of the financial statements for the year ended 31 December 2011.

#### Revaluation and impairment of property, plant and equipment

As a result of the spinoff process in 2010, the Company took over property, plant and equipment from Lietuvos Energija AB. The fair value of property, plant and equipment of Lietuvos Energija AB as at 31 December 2008 was determined by independent valuers who used the methods of comparative prices, depreciated replacement value or discounted cash flows to determine the fair value of the assets, depending on the type of asset.

As at 31 December 2009, management of Lietuvos Energija AB revised the carrying amounts of property, plant and equipment. Having assessed the fall in the construction cost indices in respect of relevant categories of assets published by the Lithuanian Statistics Department for 11 months of 2009, Lietuvos Energija AB reduced the carrying amount of property, plant and equipment. Lietuvos Energija AB applied a 12.27% statistical index in respect of the category of buildings and a 9.68% index in respect of other categories of property, plant and equipment, which had been revalued under the depreciated replacement cost method as at 31 December 2008.

The previous version of the Lithuanian Law on Electricity effective as at 31 December 2008 stipulated that the price caps for electricity transmission services were determined based on the value of assets used in licensed activities of the service provider, with the value of such assets established with reference to data reported in the service provider's financial statements (Regulated Assets Base).

According to the amendment to the above-mentioned Law effective from 1 June 2009, the price caps for electricity transmission services are to be determined based on the value of assets used in licensed activities of the service provider, with the value of such assets being estimated and approved by the Commission in accordance with the principles for determination of the value of assets used in licensed activities of the service provider that had been drafted by the Commission and approved by the Government.

According to the Government's Resolution No. 1142 of 9 September 2009 *On the methodology for determination of the value of assets used in licensed activities of the electricity service provider*, the determination of the price caps for electricity transmission services is to include the value of assets used in licensed activities of the service provider, which is equal to the net book value (carrying amount) of property, plant and equipment as at 31 December 2002 as increased by the amount of capital expenditures implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated in the Lithuanian Law on Corporate Income Tax.

For the above-mentioned reasons, the values of property, plant and equipment reported in this condensed interim financial information may significantly differ from those that would have been determined if the valuation of assets had been performed by independent valuers as required by International Valuation and Accounting Standards. Such valuation is likely to have a negative impact on the results of the Company' and Group's operations and the shareholders' equity reported in the financial statements for the years 2012 and 2011.

Based on management's decision, valuation of fair values of property, plant and equipment as at 30 June 2012 and 31 December 2011 was not performed by independent valuers, as a substantial reorganisation of the whole energy sector took place in 2010 through to 2011, and in 2010 the Company was separated from Lietuvos Energija AB, and in 2011 it was merged with LITGRID AB.



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)

#### 4. Property, plant and equipment

Movements in the Group's PP&E account were as follows:

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other PP&E	Construction in progress	Total
<b>At 31 December 2010</b>							
Opening net book amount	1,961	36,488	1,943,993	1,829	45,563	34,285	2,064,119
Additions	-	-	42	122	185	25,567	25,916
Write-offs	-	(1)	(797)	-	(6)	-	(804)
Reclassification between categories	-	-	3,282	-	(420)	(2,862)	-
Depreciation charge	-	(1,159)	(61,674)	(234)	(4,528)	-	(67,595)
<b>Net book amount at 30 June 2011</b>	<b>1,961</b>	<b>35,328</b>	<b>1,884,846</b>	<b>1,717</b>	<b>40,794</b>	<b>56,990</b>	<b>2,021,636</b>
<b>At 31 December 2011</b>							
Opening net book amount	1,961	34,851	1,841,223	1,638	38,161	72,353	1,990,187
Additions	-	-	26	5	466	27,587	28,084
Write-offs	-	-	(95)	-	-	-	(95)
Reclassification between categories	-	586	10,446	-	1,112	(12,144)	-
Depreciation charge	-	(1,090)	(57,960)	(250)	(4,171)	5	(63,466)
<b>Net book amount at 30 June 2012</b>	<b>1,961</b>	<b>34,347</b>	<b>1,793,640</b>	<b>1,393</b>	<b>35,568</b>	<b>87,801</b>	<b>1,954,710</b>

Movements in the Company's PP&E account were as follows:

Company	Land	Buildings	Structures and machinery	Other PP&E	Construction in progress	Total
<b>At 31 December 2010</b>						
Opening net book amount	1,961	35,636	1,943,758	43,606	34,686	2,059,647
Additions	-	-	-	119	26,288	26,407
Write-offs	-	(1)	(797)	(5)	-	(803)
Reclassification between categories	-	-	3,282	(420)	(2,862)	-
Depreciation charge	-	(1,124)	(61,652)	(4,268)	-	(67,044)
<b>Net book amount at 30 June 2011</b>	<b>1,961</b>	<b>34,511</b>	<b>1,884,591</b>	<b>39,032</b>	<b>58,112</b>	<b>2,018,207</b>
<b>At 31 December 2011</b>						
Opening net book amount	1,961	33,613	1,840,627	36,573	72,763	1,985,537
Additions	-	-	-	249	28,097	28,346
Write-offs	-	-	(95)	-	-	(95)
Reclassification between categories	-	586	10,446	1,112	(12,144)	-
Depreciation charge	-	(1,037)	(57,916)	(3,922)	-	(62,875)
<b>Net book amount at 30 June 2012</b>	<b>1,961</b>	<b>33,162</b>	<b>1,793,062</b>	<b>34,012</b>	<b>88,716</b>	<b>1,950,913</b>



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)

**4. Property, plant and equipment (continued)**

As at 30 June 2012 and 31 December 2011, the Group/Company had significant contractual commitments to purchase property, plant and equipment, which would have to be fulfilled in later periods.

	<b>At 30 June 2012</b>	<b>At 31 December 2011</b>
Interconnection between the electricity transmission systems of Lithuania and Sweden (NORDBALT)	597,783	620,783
Transformer substations	92,088	60,778
Construction of 330 kV air line (AL) Telšiai-Klaipėda	53,624	58,210
Cabling of 110 kV AL near Viršuliškės	33,461	-
Replacement of section of 110 kV AL „Marios-Juodkrantė“	5,380	-
Interconnection between the electricity transmission systems of Lithuania and Poland (LitPolLink)	1,544	1,706
Other	4,830	901
<b>Total</b>	<b>788,710</b>	<b>742,378</b>

**5. Other reserves**

The Ordinary General Meeting of Shareholders of LITGRID AB held on 30 April 2012 approved the proposed profit appropriation and resolved to transfer LTL 325,000 thousand from other reserves to retained earnings.

**6. Dividends**

During the Ordinary General Meeting of Shareholders of LITGRID AB held on 30 April 2012, the decision was made in relation to the payment of dividends in amount of LTL 390,857 thousand. Dividends per share amounted to LTL 0.775.

**7. Grants**

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the first half of 2012 and 2011 were as follows:

	<b>Group</b>	<b>Company</b>
<b>Balance at 31 December 2010</b>	<b>42,349</b>	<b>42,349</b>
Received during the period	49,390	49,390
Recognised as income during the period	(949)	(949)
<b>Balance at 30 June 2011</b>	<b>90,790</b>	<b>90,790</b>
<b>Balance at 31 December 2011</b>	<b>182,359</b>	<b>182,359</b>
Received during the period	50,582	50,582
Recognised as income during the period	(856)	(856)
<b>Balance at 30 June 2012</b>	<b>232,085</b>	<b>232,085</b>

The grants received during the first half of 2012 comprised as follows:

- amounts received from the EU structural funds to finance the reconstruction of the Company's property, plant and equipment totalling LTL 6,828 thousand (the first half of 2011: LTL 3,375 thousand);
- funds received from Ignalina International Decommissioning Support Fund to finance preparatory works and implementation of the project for interconnection Lithuania-Poland (LitPolLink) totalling LTL 1,254 thousand (first half of 2011: LTL 0);
- PSO service fees received to finance the preparatory works and implementation of the Project for interconnection Lithuania-Sweden (NordBalt) totalling LTL 42,500 thousand (the first half of 2011: LTL 46,015 thousand).

In the statement of comprehensive income for a six-month period ended 30 June 2012, depreciation and amortisation charges were reduced by income from grants amounting to LTL 856 thousand (2011: LTL 949 thousand).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2012  
(All amounts in LTL thousands unless otherwise stated)

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## 8. Segment Information

Management distinguished operating segments based on the reports reviewed by the Board. The Board is a primary decision maker within the Group. The Board analyses business operations by geographical areas and types of services provided. Management analyses operating profit (loss) as a profitability indicator. The reports reviewed by the Board are in line with the financial statements prepared in accordance with IFRS, except for the format of presentation.

The Group has distinguished the following 6 segments:

- electricity transmission;
- trade in balancing/regulating electricity;
- provision of capacity reserve services;
- provision of services under public service obligation (PSO) scheme;
- activities of the market operator;
- repair and maintenance activities.

The electricity transmission segment is involved in transmitting electricity over high voltage (330-110 kV) networks from producers to end users or suppliers not in excess of the contractual limit. The main objective of these activities is to ensure a reliable, effective, high quality, transparent and safe electricity transmission to distribution networks, large network users from power stations and neighbouring energy systems.

Trade in balancing/regulating electricity is a separate service of the transmission system operator ensuring the balancing of electricity generation/import and demand/export levels.

Provision of capacity reserve services. To ensure a liable work of the system, the Company purchases from electricity producers the service of ensuring capacity reserve for power generation facilities and provides capacity reserve services to end users. The capacity reserve is required in case of unexpected fall in electricity production volumes or increase in electricity consumption.

The Company's/Group's services provided under PSO scheme comprise as follows:

- development and implementation of strategic projects for the improvement of energy security with the help of interconnections Lithuania-Sweden and Lithuania-Poland, connection of the Lithuanian electric energy system to ENTSO-E continental Europe networks;
- connection of power generation facilities, which use wind, biomass, solar energy or hydroenergy in the process of electricity generation, to transmission networks; optimisation, development and/or reconstruction of transmission networks related to acceptance and transmission of electricity from producers who use the renewable energy resources;
- balancing of electricity produced using the renewable energy resources;
- administration of PSO service fees.

The Company's subsidiary BALTPool UAB carries out the activities of natural gas market operator and applies measures to secure against the fluctuations in electricity prices on power exchange. BALTPool UAB earns revenue mainly from turnover fees for trade in power exchange. Until 18 June 2012, BALTPool UAB used to act as power exchange operator.

Repair and maintenance services are carried out by the Company's subsidiary TETAS UAB. Its core line of business is reconstruction, repair and maintenance of medium voltage transformer substations and distribution stations.



## 8. Segment information (continued)

The table below shows the Group's information on segments for the period ended 30 June 2012:

	Operating segments							Total
	Electricity transmission	Trade in balancing/ regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	
Revenue	124,223	50,039	32,811	6,321	1,121	25,459	-	239,974
Inter-segment revenue	-	-	-	-	(956)	(3,664)	(510)	(5,130)
Revenue after elimination of inter-company revenue within the Group	124,223	50,039	32,811	6,321	165	21,795	(510)	234,844
Operating profit (loss)	2,072	13,102	(1,747)	-	77	(1,495)	(505)	11,504
Finance income (costs), net	1,622	-	-	-	101	7	-	1,730
Share of result of associates and joint ventures	20	-	-	-	-	-	-	20
Gain on change in ownership interests in associate	232	-	-	-	-	-	-	232
Profit (loss) before income tax	3,946	13,102	(1,747)	-	178	(1,488)	(505)	13,486
*Income tax	(2,221)	-	-	-	(16)	5	-	(2,232)
Net profit (loss) for the period	1,725	13,102	(1,747)	-	162	(1,483)	(505)	11,254
Depreciation and amortisation expenses	62,437	-	-	-	37	604	(5)	63,073
Write-offs of property, plant and equipment	93	-	-	-	-	-	-	93

\*Income tax is not allocated among the Company's operating segments and it is attributed to the activities of electricity transmission.

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**8. Segment information (continued)**

The table below shows the Group's information on segments for the period ended 30 June 2011:

	Operating segments							
	Electricity transmission	Trade in balancing/regulating electricity	Provision of capacity reserve services	Provision of services under PSO scheme	Activities of market operator	Repair and maintenance activities	Other inter-segment eliminations	Total
Revenue	116,698	39,274	28,255	5,353	1,259	24,104	-	214,943
Inter-segment revenue	-	-	-	-	(1,209)	(3,757)	(835)	(5,801)
Revenue after elimination of inter-company revenue within the Group	116,698	39,274	28,255	5,353	50	20,347	(835)	209,142
Operating profit (loss)	(11,073)	8,651	(2,596)	-	(797)	(40)	(835)	(6,690)
Finance (income) costs, net	1,236	-	-	-	114	1	-	1,351
Share of result of associates and joint ventures	730	-	-	-	-	-	-	730
Profit (loss) before income tax	(9,107)	8,651	(2,596)	-	(683)	(39)	(835)	(4,609)
*Income tax	751	-	-	-	(81)	(149)	-	521
Net profit (loss) for the period	(8,356)	8,651	(2,596)	-	(764)	(188)	(835)	(4,088)
Depreciation and amortisation expenses	66,387	-	-	-	1	561	-	66,949
Write-offs of property, plant and equipment	790	-	-	-	-	-	-	790

\* Income tax is not allocated among the Company's operating segments and it is attributed to the activities of electricity transmission.



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### 8. Segment information (continued)

The Group operates in Lithuania and its revenue generated from customers in Lithuania accounts for 99% of total revenue.

The Company sells regulating electricity to transmission system operators in Latvia and Estonia and provides the electricity transit service to the Russian transmission system operator.

In 2012 and 2011, the Group's and the Company's revenue by geographical location of customer was as follows:

Country	Group January – June 2012	Company January – June 2012	Group January – June 2011	Company January – June 2011
Lithuania	232,921	211,479	206,663	187,101
Russia	917	917	1,023	1,023
Estonia	508	508	563	563
Latvia	482	482	893	893
Bulgaria	16	16	-	-
<b>Total</b>	<b>234,844</b>	<b>213,402</b>	<b>209,142</b>	<b>189,580</b>

All assets of the Group and the Company are located in Lithuania.

The Group's revenue from its major external customer (Visagino Atominė Elektrinė UAB group companies) amounted to LTL 168,625 thousand during a six-month period ended 30 June 2012 (30 June 2011: LTL 145,321 thousand).

### 9. Related-party transactions

The Company's/Group's related parties remained the same in 2012.

During a six-month period ended 30 June 2012 and 2011, the major purchases and sales between related parties within the Group were conducted between the Company and LESTO AB or Lietuvos Energija AB (Visagino Atominė Elektrinė UAB group companies). The Group mostly purchased electricity and paid PSO service fees. Sale transactions mostly comprised sales of electricity, provision of capacity reserve services, electricity transmission services, and collection of PSO service fees.

The Group's transactions with related parties during a six-month period ended 30 June 2012 and the balances arising on these transactions as at 30 June 2012 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Other Visagino Atominė Elektrinė UAB group companies	71,371	91,134	314,786	730,341
The Group's associates	2,710	1,192	10,718	3,075
The Group's parent company (Visagino Atominė Elektrinė UAB)	200,000	-	208	-
<b>Total</b>	<b>274,081</b>	<b>92,326</b>	<b>325,712*</b>	<b>733,416**</b>

\*Whereof: LTL 161,490 thousand PSO service fees paid to related parties and LTL 84,698 thousand purchases of electricity on the power exchange from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

\*\*Whereof: LTL 311,789 thousand PSO service fees received from related parties and LTL 253,002 thousand sales of electricity on the power exchange to related parties.

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**9. Related-party transactions (continued)**

The Company's transactions with related parties during a six-month period ended 30 June 2012 and the balances arising on these transactions as at 30 June 2012 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Other Visagino Atominė Elektrinė UAB group companies	70,285	80,990	230,630	462,674
The Company's subsidiaries	4,513	14	19,983	70
The Company's associates	2,595	1,192	10,304	3,072
The Group's parent company (Visagino Atominė Elektrinė UAB)	200,000	-	208	-
<b>Total</b>	<b>277,393</b>	<b>82,196</b>	<b>261,125*</b>	<b>465,816**</b>

\*Whereof: LTL 161,490 thousand PSO service fees paid to related parties and LTL 2,999 thousand purchases of electricity on the power exchange from related parties. The Company acts as an agent in these transactions. The Company does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

\*\*Whereof: LTL 311,789 thousand PSO service fees received from related parties and LTL 2,999 thousand sales of electricity on the power exchange to related parties.

The Group's transactions with related parties during a six-month period ended 30 June 2011 and the balances arising on these transactions as at 30 June 2011 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Other Visagino Atominė Elektrinė UAB group companies	58,274	99,314	308,805	646,933
The Group's associates	2,626	1,211	12,694	1,354
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-	-	-
<b>Total</b>	<b>60,900</b>	<b>100,525</b>	<b>321,499*</b>	<b>648,287**</b>

\*Whereof: LTL 143,821 thousand PSO service fees paid to related parties and LTL 107,265 thousand purchases of electricity on the power exchange from related parties. The Group acts as an agent in these transactions. The Group does not recognise revenue and expenses from electricity trading in power exchange and administration of PSO service fees with respect to those transactions in which it acts as an agent on behalf of the Commission/Government.

\*\*Whereof: LTL 259,336 thousand PSO service fees received from related parties and LTL 243,630 thousand sales of electricity on the power exchange to related parties.

The Company's transactions with related parties during a six-month period ended 30 June 2011 and the balances arising on these transactions as at 30 June 2011 are presented below.

Related parties	Trade and other payables and prepayments	Trade and other receivables	Purchases	Sales
Other Visagino Atominė Elektrinė UAB group companies	56,711	87,451	198,761	390,182
The Company's subsidiaries	2,576	804	19,535	112
The Company's associates	4,706	2,573	12,455	1,318
The Group's parent company (Visagino Atominė Elektrinė UAB)	-	-	-	-
<b>Total</b>	<b>63,993</b>	<b>90,828</b>	<b>230,751*</b>	<b>391,612**</b>

\*Whereof: LTL 143,821 thousand PSO service fees paid to related parties.

\*\*Whereof: LTL 259,336 thousand PSO service fees received from related parties.



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**9. Related-party transactions (continued)**

***Payments to key management personnel***

	<b>Group January – June 2012</b>	<b>Company January – June 2012</b>	<b>Group January – June 2011</b>	<b>Company January – June 2011</b>
Employment-related payments	1,379	795	1,403	835
Whereof: termination benefits	154	85	203	164
Number of key management personnel	15	8	14	7

Key management personnel includes heads of administration and their deputies (directors of departments) and chief financier.

**10. Basic and diluted earnings per share**

Basic and diluted earnings (deficit) per share for a six-month period ended 30 June 2012 and 2011 were as follows:

	<b>January – June 2012</b>	<b>January – June 2011</b>
Net profit (loss) attributable to the owners of the Company (LTL thousands)	11,779	(4,464)
Weighted average number of shares (units)	504,331,380	504,331,380
<b>Basic and diluted earnings (deficit) per share (in LTL)</b>	<b>0.02</b>	<b>(0.01)</b>

**11. Contingent liabilities**

Litigations

The investigation of a civil case conducted at Kaunas Regional Court based on the Company's claim for compensation of debt and interest from Achema AB, was suspended by the Court's resolution dated 14 June 2012 until the completion of investigation of the civil case at Vilnius Regional Court. The management believe this litigation will have no negative impact on the Company's/Group's financial statements.

**12. Significant events after the balance sheet date**

Based on the Lithuanian Government's Resolution No. 826 of 4 July 2012 *On the establishment of a private limited liability company and investment of state-owned capital*, on 19 July 2012 the Ministry of Energy established EPSO-G UAB and it was registered with the register of legal entities on 25 July 2012. Based on the above-mentioned Resolution, the Company's shares owned by Visagino Atominė Elektrinė UAB will be transferred to the newly established company, presumably by 1 October 2012.

On 1 August 2012, the Company acquired 2% of shares of power exchange operator for Nordic and Baltic countries - Nord Pool Spot AS.

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