

2012-08-28 No. *SD-2704*

## CERTIFICATION STATEMENT

In following with Article 22 of the Law on Securities of the Republic of Lithuania, we, Lietuvos Energija, AB Chief Executive Officer Dalius Misiūnas, Finance and Legal Department Director Artūras Jočius, and Chief Financier Giedruolė Guobienė, certify that, to our knowledge, the unaudited Lietuvos Energija, AB and consolidated 2012 six-month interim financial statement prepared in accordance with the International Financial Reporting Standards applicable in the European Union corresponds to reality and fairly presents the assets, liabilities, financial condition, period profit or losses and cash flow of Lietuvos Energija, AB and its consolidated enterprises, and that the business development and activities review as well as the condition of Lietuvos Energija, AB and its consolidated enterprises, together with the description of principal risks and uncertainties which are encountered, are indicated correctly in the consolidated annual report.

Chief Executive Officer



Dalius Misiūnas

Finance and Legal Department Director



Artūras Jočius

Chief Financier



Giedruolė Guobienė

# LIETUVOS ENERGIJA, AB

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

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*This condensed interim financial information has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of condensed interim financial information takes precedence over the English language version.*

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The condensed interim financial information was approved by the General Director, Director of Finance and Law Department and Chief Financier of Lietuvos Energija AB on 28 August 2012.



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Dalius Misiūnas  
General Director



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Artūras Jočius  
Director of Finance and Law  
Department



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Giedruolė Guobienė  
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.*

## **Review report of condensed interim financial information**

To the shareholders of Lietuvos energija, AB

### **Introduction**

We have reviewed the accompanying stand alone condensed interim statement of financial position of Lietuvos energija, AB (hereinafter “the Company”) and consolidated condensed interim statement of financial position of the Company and its subsidiaries (hereinafter “the Group”) as of 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 explanatory notes set out on pages 5-28. 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 (International Accounting Standard (IAS) No. 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 - scope limitation**

As of 30 June 2012 and 31 December 2011 the Group has accounted for property, plant and equipment amounting to LTL 2,539 million and LTL 2,494 million respectively, carried at cost less accumulated depreciation and impairment losses, using the estimated useful lives as disclosed in Note 2 of annual financial statements. The Group is operating in an industry experiencing technological change and therefore the estimated useful lives of property, plant and equipment should be reviewed on a regular basis as required by *IAS 16 Property, plant and equipment*. The Group acquired the above mentioned assets through the business combination under common control in 2010, and the review of useful lives of these assets has not been performed since 2004. In addition, as explained in Note 3 to the interim financial information the Group has not estimated whether the recoverable amount of property, plant and equipment is not less than its carrying amount as required by *IAS 36 Impairment of assets*. Consequently, we were unable to obtain sufficient and appropriate evidence as to the carrying amounts of Group's property, plant and equipment amounting to LTL 2,539 million and LTL 2,494 million as of 30 June 2012 and 31 December 2011.

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### **Basis for Qualified Conclusion - disagreement**

As disclosed in Note 7, as of 31 December 2011 the Group was not in compliance with certain debt financial covenants which permitted the lender to demand immediate repayment of borrowings. In our opinion, the classification of part of the borrowings as non-current is not compliant with IAS 1 *Presentation of Financial Statements*, which requires the liability to be classified as current at the reporting date unless the Group has an unconditional right to defer settlement of the liability for at least 12 month after the reporting date. Consequently, non-current borrowings should be reduced and current borrowings should be increased by LTL 326 million and by LTL 355 million for the Group as of 30 June 2012 and 31 December 2011 respectively.

### **Qualified Conclusion**

Based on our review, except for the possible effects of the matters described in the *Basis for Qualified Conclusion - Scope Limitation* section and except for the effects of the matters described in the *Basis for Qualified Conclusion- Disagreement* section, nothing has come to our attention that causes us to believe that the accompanying condensed interim stand alone and consolidated 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 (International Accounting Standard (IAS) No. 34, "Interim financial reporting").

On behalf of PricewaterhouseCoopers UAB



Rimvydas Jogėla  
Director  
Auditor's Certificate No.000457



Jurgita Krikščiūnienė  
Auditor's Certificate No.000495

Vilnius, Republic of Lithuania  
28 August 2012

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
AT 30 JUNE 2012  
All amounts in LTL thousands unless otherwise stated

ASSETS	Note	Group at 30 June 2012 <i>(unaudited)</i>	Company at 30 June 2012 <i>(unaudited)</i>	Group at 31 December 2011	Company at 31 December 2011
<b>Non-current assets</b>					
Intangible assets	4	24,049	20,918	39,735	36,345
Property, plant and equipment	5	3,139,711	3,085,359	3,114,410	3,054,247
Prepayments for property, plant, equipment		13	13	2,769	2,769
Investment property		-	-	1,824	1,824
Investments in subsidiaries		-	54,651	-	54,651
Investments in associates and joint ventures		151,783	155,427	146,966	151,648
Deferred income tax assets		461	-	81	-
Other financial assets		24,368	24,368	9,657	9,657
Amounts receivable		18,842	18,842	1,426	1,426
<b>Total non-current assets</b>		<b>3,359,227</b>	<b>3,359,578</b>	<b>3,316,868</b>	<b>3,312,567</b>
<b>Current assets</b>					
Inventories		60,040	57,240	125,537	123,721
Prepayments		3,891	1,785	2,936	1,909
Trade receivables		266,201	223,373	233,479	207,498
Other receivables		9,295	16,084	7,007	12,648
Prepaid income tax		169	159	3,157	3,147
Other financial assets		261	-	267	-
Cash and cash equivalents		88,164	71,149	27,907	8,281
		<b>428,021</b>	<b>369,790</b>	<b>400,290</b>	<b>357,204</b>
Non-current assets classified as held for sale		<b>1,719</b>	<b>-</b>	<b>3,283</b>	<b>1,543</b>
<b>Total current assets</b>		<b>429,740</b>	<b>369,790</b>	<b>403,573</b>	<b>358,747</b>
<b>TOTAL ASSETS</b>		<b>3,788,967</b>	<b>3,729,368</b>	<b>3,720,441</b>	<b>3,671,314</b>

(continued on the next page)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
AT 30 JUNE 2012  
All amounts in LTL thousands unless otherwise stated

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>Group at 30 June 2012 (unaudited)</b>	<b>Company at 30 June 2012 (unaudited)</b>	<b>Group at 31 December 2011</b>	<b>Company at 31 December 2011</b>
<b>Capital and reserves</b>					
Share capital	6	635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		14,017	9,472	13,735	8,395
Legal reserve		36,242	35,867	35,972	35,867
Other reserves		717,775	717,775	717,775	717,775
Retained earnings		( 41,301)	(17,070)	(67,183)	(44,656)
<b>Total equity attributable to owners of the Company</b>		<b>1,657,584</b>	<b>1,676,895</b>	<b>1,631,150</b>	<b>1,648,232</b>
Non-controlling interest		40,683		39,951	
<b>Total equity</b>		<b>1,698,267</b>	<b>1,676,895</b>	<b>1,671,101</b>	<b>1,648,232</b>
<b>Non-current liabilities</b>					
Borrowings	7	561,440	561,440	602,258	602,258
Finance lease liabilities		146	-	319	-
Grants	8	1,052,282	1,052,282	1,008,569	1,008,569
Other non-current accounts payable and liabilities		41,480	39,496	46,137	45,863
Deferred income tax liabilities		122,730	121,876	125,431	124,311
<b>Total non-current liabilities</b>		<b>1,778,078</b>	<b>1,775,094</b>	<b>1,782,714</b>	<b>1,781,001</b>
<b>Current liabilities</b>					
Borrowings	7	65,785	51,967	39,908	38,739
Finance lease liabilities		494	-	584	-
Trade payables		85,895	74,447	116,830	103,759
Advance amounts received		15,691	14,854	17,628	14,885
Income tax payable		2,137	-	1,787	-
Provisions for emission allowances	9	58,347	58,347	61,931	61,931
Other accounts payable and liabilities		84,273	77,764	27,958	22,767
<b>Total current liabilities</b>		<b>312,622</b>	<b>277,379</b>	<b>266,626</b>	<b>242,081</b>
<b>Total liabilities</b>		<b>2,090,700</b>	<b>2,052,473</b>	<b>2,049,340</b>	<b>2,023,082</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,788,967</b>	<b>3,729,368</b>	<b>3,720,441</b>	<b>3,671,314</b>



**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
**All amounts in LTL thousands unless otherwise stated**

	Note	Group 1 January – 30 June 2012 (unaudited)	Company 1 January – 30 June 2012 (unaudited)	Group 1 January – 30 June 2011 (unaudited)	Company 1 January – 30 June 2011 (unaudited)
<b>Revenue</b>					
Sales revenue		616,163	517,496	613,215	609,849
Other operating income		48,706	1,101	21,957	660
		<b>664,869</b>	<b>518,597</b>	<b>635,172</b>	<b>610,509</b>
<b>Operating expenses</b>					
Purchase of electricity or related services		(332,288)	(234,153)	(347,439)	(347,439)
Purchase of gas		(181,742)	(181,742)	(150,000)	(150,000)
Depreciation and amortisation		(36,278)	(29,087)	(31,221)	(29,889)
Salaries and related expenses		(32,701)	(15,908)	(22,819)	(17,921)
Repair and maintenance expenses		(2,664)	(7,610)	(2,769)	(2,998)
Expenses of revaluation and provisions for emission allowances		(2,148)	(2,148)	(7,321)	(7,321)
Provisions for onerous contracts (expense) / recovery		(2,360)	(2,360)	23,600	23,600
Impairment write-down of inventories		(459)	(459)	(1,299)	(1,299)
Other expenses		(43,800)	(15,971)	(25,385)	(12,701)
<b>Total operating expenses</b>		<b>(634,440)</b>	<b>(489,438)</b>	<b>(564,653)</b>	<b>(545,968)</b>
<b>OPERATING PROFIT</b>		<b>30,429</b>	<b>29,159</b>	<b>70,519</b>	<b>64,541</b>
Finance income:					
Share of result of operations of associates and joint ventures		1,155	-	897	-
Other finance income		843	3,698	793	1,686
Finance (costs)		(2,630)	(2,464)	(2,379)	(2,090)
		(632)	1,234	(689)	(404)
<b>PROFIT BEFORE INCOME TAX</b>		<b>29,797</b>	<b>30,393</b>	<b>69,830</b>	<b>64,137</b>
Current year income tax expense		(6,642)	(5,834)	(11,898)	(11,057)
Deferred income tax income/(expense)		3,023	2,473	(2,737)	(5,067)
		(3,619)	(3,361)	(14,635)	(16,124)
<b>PROFIT FOR THE PERIOD</b>		<b>26,178</b>	<b>27,032</b>	<b>55,195</b>	<b>48,013</b>
<b>Other comprehensive income (loss)</b>					
Profit from revaluations of emission allowances		1,416	1,416	-	-
Loss for the period from revaluation of fixed assets		(619)	-	-	-
Deferred income tax due to revaluation of fixed assets		93	-	-	-
Other comprehensive income less deferred income tax		890	1,416	-	-
<b>COMPREHENSIVE INCOME</b>		<b>27,068</b>	<b>28,448</b>	<b>-</b>	<b>-</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		25,446	27,032	55,195	48,013
Non-controlling interest		732	-	-	-
		<b>26,178</b>	<b>27,032</b>	<b>55,195</b>	<b>48,013</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		26,336	28,448	55,195	48,013
Non-controlling interest		732	-	-	-
		<b>27,068</b>	<b>28,448</b>	<b>55,195</b>	<b>48,013</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.04</b>		<b>0.09</b>	



**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
All amounts in LTL thousands unless otherwise stated

	Note	Group 1 April – 30 June 2012 (unaudited)	Company 1 April – 30 June 2012 (unaudited)	Group 1 April – 30 June 2011 (unaudited)	Company 1 April – 30 June 2011 (unaudited)
<b>Revenue</b>					
Sales revenue		290,889	245,910	313,525	311,678
Other operating income		24,917	514	13,503	284
		<b>315,806</b>	<b>246,424</b>	<b>327,028</b>	<b>311,962</b>
<b>Operating expenses</b>					
Purchase of electricity or related services		(167,825)	(122,923)	(168,563)	(168,492)
Purchase of gas		(74,753)	(74,753)	(90,625)	(90,625)
Depreciation and amortisation		(17,680)	(14,071)	(14,377)	(13,695)
Salaries and related expenses		(16,417)	(7,880)	(10,877)	(8,344)
Repair and maintenance expenses		(1,040)	(2,999)	(1,604)	(1,826)
Expenses/(reversal) of revaluation and provisions for emission allowances		(2,392)	(2,392)	19,542	19,542
Impairment write-down of inventories		(455)	(455)	(309)	(309)
Other expenses		(21,321)	(6,891)	(14,139)	(6,932)
<b>Total operating expenses</b>		<b>(301,883)</b>	<b>(232,364)</b>	<b>(280,952)</b>	<b>(270,681)</b>
<b>OPERATING PROFIT</b>		<b>13,923</b>	<b>14,060</b>	<b>46,076</b>	<b>41,281</b>
Finance income:					
Share of result of operations of associates and joint ventures		996	-	556	-
Other finance income		429	3,329	443	1,290
Other finance (costs)		(1,452)	(1,372)	(257)	(238)
		(27)	1,957	742	1,052
<b>PROFIT BEFORE INCOME TAX</b>		<b>13,896</b>	<b>16,017</b>	<b>46,818</b>	<b>42,333</b>
Current year income tax expense		(2,310)	(1,826)	(3,900)	(3,459)
Deferred income tax income/(expense)		1,702	1,325	(2,475)	(4,803)
		(608)	(501)	(6,375)	(8,262)
<b>PROFIT FOR THE PERIOD</b>		<b>13,288</b>	<b>15,516</b>	<b>40,443</b>	<b>34,071</b>
<b>Other comprehensive income (loss)</b>					
Loss for the period from revaluation of fixed assets		-	-	-	-
Deferred income tax due to revaluation of fixed assets		-	-	-	-
Other comprehensive income less deferred income tax		-	-	-	-
<b>COMPREHENSIVE INCOME</b>		<b>13,288</b>	<b>15,516</b>	<b>40,443</b>	<b>34,071</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		12,853	15,516	40,443	34,071
Non-controlling interest		435	-	-	-
		<b>13,288</b>	<b>15,516</b>	<b>40,443</b>	<b>34,071</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		12,853	15,516	40,443	34,071
Non-controlling interest		435	-	-	-
		<b>13,288</b>	<b>15,516</b>	<b>40,443</b>	<b>34,071</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.02</b>		<b>0.06</b>	

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
All amounts in LTL thousands unless otherwise stated

*(continued on the next page)*

LIETUVOS ENERGIJA AB  
Company code 302648707, Elektrinės g. 21, LT-26108 Elektrėnai

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

All amounts in LTL thousands unless otherwise stated

Company	Share capital	Share premium	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
<b>Balance at 1 January 2011</b>	<b>635,084</b>	<b>295,767</b>	<b>6,604</b>	<b>35,867</b>	<b>717,775</b>	<b>33,174</b>	<b>1,724,271</b>
Dividends	-	-	-	-	-	(89,050)	(89,050)
Depreciation of revaluation reserve	-	-	(232)	-	-	232	-
Comprehensive income	-	-	-	-	-	48,013	48,013
<b>Balance at 30 June 2011 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>6,372</b>	<b>35,867</b>	<b>717,775</b>	<b>(7,631)</b>	<b>1,683,234</b>
<b>Balance at 1 January 2012</b>	<b>635,084</b>	<b>295,767</b>	<b>8,395</b>	<b>35,867</b>	<b>717,775</b>	<b>(44,656)</b>	<b>1,648,232</b>
Depreciation of revaluation reserve	-	-	(339)	-	-	339	-
Other adjustments	-	-	-	-	-	215	215
Comprehensive income	-	-	1,416	-	-	27,032	28,448
<b>Balance at 30 June 2012 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>9,472</b>	<b>35,867</b>	<b>717,775</b>	<b>(17,070)</b>	<b>1,676,895</b>

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

(end)



**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**  
**All amounts in LTL thousands unless otherwise stated**

	<b>Group 1 January – 30 June 2012</b>	<b>Company 1 January – 30 June 2012</b>	<b>Group 1 January – 30 June 2011</b>	<b>Company 1 January – 30 June 2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	<b>26,178</b>	<b>27,032</b>	<b>55,195</b>	<b>48,013</b>
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	42,130	34,939	37,095	35,760
Loss/(income) on revaluation of emission allowances and provision expense	2,148	2,148	(16,278)	(16,278)
Impairments	4,678	4,678	1,770	2,100
Share of (profit) of associates and joint ventures	(1,155)	-	(897)	-
Income tax expenses	6,216	5,834	11,898	11,056
Change in deferred income tax liability	(2,818)	(2,435)	2,738	5,068
(Income) from grants	(7,274)	(7,274)	(5,874)	(5,874)
Increase in other provisions	8,848	8,848	212	-
Gains on disposal/write-off of non-current assets (except of financial assets)	12	4	77	67
Elimination of results of financing and investing activities:				
- Dividends	-	(3,000)	-	(774)
- Interest (income)	(353)	(463)	(568)	(566)
- Interest expense	1,428	1,406	1,494	1,264
- Other finance costs	822	823	285	523
<b>Changes in working capital</b>				
(Increase) decrease in trade receivables and other amounts receivable	(30,541)	(23,477)	24,318	13,538
Decrease in inventories and prepayments	65,675	68,499	9,240	7,365
(Decrease) increase in accounts payable, grants and advance amounts received	(5,685)	2,509	26,194	33,609
<b>Cash flows generated from operations</b>				
Income tax (paid)	(3,201)	(2,846)	(6,132)	(5,430)
<b>Net cash generated from operating activities</b>	<b>107,108</b>	<b>117,225</b>	<b>140,766</b>	<b>129,441</b>
<b>Cash flows from investing activities</b>				
(Purchase) of property, plant and equipment (PPE) and intangible assets	(14,844)	(13,089)	(170,294)	(169,117)
Loans retrieved	-	-	-	150
Proceeds from sale of PPE and intangible assets	8	-	38,948	38,948
Dividends received	-	3,000	-	774
Interest received	111	221	36	99
<b>Net cash used in investing activities</b>	<b>(14,725)</b>	<b>(9,868)</b>	<b>(131,310)</b>	<b>(129,146)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	4,781	-	129,761	127,061
Repayments of borrowings	(21,984)	(21,984)	(11,684)	(8,984)
Finance lease payments	(263)	-	(210)	-
Interest (paid)	(17,134)	(17,112)	(15,742)	(15,469)
Dividends (paid)	(5)	(5)	(89,050)	(89,050)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(34,605)</b>	<b>(39,101)</b>	<b>13,075</b>	<b>13,558</b>
<b>Net increase in cash and cash equivalents</b>	<b>57,778</b>	<b>68,256</b>	<b>22,531</b>	<b>13,853</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>21,349</b>	<b>2,893</b>	<b>60,403</b>	<b>70,388</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>79,127</b>	<b>71,149</b>	<b>82,934</b>	<b>84,241</b>

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



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**1 General information**

Lietuvos Energija AB is a public limited liability company registered in the Republic of Lithuania. Lietuvos Energija AB (hereinafter referred to as the "Company") is a limited liability profit-making entity, registered with the Register of Legal Entities managed by a public institution Centre of Registers. The Company's registration date is 21 July 2011, company code 302648707, VAT payer's code LT100006256115. The Company has been established for an unlimited period. The address of the Company's registered office is Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania.

Lietuvos Energija AB was established as a result of implementation of the National Energy Strategy, as a result of reorganisation by way of merger of the following two public companies: Lietuvos Energija AB, company code 220551550, including its branch offices Kruonis Pumped Storage Power Plant, Kaunas Hydro Power Plant, and Lietuvos Elektrinė AB, company code 110870933.

Lietuvos Energija AB and Lietuvos Elektrinė AB were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Lithuanian Civil Code by merging the companies under reorganisation, which ceased their activities as legal entities after the reorganisation, into new company Lietuvos Energija AB, which continues the activities of the reorganised companies after the reorganisation and to which all assets, rights and obligations of the companies under reorganisation were transferred, i.e. a new legal entity Lietuvos Energija AB was formed which continues its activities on the basis of companies which ceased their activities.

The reorganisation was aimed at combining and optimising electricity generation capacities that are under the state's control by way of forming a single electricity generation block. As a result, electricity generation activities were singled out and concentrated in one company, electricity generation capacities were reorganised and centralised in order to ensure energetic independence of the Republic of Lithuania.

The authorised share capital of Lietuvos Energija AB amounts to LTL 635,083,615 and it is divided into 635,083,615 ordinary registered shares with par value of LTL 1 each. There were no changes in the Company's authorised share capital during 2011 and 2012. All the shares issued are fully paid. With effect from 1 September 2011, the shares of Lietuvos Energija AB were included in the Main List of NASDAQ OMX Vilnius stock exchange. As at 30 June 2012 and 31 December 2011, the Company had not acquired any own shares.

In 2012 and 2011, the Company was engaged in electricity generation, electricity trading and export activities. In addition to these principal activities, the Company can be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of unlimited validity to engage in electricity generation activities at the Lithuanian Power Plant, Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Lithuanian Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Control Commission for Prices and Energy, Lietuvos Energija AB obtained a licence of an independent electricity supplier. The Company's subsidiary Energijos Tiekimas UAB also holds a licence of an independent electricity supplier.

As of the date of these financial statements, the Company directly participated (had control or significant influence) in the management of the following companies: Kauno Energetikos Remontas UAB (Lithuania), Energijos Tiekimas UAB (Lithuania), Technologijų ir Inovacijų Centras UAB (Lithuania), Nordic Energy Link AS (Estonia), Geoterma UAB (Lithuania), NT Valdosa UAB (Lithuania). Indirectly, the Company had the majority of votes in Gotlitas UAB (Lithuania) through Kauno Energetikos Remontas UAB, and the majority of votes in Data Logistics Center UAB (Lithuania) and VŠĮ Respublikinis Energetikų Mokymo Centras (Lithuania) through Technologijų ir Inovacijų Centras UAB, and exercised significant influence over Enmašas UAB (Lithuania).

The consolidated financial statements of Lietuvos Energija AB and its subsidiaries and the stand-alone financial statements of Lietuvos Energija AB as a parent company are presented in these financial statements.

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**1 General information (continued)**

As at 30 June 2012 and 31 December 2011, the Group consisted of Lietuvos Energija AB and the following directly and indirectly controlled subsidiaries:

<b>Company</b>	<b>Address of the company's registered office</b>	<b>The Group's shareholding at 30 June 2012</b>	<b>The Group's shareholding at 31 December 2011</b>	<b>Profit (loss) for 1 January – 30 June 2012</b>	<b>Equity at 30 June 2012</b>	<b>Profile of activities</b>
UAB „Kauno energetikos remontas“	Chemijos g. 17, Kaunas, Lithuania	100 proc.	100 proc.	361	21,025	Repair of energy equipment, production of metal constructions
UAB „Gotlitas“	R.Kalantos g. 119, Kaunas, Lithuania	100 proc.	100 proc.	(118)	1,497	Accommodation services, trade
UAB "Energijos tiekimas"	Žvejų g. 14, Vilnius, Lithuania	100 proc.	100 proc.	(845)	5,997	Independent electricity supply
UAB "Technologijų ir inovacijų centras"	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04 proc.	54.04 proc.	70	70,622	IT services
UAB "Data Logistics Center"	Juozapavičiaus g. 13, Vilnius, Lithuania	54.04 proc.	54.04 proc.	1,527	18,919	IT services
VŠĮ Respublikinis energetikų mokymo centras	Jeruzalės g. 21, Vilnius, Lithuania	54.04 proc.	54.04 proc.	(5)	(1,141)	Professional development of energy specialists and continual professional training

As at 30 June 2012 and 31 December 2011, Group's investments into associates and joint ventures consisted:

<b>Company</b>	<b>Address of the company's registered office</b>	<b>The Group's shareholding at 30 June 2012</b>	<b>The Group's shareholding at 31 December 2011</b>	<b>Profile of activities</b>
UAB „Geoterma“	Lypkių g. 53, LT-94100 Klaipėda, Lithuania	23.44 proc.	23.44 proc.	Geothermal energy production
UAB „NT Valdos“	Geologų g. 16, LT-02190 Vilnius, Lithuania	42.06 proc.	41.42 proc.	Asset management services
AS Nordic Energy Link	Laki 24, Tallinn 12915	25.00 proc.	25.00 proc.	Management of electricity transmission line between Finland and Estonia

As at 30 June 2012, the number of employees of the Group was 1,178 (31 December 2011 – 1,179). As at 30 June 2012, the number of employees of the Company was 506 (31 December 2011 – 509).

The Company's and Group's operations are not affected by seasonality.



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## **2 Accounting policies**

### **2.1 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.

Financial year of Company and other Group companies coincides with the calendar year.

### **2.2 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 ended 31 December 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.

#### ***Adoption of new and (or) amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)***

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.

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

#### Adjustment to PSO service revenue for 2011

Following the additional clarification issued by National Control Commission for Prices and Energy (NCCPE) on 25 October 2011 regarding recognition of PSO funds of LTL 67,900 thousand dedicated to the construction of thermal power plant's 9 block as well as LTL 2,81 thousand of funds for potential fine the Company adjusted the amount of sales revenue in the financial statements for the year ended 31 December 2011.

#### Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. Upon allocation of PSO service fees in 2011 as a compensation for variable production costs, the Commission established a price for natural gas equal to LTL 1,000 per one thousand m<sup>3</sup>. As a result of significant increase in gas prices in 2011, the average actual price of natural gas reached LTL 1,225 per one thousand m<sup>3</sup>. Accordingly, as at 31 December 2011 the Company's management accounted for LTL 96,030 thousand PSO service revenue as compensation for the difference in gas prices.

#### Adjustment relating to onerous contract

As disclosed in the financial statements for the year ended 31 December 2011, the Group corrected an error related to accounting of the onerous contract where the Company had to buy emission allowances at fixed prices.

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**2.3 Restatement of comparative figures during the preparation of the financial statements for the year ended 31 December 2011 (continued)**

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:

<b>Group</b>	<b>Group January - June 2011 (as previously reported)</b>	<b>Transfer of revenue from PSO service fees to grants</b>	<b>Accrual of PSO service fees</b>	<b>Onerous contract</b>	<b>Group January - June 2011 (restated)</b>
<b>Revenue</b>					
Sales revenue	629,267	(35,355)	19,303	-	613,215
<b>Operating expenses</b>					
Provisions for onerous contracts (expense) / recovery	-	-	-	23,600	23,600
Current year income tax expense	(9,002)	-	(2,896)	-	(11,898)
Deferred income tax income/(expense)	802	-	-	(3,539)	(2,737)
<b>Profit for the period</b>	<b>54,082</b>	<b>(35,355)</b>	<b>16,407</b>	<b>20,061</b>	<b>55,195</b>



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**2.4 Merger of Lietuvos Energija AB and Lietuvos Elektrinė AB**

As disclosed in the financial statements for the year ended 31 December 2011, Lietuvos Energija AB and Lietuvos Elektrinė AB were reorganised by way of merger pursuant to paragraph 4 of Article 2.97 of the Lithuanian Civil Code by merging the companies under reorganisation, which ceased their activities as legal entities after the reorganisation, into new company Lietuvos Energija AB, which continues the activities of the reorganised companies after the reorganisation and to which all assets, rights and obligations of the companies under reorganisation were transferred, i.e. a new legal entity Lietuvos Energija AB was formed which continues its activities on the basis of companies which ceased their activities.

The impact of merger and effects of restatements (Note 2.3) on the condensed interim statement of comprehensive income for the first half year of 2011 is presented below:

	<b>AB „Lietuvos energija“ 30 June 2011</b>	<b>AB Lietuvos elektrinė 30 June 2011</b>	<b>Merger and restatements</b>	<b>Company 30 June 2011 (restated)</b>
<b>Revenue</b>				
Sales revenue	430,303	201,496	(21,950)	609,849
Other operating income	227	487	(54)	660
<b>Total revenue</b>	<b>430,530</b>	<b>201,983</b>	<b>(22,004)</b>	<b>610,509</b>
<b>Operating expenses</b>				
Purchase of electricity or related services	(352,315)	(1,022)	5,898	(347,439)
Purchase of gas	-	(150,000)	-	(150,000)
Depreciation and amortisation	(13,501)	(16,388)	-	(29,889)
Salaries and related expenses	(7,446)	(10,475)	-	(17,921)
Repair and maintenance expenses	(1,121)	(1,877)	-	(2,998)
Expenses of revaluation and provisions for emission allowances	-	(7,321)	-	(7,321)
Provisions for onerous contracts recovery	-	-	23,600	23,600
Impairment write-down of inventories	6	(1,305)	-	(1,299)
Other expenses	(7,989)	(4,766)	54	(12,701)
<b>Total operating expenses</b>	<b>(382,366)</b>	<b>(193,154)</b>	<b>29,552</b>	<b>(545,968)</b>
<b>OPERATING PROFIT</b>	<b>48,164</b>	<b>8,829</b>	<b>7,548</b>	<b>64,541</b>
Finance income	1,431	255	-	1,686
Finance (costs)	(52)	(2,038)	-	(2,090)
	1,379	(1,783)	-	(404)
<b>PROFIT BEFORE INCOME TAX</b>	<b>49,543</b>	<b>7,046</b>	<b>7,548</b>	<b>64,137</b>
Current year income tax expense	(7,892)	(269)	(2,896)	(11,057)
Deferred income tax income/(expense)	(1,542)	14	(3,539)	(5,067)
	(9,434)	(255)	(6,435)	(16,124)
<b>PROFIT FOR THE PERIOD</b>	<b>40,109</b>	<b>6,791</b>	<b>1,113</b>	<b>48,013</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>40,109</b>	<b>6,791</b>	<b>1,113</b>	<b>48,013</b>
<b>PROFIT FOR THE PERIOD AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	<b>40,109</b>	<b>6,791</b>	<b>1,113</b>	<b>48,013</b>

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**3 Critical accounting estimates and uncertainties**

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, as future events can amend assumptions that were used. Such changes in estimates will be recorded in the financial statements when determinable. Significant judgments 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.

Tax audits

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's and Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Depreciation rates of property, plant and equipment

When assessing the remaining useful life of property, plant and equipment, management takes into consideration the conclusions provided by employees responsible for technical maintenance of assets.

Revaluation of property, plant and equipment

On 31 December 2011 an independent property valuator Census Optimus UAB carried out a valuation of market value of the Company's assets stated at revaluated amount. The valuation was performed using the replacement cost method.

On 31 December 2011, revaluation was carried out for property, plant and equipment of the Company's subsidiary Kauno Energetikos Remontas UAB. Property, plant and equipment were revaluated on 31 December 2011 based on the report submitted by an independent property valuator Latmas Nekilnojamasis Turtas UAB on changes in the fair values of immovable property in Lithuania by region. This report was based on observable market evidence on prices of immovable property.

In October 2010, independent property valutors carried out the revaluation of non-current assets which were transferred as in-kind contribution to the share capital of subsidiaries and associates.

Considering the date of the last revaluation of these assets and the periods of their acquisition, in the opinion of management, the fair value of the Group's/Company's property, plant and equipment stated at revaluated amounts as at 30 June 2012 and 31 December 2011 did not significantly differ from its carrying amounts.

Impairment of property, plant and equipment

The Group and the Company make an assessment, at least annually, whether there are any indications that the carrying amount of property, plant and equipment has been impaired.

In 2012 and 2011, the Group and the Company accounted for property, plant and equipment (except for assets of the Hydro Power Plant, Pumped Storage Power Plant and Thermal Power Plant) at fair value in accordance with International Accounting Standard No.16 'Property, plant and equipment'.

As at 30 June 2012 and 31 December 2011 the management of the Company did not identify any impairment indicators for property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant.

As at 30 June 2012 and 31 December 2011 the management of the Company did not perform impairment revaluation of thermal power plant and believes that the impairment adjustment may be needed, once the uncertainties associated with electric charges and their changes, regulated profitability and production volumes are apparent. Under the current description of PSO, the producers are paid for the actual annual production of the eligible electricity according to set purchase prices.

Write-down of inventory to net realisable value

Write-down of inventory to the net realisable value was determined based on the management's estimates on inventory obsolescence and estimated possible selling prices. This determination requires significant judgment. Judgment is exercised based on historical and future usage of spare parts and materials as well as estimated possible selling price and other factors.

Provisions for emission allowances

The Group/Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The actual quantity of emission is approved by the responsible regulating state authority within 4 months after the year-end. Based on historical experience, the management of the Group does not expect any material differences between the amount of estimated provisions as at 30 June 2012 and emission quantities which will be approved in 2013.



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**3 Critical accounting estimates and uncertainties (continued)**

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the Commission which include breakdown of variable electric power production costs – natural gas, heavy fuel oil, emission allowance costs, costs for reagent desulphurisation. The variable part of PSO service fees in future calendar year is estimated with reference to scheduled variable costs to be incurred for the production of approved quota of electricity subject to support. Upon allocation of PSO service fees in 2012 as a compensation for variable production costs, the Commission established a price for natural gas equal to LTL 1,289 per one thousand m<sup>3</sup>. The average actual price of natural gas reached LTL 1,436 per one thousand m<sup>3</sup>. Accordingly, as at 30 June 2012 the Company's management accounted for LTL 16,950 thousand PSO service revenue as compensation for the difference in gas prices.

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**4 Intangible assets**

The movements of the Group's intangible assets were as follows:

<b>Group</b>	<b>Patents and licenses</b>	<b>Computer software</b>	<b>Emission allowances</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>At 30 June 2011</b>					
Opening net book amount	11	82	37,811	7	37,911
Additions	-	159	34,390	-	34,549
Disposals	-	-	(38,948)	-	(38,948)
Reclassified from property, plant and equipment	-	157	-	-	157
Grant received	-	-	26,701	-	26,701
Emission allowances utilised	-	-	(54,212)	-	(54,212)
Amortisation	(6)	(77)	-	-	(83)
Revaluation income of emission allowances	-	-	(5,516)	-	(5,516)
<b>Net book amount at 30 June 2011</b>	<b>5</b>	<b>321</b>	<b>226</b>	<b>7</b>	<b>559</b>
<b>At 30 June 2012</b>					
Opening net book amount	1,092	3,053	35,457	133	39,735
Additions	357	96	-	-	453
Grant received	-	-	14,832	-	14,832
Lending of emission allowances	-	-	(15,239)	-	(15,239)
Reclassified from property, plant and equipment	148	-	-	-	148
Emission allowances utilised	-	-	(16,268)	-	(16,268)
Amortisation	(303)	(720)	-	(7)	(1,030)
Revaluation income of emission allowances	-	-	1,418	-	1,418
<b>Net book amount at 30 June 2012</b>	<b>1,294</b>	<b>2,429</b>	<b>20,200</b>	<b>126</b>	<b>24,049</b>

The movement of the Company's intangible assets is presented below:

<b>Company</b>	<b>Computer software</b>	<b>Emission allowances</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>At 30 June 2011</b>				
Opening net book amount	-	37,811	-	37,811
Additions	-	34,390	-	34,390
Grant received	-	26,701	-	26,701
Write-offs and disposals	-	(38,948)	-	(38,948)
Emission allowances utilised	-	(54,212)	-	(54,212)
Revaluation costs of emission allowances	-	(5,516)	-	(5,516)
<b>Net book amount at 30 June 2011</b>	<b>-</b>	<b>226</b>	<b>-</b>	<b>226</b>
<b>At 30 June 2012</b>				
Opening net book amount	888	35,457	-	36,345
Additions	-	-	5	5
Grant received	-	14,832	-	14,832
Emission allowances utilised	-	(16,268)	-	(16,268)
Amortisation	(175)	-	-	(175)
Lending of emission allowances	-	(15,239)	-	(15,239)
Revaluation costs of emission allowances	-	1,418	-	1,418
<b>Net book amount at 30 June 2012</b>	<b>713</b>	<b>20,200</b>	<b>5</b>	<b>20,918</b>



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5 Property, plant and equipment

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

Group	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construct-ion in progress	Total
<b>At 30 June 2011</b>									
Opening net book amount	5,867	10,443	11,488	560,084	1,372,371	1,330	12,567	902,819	2,876,969
Additions	-	-	349	-	628	-	5	195,885	196,867
Write-offs	-	-	-	-	(67)	-	(10)	-	(77)
Reclassifications between groups	-	-	1,060	-	-	-	(1,060)	-	-
Reclassification to intangible assets	-	-	-	-	-	-	(157)	-	(157)
Depreciation	-	(169)	(926)	(13,734)	(21,354)	(193)	(618)	-	(36,994)
<b>Net book amount at 30 June 2011</b>	<b>5,867</b>	<b>10,274</b>	<b>11,971</b>	<b>546,350</b>	<b>1,351,578</b>	<b>1,137</b>	<b>10,727</b>	<b>1,098,704</b>	<b>3,036,608</b>
<b>At 30 June 2012</b>									
Opening net book amount	5,737	17,096	27,612	537,320	1,330,667	1,038	27,420	1,167,520	3,114,410
Additions	-	-	420	51	96	31	812	65,750	67,160
Disposals	-	-	-	-	-	(5)	(4)	-	(9)
Write-offs	-	-	-	-	(4)	-	(11)	-	(15)
Reclassifications between groups	-	-	-	-	-	-	34	(34)	-
Reclassification to intangible assets	-	-	-	-	-	-	(148)	-	(148)
Reclassification from inventories	-	-	-	-	-	-	39	-	39
(Impairment)	-	(619)	-	-	-	-	-	-	(619)
Depreciation	-	(328)	(1,850)	(13,716)	(20,490)	(230)	(4,493)	-	(41,107)
<b>Net book amount at 30 June 2012</b>	<b>5,737</b>	<b>16,149</b>	<b>26,182</b>	<b>523,655</b>	<b>1,310,269</b>	<b>834</b>	<b>23,649</b>	<b>1,233,236</b>	<b>3,139,711</b>

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5 Property, plant and equipment (continued)

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

Company	Land	Buildings	Structures and equipment	Structures and equipment of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Thermal Power Plant	Motor vehicles	Other PP&E	Construction in progress	Total
<b>At 30 June 2011</b>									
Opening net book amount	5,867	264	10,474	560,298	1,372,371	667	416	902,986	2,853,343
Additions	-	-	-	-	628	-	-	195,219	195,847
Write-offs	-	-	-	-	(67)	-	-	-	(67)
Depreciation	-	(2)	(373)	(13,734)	(21,354)	(98)	(154)	-	(35,715)
<b>Net book amount at 30 June 2011</b>	<b>5,867</b>	<b>262</b>	<b>10,101</b>	<b>546,564</b>	<b>1,351,578</b>	<b>569</b>	<b>262</b>	<b>1,098,205</b>	<b>3,013,408</b>
<b>At 30 June 2012</b>									
Opening net book amount	5,737	1,438	11,153	537,320	1,330,667	343	172	1,167,417	3,054,247
Additions	-	-	-	51	96	31	-	65,702	65,880
Write-offs	-	-	-	-	(4)	-	-	-	(4)
Depreciation	-	(97)	(382)	(13,716)	(20,490)	(65)	(14)	-	(34,764)
<b>Net book amount at 30 June 2012</b>	<b>5,737</b>	<b>1,341</b>	<b>10,771</b>	<b>523,655</b>	<b>1,310,269</b>	<b>309</b>	<b>158</b>	<b>1,233,119</b>	<b>3,085,359</b>

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

**6 Share capital**

As at 30 June 2012 and 31 December 2011, the share capital of the Company was LTL 635,083,615 and it was divided into 635,083,615 ordinary registered shares with the par value of LTL 1 each. All the shares are fully paid. The highest share price at the Stock Exchange trading session in 2012 was EUR 0.455 per share (2011 – 0,499), and the lowest share price was EUR 0.379 per share (2011 – 0,33). The total number of shareholders as at 30 June 2012 was 6,461 (31 December 2011 – 6,589).

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 30 June 2012		Share capital at 31 December 2011	
	(LTL)	%	(LTL)	%
Visagino Atominė Elektrinė AB	610,515,515	96.13	610,515,515	96.13
Other shareholders	24,568,100	3.87	24,568,100	3.87
<b>Total</b>	<b>635,083,615</b>	<b>100.00</b>	<b>635,083,615</b>	<b>100.00</b>

Visagino Atominė Elektrinė UAB is wholly owned by the State of Lithuania represented by the Lithuanian Ministry of Energy (100.00%).

**7 Borrowings**

The Group's and the Company's borrowings by maturity grouping are presented below:

	Group at 30 June 2012	Company at 30 June 2012	Group at 31 December 2011	Company at 31 December 2011
<b>Non-current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB,) in EUR, to be repaid by 9 November 2020	67,067	67,067	74,194	74,194
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	234,935	234,935	245,149	245,149
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	259,438	259,438	281,058	281,058
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	-	-	1,857	1,857
<b>Total non-current borrowings</b>	<b>561,440</b>	<b>561,440</b>	<b>602,258</b>	<b>602,258</b>
<b>Current borrowings</b>				
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch and DnB NORD Bankas AB) in EUR, to be repaid by 9 November 2020	15,441	15,441	15,441	15,441
Overdrafts	9,037	-	6,557	5,388
Loan from DnB NORD AB, in EUR, to be repaid by 1 May 2013	3,714	3,714	3,714	3,714
Loan from the European Bank for Reconstruction and Development, accrued interest	11,192	11,192	1,196	1,196
Syndicated loan (Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc, Lithuania Branch, DnB NORD Bankas AB and Danske Bank A/S, Lithuania Branch) in EUR, to be repaid by 3 June 2016	21,620	21,620	-	-
UAB „Kauno energetikos remontas“, Nordea Bank Finland PIC branch, factoring agreement	4,781	-	-	-
Credit line from Swedbank AB, maturity term – 1 March 2012	-	-	13,000	13,000
<b>Total current borrowings</b>	<b>65,785</b>	<b>51,967</b>	<b>39,908</b>	<b>38,739</b>



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

**7 Borrowings (continued)**

As at 30 June 2012, according to the above-mentioned agreements the balances of undrawn loans and overdrafts of the Group amounted to LTL 68,963 thousand, whereas Company's – LTL 60,000 thousand.

As at 31 December 2011, Lietuvos Energija AB did not comply with the covenant stipulated in the Syndicated Loan Agreement No. 10-021291-IN signed on 31 March 2010 with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch, DNB Bankas AB and Danske Bank A/S Lithuania Branch (hereinafter collectively "the Banks"). The requirement to maintain debt to EBITDA ratio not higher than 7 was breached. This ratio was exceeded by 1.6. In addition, the Company has a commitment not to make investments in other companies (including, but not limited to, investments in equity shares, bonds or other securities of companies), and not to establish new companies (separately or jointly with other partners) without obtaining a written consent from the majority of the Banks. On 23 December 2011, the Company signed an agreement for the subscription of shares of Technologijų ir Inovacijų Centras UAB. The Company did not refer to the Banks to obtain their consent for this transaction, which was in breach of the above-mentioned covenant. Based on the provisions of the Syndicated Loan Agreement, the Banks have a right to require a prior repayment of the loan in full or in part. In view of these provisions, the balance of the loan amounting to LTL 259,438 thousand as at 30 June 2012 (LTL 281,058 thousand as at 31 December 2011) should be reclassified in the Company's financial statements as current borrowings.

As at 31 December 2011, the Company did not comply with the above-mentioned covenant not to make any investments in other companies without obtaining a written consent from the majority of the Banks as stipulated in the Syndicated Loan Agreement signed on 30 June 2004 with Swedbank AB, SEB Bankas AB, Nordea Bank Finland Plc Lithuania Branch, DNB Bankas AB (hereinafter collectively "the Banks"). In view of these provisions, the balance of the loan amounting to LTL 67,067 thousand as at 30 June 2012 (LTL 74,194 thousand as at 31 December 2011) should be reclassified as current borrowings.

On 8 March 2012, the Company received a letter from the Banks confirming that the Banks will not exercise their right to require a prior repayment of credit in full or in part in 2012. Based on this letter, the Company's management resolved not to reclassify the above mentioned loans as current borrowings.

**8 Grants**

The grants balance consists of grants to finance acquisition of assets. Movements in grants during the six months period ended 30 June 2012 and 30 June 2011 were as follows:

Group/Company	Assets-related grants			Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Grants for emission allowances	
<b>Balance at 1 January 2011</b>	<b>26,795</b>	<b>846,162</b>	<b>-</b>	<b>872,957</b>
Grants received	-	99,342	26,701	126,043
Depreciation of immovable property, plant and equipment	(1,060)	(4,816)	-	(5,876)
Utilisation of grant for emission allowances	-	-	(10,588)	(10,588)
<b>Balance at 30 June 2011</b>	<b>25,735</b>	<b>940,688</b>	<b>16,113</b>	<b>982,536</b>
<b>Balance at 1 January 2012</b>	<b>93,853</b>	<b>914,716</b>	<b>-</b>	<b>1,008,569</b>
Grants received	(58)	42,218	14,832	56,992
Depreciation of immovable property, plant and equipment	(1,045)	(4,814)	-	(5,859)
Utilisation of grant for emission allowances	-	-	(7,420)	(7,420)
<b>Balance at 30 June 2012</b>	<b>92,750</b>	<b>952,120</b>	<b>7,412</b>	<b>1,052,282</b>

During 2012, Company's assets-related grants decreased by LTL 5,859 thousand, i.e. by the amount of depreciation of property, plant and equipment (six months period ended 30 June 2011 - LTL 5,876 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of comprehensive income.

In 2012, the Company received a grant of LTL 25,707 thousand from the International Fund for Support of Decommissioning of Ignalina Nuclear Power Plant for the construction of a new unit of 400 MW combined cycle gas turbine, as well as LTL 14,832 thousand for emission allowances.

During 2012 the company received LTL 16,511 thousand of PSO funds for the construction of a new unit of 400 MW combined cycle gas turbine.



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

**9 Provisions for emission allowances**

Provisions for emission allowances were accounted for as follows:

	<b>Group</b>	<b>Company</b>
<b>Balance at 31 December 2010</b>	<b>67,282</b>	<b>67,282</b>
Provisions for pollution emitted	11,700	11,700
Emission allowances utilised	(54,212)	(54,212)
<b>Balance at 30 June 2011</b>	<b>24,770</b>	<b>24,770</b>
<b>Balance at 31 December 2011</b>	<b>61,931</b>	<b>61,931</b>
Provisions for pollution emitted*	10,324	10,324
Provisions for onerous contracts	2,360	2,360
Emission allowances utilised	(16,268)	(16,268)
<b>Balance at 30 June 2012</b>	<b>58,347</b>	<b>58,347</b>

\*For the purpose of the statement of comprehensive income, expenses related to provisions for emission rights utilised are accounted for net of government grants utilised.

**10 Investments in associates**

On 31 January 2012, share subscription agreement was signed between Lietuvos energija AB and NT Valdos UAB. According to the agreement, the Company subscribed for 37,790 ordinary NT Valdos UAB shares of LTL 100 par value each. The total emission price was LTL 3,799,000 thousand. The total issue price has been paid in non-monetary contribution, consisting of real estate and other assets. After this transaction, the Company's share in NT Valdos UAB increased by 0.64% and as at 30 June 2012 was 41.74%.

**11 Segment information**

In 2012, 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 separating activities to regulated and commercial. Operating profit (loss) is a profitability measure analysed by the Board. The reports reviewed by the Board are in line with the financial statements prepared in accordance with IFRS, except for the format of presentation.

As at 30 June 2012 and 2011, the Board analyses the operations of the Company separating activities to regulated and commercial. The regulated activities include revenue from heat and electricity production of the Lithuanian Thermal Power Plant, revenue from balancing and regulating activities, power reserve, including electric power reservation income of Kruonis Pumped Storage Power Plant. Commercial activities include electricity trade in the market, export / import, electricity production in Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant, including related regulatory and balancing services. Administrative costs are allocated between the regulated and commercial activities with a reference to operating expenses, number of employees and purchase volumes. The operations of Energijos Tiekimas UAB representing trade in electricity also constitute a separate segment. Other activities within the Group include repair services of energy facilities and IT services.

Inter-company transactions within the Group are conducted at market prices, except for trade in electricity and related services, the prices of which are established by the National Control Commission for Prices and Energy.

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

**11 Segment information (continued)**

The table below presents the Group's information on segments for the six-month period ended 30 June 2012:

2012	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energija, AB		Energijos Tiekimas, UAB		
	Regulated activities	Commercial activities			
Total segment revenue	233,847	284,750	164,477	57,402	740,476
Inter-segment revenue	-	-	(65,448)	(10,159)	(75,607)
Revenue from external clients	233,847	284,750	99,029	47,243	664,869
Expenses after elimination of turnover among the Group companies	(237,218)	(252,220)	(100,148)	(44,854)	(634,440)
including depreciation and amortisation expenses	(20,200)	(8,887)	-	(7,191)	(36,278)
Operating profit	(3,371)	32,530	(1,119)	2,389	30,429
Finance income	124	401	250	68	843
Finance costs	(2,163)	(302)	(53)	(112)	(2,630)
Share of result of associates and joint ventures				1,155	1,155
Profit before income tax	(5,410)	32,629	(922)	3,500	29,797
Income tax					(3,619)
Profit for the period					26,178

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

**11 Segment information (continued)**

The table below presents the Group's information on segments for the six-month period ended 30 June 2011:

2011	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos energija, AB		Energijos Tiekimas, UAB		
	Regulated activities	Commercial activities			
Total segment revenue	192,386	418,123	81,418	21,914	713,841
Inter-segment revenue	-	-	(78,044)	(625)	(78,669)
Revenue from external clients	192,386	418,123	3,374	21,289	635,172
Expenses after elimination of turnover among the Group companies	(182,861)	(363,105)	(977)	(17,710)	(564,653)
including depreciation and amortisation expenses	(21,025)	(8,864)	-	(1,332)	(31,221)
Operating profit	9,525	55,018	2,397	3,579	70,519
Finance income	-	912	28	(147)	793
Finance costs	64	(2,154)	(44)	(245)	(2,379)
Share of result of associates and joint ventures				897	897
Profit before income tax	9,589	53,776	2,381	4,084	69,830
Income tax					(14,635)
Profit for the period					55,195

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

The Group's revenue received from a single external client during the half-year ended 30 June 2012 amounted to LTL 252,480 thousand (the half-year ended 30 June 2011 - LTL 309,334 thousand).



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

**12 Related-party transactions**

Purchase and sale of goods and services:

The Group's transactions with related parties during the period of January to June 2012 and the balances arising on these transactions as at 30 June 2012 are presented below:

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	4,997	118,394	270,715	552,534
Visagino Atominė Elektrinė UAB	17	-	-	287
Associates of the Group	1,395	207	6,388	1,252
<b>Total</b>	<b>6,409</b>	<b>118,601</b>	<b>277,103</b>	<b>554,073</b>

The Company's transactions with related parties during the period of January to June 2012 and the balances arising on these transactions as at 30 June 2012 are presented below:

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Subsidiaries of the Company	3,141	23,316	6,939	65,484
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	4,097	103,726	179,791	526,745
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Company	167	-	4,132	29
<b>Total</b>	<b>7,405</b>	<b>127,042</b>	<b>190,862</b>	<b>592,258</b>

The Group's transactions with related parties during the period of January to June 2011 and the balances arising on these transactions as at 30 June 2011 are presented below:

<b>Related parties</b>	<b>Payables and accrued expenses</b>	<b>Receivables and unbilled revenue</b>	<b>Purchases</b>	<b>Sales</b>
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	7,435	109,623	182,160	587,333
Visagino Atominė Elektrinė UAB	10,000	-	-	-
Associates of the Group	1,135	263	3,165	1,089
<b>Total</b>	<b>18,570</b>	<b>109,886</b>	<b>185,325</b>	<b>588,422</b>

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

**12 Related-party transactions (continued)**

The Company's transactions with related parties during the period of January to June 2011 and the balances arising on these transactions as at 30 June 2011 are presented below

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Subsidiaries of the Company	1,181	9,925	186	78,137
Entities controlled by the Ministry of the Energy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	7,044	105,516	250,401	496,001
Visagino Atominė Elektrinė UAB	10,000	-	-	-
Associates of the Company	546	2	816	-
<b>Total</b>	<b>18,771</b>	<b>115,443</b>	<b>251,403</b>	<b>574,138</b>

The major related-party sale and purchase transactions in 2012 and 2011 comprised transactions with the entities controlled by the Ministry of Energy of the Republic of Lithuania: Lesto AB, Litgrid AB. The Group's purchases from these entities mainly included purchases of electricity, capacity, and PSO services. Sales transactions mainly included sales of electricity, capacity, electricity transmission services and PSO services.

Transactions with state-owned entities other than those controlled by the Ministry of Energy included regular business transactions and therefore they are not disclosed.

The Company sold capacity to its associate Nordic Energy Link AS, paid capacity, operation, transmission and balancing fees to this company, and purchased capacity from it.

**Payments to key management personnel**

	Group 1 January – 30 June 2012	Company 1 January – 30 June 2012	Group 1 January – 30 June 2011	Company 1 January – 30 June 2011
Employment-related payments	2,139	799	1,453	772
Termination benefits	154	-	150	150
Number of key management personnel	26	10	18	9

Management consists of heads of administration and their deputies, and the chief financier.

**13 Commitments and contingencies****Guarantees issued and received**

Under the agreements signed the Group's commitments to acquire and construct tangible fixed assets amounted to LTL 54 million as at 30 June 2012 (31 December 2011 - LTL 115 million).

**14 Events subsequent to the end of the reporting period**

After the end of the reporting period, the Group / Company had no significant events.

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**LIETUVOS ENERGIJA, AB**  
**CONSOLIDATED INTERIM REPORT**  
**FOR THE FIRST 6 MONTHS OF 2012**

Prepared according to the Rules for the Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Securities Commission of the Republic of Lithuania No. 1K-3 of 23 February 2007



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## **I. BACKGROUND**

### **1. Information about the Issuer**

#### **1.1. Reporting period**

January – June 2012.

#### **1.2. The Issuer and its particulars**

**Name:** Lietuvos energija, AB

**Legal form:** Public company, a private legal person with limited civil liability

**Registration date and place:** 21 July 2011 with the Register of Legal Persons

**Business ID:** 302648707

**Registered office address:** Elektrinės g. 21, LT-26108 Elektrėnai

**Telephone No.:** (8-528) 33207

**Fax No.:** (8-528) 33272

**E-mail address:** info@le.lt

**Website:** www.le.lt

#### **1.3. Core activities of the Issuer**

Core activities of Lietuvos energija, AB include the generation, supply, import and export of electricity as well as electricity trade.

#### **1.4. Information about the Group**

As of 31 December 2011 and 30 June 2012, the following subsidiaries were under the direct control of the Company: Kauno energetikos remontas UAB, Energijos tiekimas UAB, and Technologijų ir inovacijų centras UAB. While the former two, i. e. Kauno energetikos remontas UAB and Energijos tiekimas UAB are wholly-owned subsidiaries, the Company holds 54.04% of shares in Technologijų ir inovacijų centras UAB.

Apart from the said subsidiaries, the Company takes part in the control of the following associated companies: Geoterma UAB (23.44% of shares), Nordic Energy Link AS (25% of shares), and NT valdos UAB (41.74% of shares). Indirectly, through Kauno energetikos remontas UAB, the Company holds 100% of votes in Gotlitas UAB and has significant influence over Enmašas UAB (33.33% of shares), whereas through Technologijų ir inovacijų centras UAB the Company holds the majority of votes in Data Logistics Center UAB (54.04% of shares) .



### 1.5. Particulars of the Group companies:

Name	Lietuvos energija, AB	Kauno energetikos remontas UAB	Energijos tiekimas UAB	Technologijų ir inovacijų centras UAB
Legal form	Public company	Private company	Private company	Private company
Registration date and place	21 July 2011 Register of Legal Persons of the Republic of Lithuania	27 April 2000 Register of Legal Persons of the Republic of Lithuania	21 October 2009 Register of Legal Persons of the Republic of Lithuania	21 October 2009 Register of Legal Persons of the Republic of Lithuania
Business ID	302648707	135617795	302449388	302527488
Registered office address	Elektrinės g. 21, LT-26108 Elektrėnai	Chemijos g. 17, LT-51331 Kaunas	P. Lukšio g. 1, LT-08221 Vilnius	A. Juozapavičiaus g. 13 LT-09311 Vilnius
Telephone, fax, email	Tel. +370 528 33207 Fax +370 528 33272 <a href="http://www.le.lt">www.le.lt</a> ; info@le.lt	Tel. +370 37 456702 Fax +370 37 452948 <a href="http://www.ker.lt">www.ker.lt</a> ; ker@ker.lt	Tel. +370 700 55088 Fax +370 527 82750 <a href="http://www.etiekimas.lt">www.etiekimas.lt</a> info@etiekimas.lt	Tel. + 370 527 82272 Fax + 370 527 82299 <a href="http://www.etic.lt">www.etic.lt</a> info@etic.lt
% of shares held by the Group	-	100 %	100 %	54.04 %
Core activities	Generation, supply, import and export of electricity, wholesale trade in electricity and system services of the power sector	Repairs of energy installations and manufacture of metal structures	Independent supply of electricity	Services related to innovations, knowledge and competence management; IT and applied systems management services

### 1.6. Information about branches and representative offices of the Company

The Company has no branches or representative offices.

## 2. Overview of Activities

### 2.1. Material events in the reporting period

**3 January 2012.** Lietuvos energija, AB concluded an agreement on the services of preparation of feasibility and pre-design studies with Rambøll Danmark, a Danish consultancy. The studies are aimed at assessing the alternatives to heat generation at the Lithuanian Power Plant and the opportunities for expanding the use of biofuel for the generation of heat energy in the Elektrėnai region.

**17 February 2012.** The combined-cycle unit was connected to the transmission network operator's switchyard prior to starting of the six-month testing.

**24 February 2012.** A test start-up of a 455 MW combined-cycle unit under construction in the Lithuanian Power Plant – the firing of the gas turbine - was carried up for the first time. The unit was started up for tests which will last about four months.

**27 February 2012.** The Board of Lietuvos energija, AB decided to renew negotiations with Kauno energija AB for the construction of a biofuel-fired co-generation plant in the territory of the Petrašiūnai Power Plant. It is expected that the project will help expand the use of renewable energy resources in the power generation industry and lower the heating prices in the Kaunas City.

**7 March 2012.** In order to optimise power generation, Lietuvos energija, AB joined its power plants – the Kruonis Hydro Pumped Storage Plant (Kruonis HPSP) and the Kaunas Hydro Electric Power Plant (Kaunas HEPP) together into a single unit. This was done while pursuing a single policy in the areas of information technologies, maintenance of structures and installations, environmental protection, and technical planning.

**9 March 2012.** The generator of the new 455 MW combined-cycle unit was synchronised with the transmission network for the first time, i. e. the unit under testing started generating its first megawatt-hours of power. All the electricity generated during the tests reached the customers through the transmission network operated by LITGRID and the electricity exchange.

**23 April 2012.** The Danish consultancy completed a feasibility study at the Lithuanian Power Plant and presented their conclusions. It is proposed that the heat generation technologies should be modernised by installing new biofuel boilers.

**11 June 2012.** Lietuvos energija, AB received the [OHSAS 18001:2007 / LST 1977:2008 certificate No. LT0071S](#). By this certificate Bureau Veritas confirms that it has checked the organisation's health and safety at work system and has determined that the system is in conformity with the management system standard.

**19 June 2012.** The maximum power of the combined-cycle unit was reached for the first time after the steam turbine was put into operation. The tests are planned to be continued until August, with the commissioning scheduled for the autumn.

**22 June 2012.** Lietuvos energija, AB held an annual presentation of its public procurement plan to external contractors and suppliers. By organising open presentations of the plan, the Company seeks to procure goods and services at lower prices and to increase profitability.

## **2.2. Activities of the Group in January – June 2012**

Lietuvos energija, AB sells electricity and provides the electric power balancing services to public and independent suppliers operating in the Lithuanian market. The Company is also engaged in the electricity export and trading on the Lithuanian and Estonian electricity exchanges.

The Company generates electricity at its three power plants, buys electricity from other suppliers and generating companies under agreements, and imports and buys electricity on the Lithuanian and Estonian electricity exchanges.

### **Generation**

Lietuvos energija, AB holds indefinite power generation permits. The Company generates power at three power plants: the Lithuanian Power Plant, Kaunas Hydro Electric Power Plant (Kaunas HEPP), and Kruonis Hydro Pumped Storage Plant (Kruonis HPSP). In the first half of 2012, the power generation volumes at these plants were as follows: Lithuanian Power Plant 0.46 TWh, Kruonis HPSP 0.23 TWh, and Kaunas HEPP 0.19 TWh.

Lietuvos energija, AB is focussing on renewable energy resources. Both Kruonis HPSP and Kaunas HEPP use hydro energy, which is a permanent, flexible and clean local energy resource. In 2011, 0.58 TWh of green energy were generated and delivered to the networks; the share of Kaunas HEPP in this amount is over 34%.

In order to better diversify the available power generation sources and to promote the development of renewable resources in Lithuania, the Company intends to use biofuel in the future.

### ***Trading in Lithuania***

Lietuvos energija, AB is engaged in wholesale electricity trade (i. e. in the environment of energy generating companies and suppliers). In the first half of 2012, the Company sold 1.8 TWh of electricity in the domestic market (to public suppliers and other independent suppliers). During the same period, the Company bought 0.17 TWh of electricity generated by wind farms connected to the transmission network and sold it to LESTO, a public supplier.

### ***Trading with foreign countries***

The Company holds indefinite permits to import and export electricity. In the first half of 2012, the Company imported electricity from / exported electricity to Estonia and Latvia. The imports totalled 0.53 TWh and the exports totalled 0.095 TWh of electricity in the first half of 2012.

### ***Other services***

Lietuvos energija, AB also provides system services to the Lithuanian transmission system operator (TSO).

*System services* are aimed at ensuring stability and reliability of the energy system, prevention of and response to system emergencies, and the requisite power reserve in accordance with the established requirements for the supply quality and reliability. The system services include *power reserving, trade in regulation power and balancing power, reactive power management, and system recovery services*.

*Power reserving service* is a means to ensure the reliable operations of the energy system where, in emergency situations, power generation volumes are reduced or consumption suddenly increases. In such cases the power generating company provides the service of ensuring the power reserve and the maintaining of reserve power in the standby production facilities, i. e. the secondary and/or tertiary reserves are used. Secondary power reserve is the power of the installations or hydroelectric units in operation; such power can be activated within 15 minutes. Tertiary (cold) reserve is the power of standing power-generating units that can be activated from the standby (cold) condition within 12 hours. All the three power plants of Lietuvos energija, AB provide the service of the power reserve and the maintaining of reserve power in the production installations, both operative and standby ones. The secondary power reserve is ensured by the Kaunas HEPP and Kruonis HPSP and the tertiary power reserve is ensured by Lithuanian Power Plant. In the first half of 2012, Lietuvos energija, AB sold about 1.3 TWh of electricity as secondary power reserve and 1.6 TWh of electricity as tertiary power reserve.

The *regulation power service* is required in order to balance the surplus and deficit of power in the energy system. Trading in the regulation power is conducted in real time, ensuring the reliable operations of the energy system every hour. Where there is not enough power in the system and the TSO gives an instruction to increase the generation, the Company increases its generation volumes and sells the requisite amount of regulation power to the TSO. In case of surplus of power in the energy system, the TSO instructs the Company to reduce the volumes and the Company



purchases the surplus regulation power from the TSO. In the first half of 2012, Lietuvos energija, AB sold 0.015 TWh of electricity and purchased 0.012 TWh of electricity as regulation power.

The *balancing power* is the actual deviation from the power generation/consumption schedule planned by the TSO. Trade in the balancing power is conducted after the end of reporting month; it encourages the market participants to prepare accurate power generation and consumption forecasts. For example, if, during any hour, Lietuvos energija, AB generates a smaller amount of energy than scheduled, it has to buy the difference from the TSO (purchase of balancing power); and vice versa, if the hourly generation volume is larger than planned, it has to sell the difference to the TSO (sale of balancing power).

*Reactive power control service* is a system service aimed at levelling out any fluctuations in the loads of the power system and to ensure the requisite voltage and frequency levels. The reactive power control service is provided by the Kruonis HPSP operating in the synchronous condenser mode.

*The service of system recovery after complete breakdown* is the service aimed at effective start-up of the power-generating source after full or partial failure of the power system, without using power supply from the network. The service is provided by both Kruonis HPSP and Kaunas HEPP.

### **Operations of subsidiaries**

*Kauno energetikos remontas UAB*. Core activities of the company include the diagnostics, rehabilitation and installation of energy equipment, manufacture of spare parts for such equipment, and manufacture of metal structures for energy and industrial applications, boilers and hermetic oil transformers. Upon reorganisation of the energy sector in 2010, the company has become the main provider of services to the companies forming the power-generation unit of the Group.

Kauno energetikos remontas UAB has direct influence over *Gotlitas UAB*, which is engaged in the hotel and other accommodation services, rent of properties, and commercial activities.

*Energijos tiekimas UAB* is an independent electricity supplier. It supplies electricity to retail customers, which are obligated to purchase electricity in the free electricity market since 1 January 2010. The company holds a licence of an independent supplier (No. L1-NET-36) issued by the State Commission on Prices and Energy Control and a permit to import electricity. The company's sales amounted to 0.95 TWh in the first half of 2012.

*Technologijų ir inovacijų centras UAB* provides the following services: strategic information system's support and development, infrastructure and business management systems' support and development, accounting, innovations and competences.

## **2.3. Information about Research and Development**

The Company uses long-term strategic planning to identify the lines of development of the Company and the required investments in the replacement or rehabilitation of production facilities, which assists it in pursuing a sound investment policy.

The following R & D projects were being implemented by the Company during the first six months of 2012:

### ***Feasibility study on the Development of Heat Production Facilities in Elektrėnai***

In January – April 2012, Rambøll Danmark, a Danish consultancy, prepared a feasibility study assessing the possibility of expanding the use of biofuel for the generation of heat energy in the Elektrėnai region.

Upon assessment of several alternatives for the heat energy generation at the Lithuanian Power Plant, the consultants proposed that new heat generation capacities including biofuel-fired hot water boilers and gas-fired steam boilers should be installed. The total power of the biofuel boilers would be 40 MW and that of the gas boilers would be up to 50 MW. It is estimated that 90% of the heat demand will be met by generating heat in the biofuel boilers and using local fuel resources. Gas-fired steam boilers are required for the functioning of the plant's production equipment and the start-up of the stand-by units.

In the first six months of 2012, the project on the development of heat generation capacities in Elektrėnai was advanced by carrying out the following activities: selection of service providers for the environmental impact assessment, obtaining a loan to ensure funding of the project, and preparations for an international tendering procedure for the procurement of designing, equipment and works as well as biofuel for the new boilers.

It is planned that the new generation facilities, which will provide residents and businesses of Elektrėnai region with heat, will be put into operation at the end of 2013.

### ***Investigations of the Syderiai geological structure***

With the aim to construct an underground natural gas storage facility in which the required natural gas reserve will be accumulated, Phase 2 of the feasibility study on the Syderiai geological structure was initiated in 2011. It will involve the checking of the results of Phase 1 (seismic explorations the geological structure) and the investigations of the geological structure in the wells.

In the first half of 2012, international tendering procedures were conducted to select a contractor for the geological-geophysical investigations into the structure at the points that pose the greatest risk, in order to check the seismic horizon rates in pre-fault areas, to verify the boundaries of the geological structure, and to assess the tightness of the surrounding faults. These investigations will allow assessing the fitness of the structure for the construction of a gas storage facility and will form a basis for the further programme of investigations and works. Furthermore, in this period, technical designs for the drilling sites and access roads were completed and a public tendering procedure for the selection of contractor who will construct the aforesaid facilities was held. Phase 2 of the feasibility study will be completed in QII of 2013.

### ***Technological audit of the Lithuanian Power Plant***

AF Consult Ltd, a Finnish consultancy which had been awarded a contract in a public tendering procedure, conducted a comprehensive analysis of the present production capacities in the period from October 2011 until February 2012. The analysis involved an assessment of the plant's current condition and the processes of operational control and equipment maintenance and repairs. In addition, prospects of LEL were examined, the plant's costs were compared with those of plants in other countries, and recommendations for a technically and economically optimal scenario of the plant's operations during the next 10 years were presented. The consultants carried out the plant's risk assessment for the period until 2020 having regard to the European Union and Lithuanian legal acts which are becoming more stringent.

### ***Development of Kruonis Hydro Pumped Storage Power Plant (Kruonis HPSP)***

Lietuvos energija, AB is implementing a project on the development of Kruonis HPSP according to the National Energy Strategy which provides for the integration of the power reserve of the Visaginas Nuclear Power Plant and the Lithuanian national energy system into the European

power networks. The project involves the construction of a flexible 225 MW asynchronous unit which will enable the expansion of the range of the regulation power and increase the power generation efficiency.

A tendering procedure for the procurement of the Kruonis HPSP expansion works was held in 2010, however, later it was cancelled with a view to make an expert evaluation of the tendering regulations and verify their compliance with the competition requirements. In 2012, the tender documentation is being updated based on the recommendations provide by experts. A new tendering procedure will be announced.

## 2.4. Investments in non-current assets

In the first half of 2012, the Company's investments in non-current tangible assets totalled LTL 65.9 million, whereas those of the Group were LTL 67 million. Investments in the new combined-cycle unit of the Lithuanian Power Plant account for the largest share (LTL 65.3 million, including capitalised interest).

## 3. Analysis of Financial Results and Operating Risks

Financial results of the Company and the Group are presented in the table below:

	Company		Group	
	I half-year 2012	I half-year 2011	I half-year 2012	I half-year 2011
<b>Financial results, LTL '000</b>				
Sales income	517,496	609,849	616,163	613,215
Income from other activities	1,101	660	48,706	21,957
EBITDA (earnings before tax + interest costs – interest income – dividend received + depreciation & amortisation + non-current & current assets impairment losses*)	61,938	96,173	69,410	103,485
Operating profit	29,159	64,543	30,429	70,519
Net profit	27,032	48,013	26,178	55,194
Cash flows from operations	117,225	129,441	107,108	140,766
<b>Loan coverage ratio</b>				
Loan coverage ratio (EBITDA / (interest costs + current portion of long-term debt))	1.58	3.93	1.78	4.23
	Company		Group	
	I half-year 2012	2011 (12 months)	I half-year 2012	2011 (12 months)
Financial liabilities	613,407	640,997	627,865	643,069
<b>Ratios</b>				



Liabilities / equity	1.22	1.23	1.26	1.26
Financial liabilities / equity	0.37	0.39	0.37	0.38
Financial liabilities / assets	0.16	0.17	0.17	0.17
<b>Profitability ratios</b>				
Return on equity (net profit/equity) (%)	1.61%	2.91%	1.54%	3.30%
Return on assets (net profit/assets) (%)	0.72%	1.31%	0.69%	1.48%

\* Excluding impairment of investments in associated companies and subsidiaries and excluding result of discontinued operations

Low profitability figures have been determined mainly by the specific character of the Company's operations: in the first half of 2012, income from regulated activities (electricity and heat energy generation at the Lithuanian Power Plant and power reserving services provided by the Lithuanian Power Plant and Kruonis HPSP) accounted for about 45% of income. Profit margin is not included in the setting of the LEL's generation cost and the price for system services.

### 3.1. Statement of Financial Position

As of 30 June 2012, the Company's financial liabilities amount to LTL 613 million and consist of liabilities under long-term loan agreements; the Group's financial liabilities total LTL 628 million. As of the end of the period, liabilities of Kauno energetikos remontas UAB under financial lease agreements (equipment and vehicles) amount to LTL 0.64 million. Energijos tiekimas UAB's liabilities to the bank under an overdraft agreement amount to LTL 9.04 million as of the year end.

As of 30 June 2012, the Company has made a LTL 6.5 million loan to Kauno energetikos remontas UAB.

The main changes in the structure of the Company's and the Group's balance sheets in the reporting period, compared with 2011, include an increase in the amounts of non-current assets and subsidies and a decrease in inventories due to the use of fuel oil in the electricity generation process.

### 3.2. Statement of Comprehensive Income

#### **Income**

During the six months of 2012, the Company earned income of LTL 519 million. Income from the electricity sale and export, balancing power, and public-interest services accounts for the largest part of this amount. Compared with the same period of 2011, the Company's income dropped 15% due to market liberalisation. The Groups income during the six months of 2012 was LTL 665 million, which means a 5% increase compared with the same period of 2011, and is due to the nearly doubled sales of Energijos tiekimas UAB and the consolidation of the results of the subsidiary Technologijų ir inovacijų UAB since the start of 2012.

#### **Costs**

Costs incurred by in the first half of 2012 amount to: the Company LTL 489 million, the Group 634 million. The majority of these costs (85%, or LTL 416 m in the case of the Company, and 81%, or

LTL 514 m in the case of the Group) are the costs of purchase of electricity or related services and of the fuel for the generation of electricity. Depreciation and amortisation costs amount to LTL 29 m and LTL 36 m for the Company and the Group respectively.

The Company incurred costs of LTL 4.5 m due to the drop in the market prices for pollution permits in the first half of 2012. The Company's results were positively influenced (LTL 16 m) by the increase in the pollution permits' prices.

The operating costs of the Group excluding purchases related to electricity and its generation, depreciation and amortisation costs, pollution permits' revaluation costs and impairment losses amounted to LTL 74 m in the first half of 2012 including LTL 35 m as costs incurred by the Company. The Group's operating costs in the first half of 2012 increased 48% compared with the same period of 2011 as a result of changes in the Group's structure (adding Technologijų ir inovacijų centras UAB to the Group at the end of 2011) and the increase in the costs of Kauno energetikos remontas UAB, which, in its turn, was related to the growth in sales.

### **Profit**

In the first half of 2012, gross profit of the Group amounts to LTL 26 m and net profit to LTL 26 m as determined according to the International Financial Reporting Standards (IFRS).

In the same period, the Company earned net profit of LTL 27 m, Kauno energetikos remontas UAB LTL 0.2 m, Data Logistics Center UAB LTL 1.5 m, and Technologijų ir inovacijų centras UAB LTL 0.07 m. Energijos tiekimas UAB incurred a loss of LTL 0.8 m.

### **3.3. Cash Flow Statement**

In the first half of 2012, net cash flows from operations of the Company amounted to LTL 117 m and those of the Group to LTL 107 m, compared with LTL 129 m for the Company and LTL 141 m for the Group in the same period of 2011.

In the first half of 2012, the Company's net cash flows from investments amounted to LTL 10 m (same period of 2011: LTL 129 m). The Group's cash flows from financial activities amounted to LTL 15 m (same period of 2011: LTL 131 m).

In terms of financial and investment activities, the net cash flows of the Company increased by LTL 68 m in the first half of 2012 compared with the same period of 2011, whereas those of the Group increased by LTL 60 m.

## **4. Personnel**

In the process of attaining its objectives and conducting a socially responsible business the Company seeks to attract and retain qualified employees and to develop long-term partnership relations with them, having the common goal of ensuring the Company's success in the future.

In the first half of 2012, the focus in the human resources management area was on the employee opinion surveys, introduction of the competences model and the new pay system, evaluation of the employees' performance, and development of the employees.

The employees' opinion is important to the Company, therefore, a traditional employee opinion survey was organised in January – February 2012. 72% of the employees responded to the questionnaires. The results of the survey were present to management and employees, after which the issues identified by the survey were analysed in target groups in order to work out solutions of the issues.

The Company successfully implemented the competence model in the first half of 2012. It is being used as a basis for the development of the employees' competences and improvement of their skills. During the said period, 153 employees of Lietuvos energija, AB took part in the training and skills improvement events.

On 1 April 2012 a new performance evaluation and remuneration system was introduced in order to ensure that the employees receive pay depending on their competence levels and performance, to enhance motivation and to improve career planning. The new system has been built on the principles of fairness, clarity, comparison and universal application. It has already been successfully used to assess the employees' performance in 2011 and to identify objectives for 2012.

The Company appreciates innovations and initiative demonstrated by its employees and seeks to include all the employees in the process and technologies improvement. In the first half of 2012, Lietuvos energija, AB awarded those employees who proposed best innovations.

In order to attract young specialists with requisite qualifications, the Company is actively collaborating with educational establishments and accepts students of higher and vocational schools for internships/apprenticeships. In the reporting period, the Company took part in the Career Days organised by the Kaunas University of Technology and the ISM University of Management and Economics.

The Company encourages its employees to be fit. In June 2012, the Company's employees took an active part in the traditional annual sports event for the Lithuanian energy workers and their families.

Being a socially responsible company aware of environmental issues, in April 2012 Lietuvos energija, AB joined the national clean-up campaign under the title "Let's Do It". Its employees worked to clean up the environment of the plants in Elektrėnai, Kaunas and Kruonis including the collection and sorting of refuse.

#### 4.1. Employees of the Group

As shown by the table below, there were no significant changes in the numbers of employees of Lietuvos energija, AB and the Group in 2012 compared with the end of 2011.

	2011-12-31	2012-06-30	Change
<b>Lietuvos energija, AB</b>	509	506	(3)
<b>Kauno energetikos remontas UAB</b>	266	249	(17)
<b>Gotlitas UAB</b>	11	11	-
<b>Energijos tiekimas UAB</b>	15	15	-
<b>Technologijų ir inovacijų centras UAB</b>	226	240	14
<b>Data Logistics Center UAB</b>	7	8	1
<b>VŠĮ Respublikinis energetikų mokymo centras</b>	145	156	11
<b>Total:</b>	<b>1179</b>	<b>1185</b>	<b>6</b>

#### 5. Environmental Protection

Lietuvos energija, AB seeks to respect the environment in its operations, sparingly use the natural resources, introduce new environmentally friendly technologies, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner.



Environmental protection issues most relevant to the Company include the safe operation of facilities, safe use of substances dangerous to the environment, waste management, ensuring that changes in the water levels in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HEPP are within the permissible limits etc.

### **5.1. Waste Management**

Lietuvos energija, AB manages waste generated by itself and its divisions by hiring companies holding licences to carry out waste management activities. The main types of hazardous waste include residual liquid fuel ash, insulation materials containing asbestos, oil-contaminated cloth, developers, filter materials, fluorescent lamps, oils, oily water etc.

During the first six months of 2012, Lithuanian Power Plant transferred 2 t of hazardous waste for processing and sold 142 t of ferrous metal scrap. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 150 m<sup>3</sup> of domestic waste was generated in the first six months of 2012. Paper and cardboard waste is delivered to a recycling company.

During the first six months of 2012, Kaunas HEPP transferred 0.22 t of hazardous waste for processing. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 20 m<sup>3</sup> of domestic waste was generated in the first six months of 2012. Paper and cardboard waste is delivered to a recycling company.

During the first six months of 2012, Kruonis HPSP transferred 4.37 t of waste for processing including hazardous waste 3.91 t. Domestic waste collected in the plant's territory is removed by a special-purpose entity under a contract; approx. 13.44 t of domestic waste was generated in the first six months of 2012. Paper and cardboard waste is delivered to a recycling company. In the said period, Kruonis HPSP sold 5.76 t of ferrous metal scrap.

### **5.2. Wastewater Management**

At points of discharge of wastewater into the environment, the Company monitors, on a regular basis, compliance with the permissible limits established in the Integrated Pollution Prevention and Control Permit and the Wastewater Management Regulations. Maintenance of stormwater and domestic wastewater treatment facilities (regeneration and change of filters, removal of sludge etc.) is carried out on a regular basis by hiring specialised companies.

Results of studies conducted in the first half of 2012 show that the maximum permissible values of environmental (air and water) pollution as stated in the IPPC permits issued to the LEL, Kruonis HPSP and Kaunas HEPP were not exceeded.

### **5.3. Preventive Environmental Protection Measures**

Divisions of Lietuvos energija, AB comply with the requirements for the air, surface waters, groundwater and soil pollution monitoring and protection as stated in the Integrated Pollution Prevention and Control Permits. Calculations of pollution from continuous and mobile pollution sources are made, recording of chemical substances is performed, and internal audits of chemicals and preparations used and of waste and wastewater generated are conducted on a regular basis.

In February 2012, Iberdrola Ingenieria y Construcción S.A.U. – the general contractor in the project on the construction of the combined-cycle gas turbine at LEL – started the start-up and adjustment works. It is planned that the new unit will be put into operation in September 2012.

Works of preparation of a technical design for the project on remediation of the contaminated area of the Lithuanian Power Plant (ash collection area) are continued. The implementation of the project will involve the formation of ash piles covered by soil and the installation of a new emergency spillage tank.

In June 2012, the Company obtained official registration of the automated emission monitoring systems for Unit 7 of LEL from the State Metrological Authority of Lithuania.

This year the Company started a project on implementation of such systems for the monitoring of continuous emissions. The project involves the installation of the new systems in the flues of the boilers in Units 1 and 2; they will be used to exercise continuous control over the air pollution and to ensure compliance with the environmental regulations. The installation will be completed in the middle of 2013.

In 2012, implementation of a project on chemical water treatment facilities at LEL was started. The Company plans to complete the installation of the modern process water treatment facilities with the capacity of up to 100 m<sup>3</sup>/h by the end of 2013. It is estimated that this will help cut the water preparation costs 25% and the process water losses up to 20%.

Another project launched at LEL in 2012 is the reconstruction of the facilities for the treatment of water contaminated with petroleum products. The project will involve the cleaning of sediment tanks, waste recovery and reconstruction of flotation equipment. The Company expects to markedly reduce the water treatment costs and to improve the treatment quality. It is planned that the project will be completed in 2013.

At Kaunas HEPP, safe operation and compliance with the environmental regulations are ensured by the use of environmentally-friendly oil in the hydrolifting equipment and the environmentally-friendly oil in the dam heating system, together with the new design of the hydroturbines.

#### **5.4. Use of Renewable Energy Resources**

In June 2011, a solar energy facility was put into operation at the Kruonis HPSP. This is the largest solar energy system in Lithuania. The solar energy collector battery was installed on the roof of the electrode boiler house of the power plant. The new system is both environmentally friendly and economical. In the first six months of 2012, 32 MWh of heat energy generated by this installation was used for the production of hot water. Now the hot water requirements of the Kruonis HPSP in the warm season are fully met by the solar energy.

## II. INFORMATION ABOUT SECURITIES, AUTHORISED CAPITAL AND MEMBERS OF MANAGEMENT BODIES OF THE ISSUER

### 1. Information about securities of the Issuer

The authorised capital of Lietuvos energija, AB amounts to LTL 635,083,615 and has been divided into 635,083,615 ordinary registered shares of one Litas par value. All the shares have been fully paid for. On 1 September 2011, shares of Lietuvos energija, AB were listed on the Official Trading List of NASDAQ OMX Vilnius. The shares of the Company are traded on NASDAQ OMX Vilnius Securities Exchange ("VSE").

As of 30 June 2012, the Company has 635,083,615 ordinary registered shares of one Litas par value in issue.

ISIN code: LT0000128571.

Abbreviation of securities: LNR1L

Shares of the Company have not been traded in other regulated markets.

All the shares of the Company are ordinary registered shares of the same class and grant equal rights to their holders.

The Company did not acquire or transfer own shares during the reporting period.

The Company has not acquired its own shares. No subsidiary has acquired shares of the Company either.

#### 1.1. Structure of the authorised capital

Class of shares	No. of shares	Par value, LTL	Total par value, LTL	% of authorised capital
Ordinary registered shares	635,083,615	1	635,083,615	100.00%

The highest price for the Company's securities in the Securities Exchange during the first half of 2012 was LTL 1.571 per share and the lowest price was LTL 1.309 per share. The share turnover during the period since the start of trading in the Company's shares until 30 June 2012 was 778,364 shares.

At the general meeting of shareholders of Lietuvos energija, AB held on 30 April 2012, the allocation of profit for the year ended on 31 December 2011 was approved. By resolution of the meeting no dividend was declared for 2011.

#### 1.2. Information about agreements with intermediaries in public circulation of securities

The Issuer has concluded an agreement on keeping of accounting for the Issuer's securities and management of personal securities accounts with Swedbank, AB. The term of the agreement is 31 December 2012.



### **1.3. Agreements between the Issuer and financial brokers and/or credit institutions providing investment services and/or carrying out investment activities**

On 21 December 2010, the Company and Swedbank, AB concluded an agreement on keeping of accounting for the Issuer's securities. The term of the agreement is 31 December 2012.

### **1.4. Restrictions on transfer of securities**

No restrictions on transfer of securities were applied to the Company.

### **1.5. Rights and responsibilities attached to the shares**

*An ordinary registered share grants its owner (shareholder) the following property rights:*

- receive part of the Company's profit (dividend);
- receive part of the assets of the Company under liquidation;
- receive shares free of charge when the authorised capital is being increased from the Company's funds save for exceptions established in the Republic of Lithuania Law on Companies;
- acquire shares or convertible debentures issued by the Company by the pre-emption right save for the case when the general meeting of shareholders decides to withdraw this right for all the shareholders according to the procedure established by save for exceptions established in the Republic of Lithuania Law on Companies;
- lend money to the Company in the manner permitted by the law, however, where the Company borrows from the shareholders it may not use its property as security for the loan. Where the Company borrows from its shareholders, the interest rate may not exceed the average interest rate applied by commercial banks in the place of residence or in the place of business of the lender as of the date of the agreement. In such a case the Company and the shareholders may not agree on higher interest rates;
- transfer all or part of his shares to other persons;
- demand that other shareholders sell their shares to him on a mandatory basis or buy shares from him on a mandatory basis in the cases and according to the procedure established by the Law on Securities Market;
- other property rights provided for by the laws.

*An ordinary registered share grants its owner (shareholder) the following personal non-property rights:*

- take part in the general meetings of shareholders;
- vote at the general meetings of shareholders using the votes attached to the shares; an ordinary registered share grants one vote to its holder;
- receive information about the Company to the extent established by the law;
- file a lawsuit against the Company for the damage done by non-fulfilment or improper fulfilment of duties, provided for in the laws and the Articles of Association, by the Head of the Company and members of the Board of the Company and file a lawsuit in other cases established in the law;
- other non-property rights provided for by the laws.

## 2. Information about Shareholders of the Issuer

Total number of shareholders: 6,461. List of shareholders whose shares account for more than 5% of Lietuvos energija, AB authorised capital as of 30 June 2012:

Name	Class of shares	No. of shares	% of authorised capital	% of voting shares
Visagino atominė elektrinė UAB, business ID 301844044, Žvejų g. 14A, Vilnius	Ordinary registered shares	610,515,512	96.13	96.13

### 2.1. Shareholders having special control rights and description of such rights

Neither shareholder of Lietuvos energija, AB has special control rights. All the shareholders of the Company have equal rights (property and non-property rights) provided for in the Republic of Lithuania Law on Companies and the Articles of Association of the Company.

### 2.2. Restrictions on voting rights

The Group has imposed no restrictions on voting rights.

### 2.3. Agreements between shareholders which are known to the Issuer and due to which transfer of securities and/or voting rights can be restricted

There are no agreements between shareholders of Lietuvos energija, AB due to which transfer of securities and/or voting rights can be restricted.

### 2.4. Procedure for amending the Articles of Association

Articles of Association of the Company and its subsidiaries may only be amended by the general meeting of shareholders.

### 2.5. Information about management bodies of the Issuer

According to the Articles of Association, management bodies of Lietuvos energija, AB include:

- the general meeting of shareholders;
- the Board; and
- the General Manager.

The Board is the supreme standing body of the Company. The scope of competence and the procedure for the adoption of decisions and election and replacement of members are established by the laws, other legal acts and the Articles of Association.

The Board consisting of 5 (five) members is elected by the general meeting of shareholders for 4 (four) years. The Board elects its chairman from among its members. In case if the Board is

recalled, resigns or ceases to perform its duties prior to the end of office, the new board is elected for the remaining period of the term of office of the Board. Where individual members of the Board are elected, they are elected until the end of term of office of the present Board.

The shareholder (or his/her representative) putting up a candidate for the Board member's position must submit to the general meeting of shareholders written explanations about qualifications of the candidate, his/her experience in managing positions, and fitness for the position of the Board member.

The Board of the Company may adopt decisions on:

- the Company's acting as a founder or member of a legal person;
- transfer of any shares in the Company or votes attached thereto to third parties and on restrictions thereon;
- formation or termination of branches and representatives offices of the Company;
- issue of debentures;
- disposal of the Company's facilities stated in the Republic of Lithuania Law on Enterprises and Facilities Having Strategic Significance for National Security;
- conclusion of transactions with the value exceeding LTL 10 million.

In some cases the Board must obtain an approval of the general meeting of shareholders prior to adopting a decision.

The Board elects and recalls the Head of the Company. The Company is headed by the General Manager who organises current operations of the Company and performs other functions established in the laws and the Articles of Association.

According to the Republic of Lithuania Law on Audit, a public-interest enterprise which is a subsidiary and whose financial statements are consolidated, may be exempted from the requirements to form an audit committee, if such committee has been formed by the controlling company. As Visagino atominė elektrinė UAB – the controlling company has an audit committee, no such committee has been formed in the Company.

## 2.6. Audit Committee

According to the Republic of Lithuania Law on Audit, the functions of an audit committee of Lietuvos energija, AB are performed by the Audit Committee of Visagino atominė elektrinė UAB, the controlling company.

### ***Information on members of the Audit Committee of Visagino atominė elektrinė UAB***

<b>Member of the Audit Committee</b>	<b>Shares of the Issuer held by the member</b>	<b>Term of Office</b>	<b>Employer</b>
Vygantas Reifonas (independent member)	-	March 2011 – March 2015	Lietuvos draudimas AB
Danielius Merkinas (independent member)	-	March 2011 – March 2015	Nordnet UAB
Marius Garuckas (independent member)	-	March 2011 – March 2015	GlaxoSmithKline Lietuva UAB
Lina Šmočiukienė	-	March 2011 – March 2015	Ministry of Energy of the Republic of Lithuania

**Main functions of the Audit Committee:**

- oversee the process of drawing up of the financial statements of the Company and its subsidiaries;
- oversee the effectiveness of the internal control system and risk management systems in place at the Company and its subsidiaries; perform analyses and reviews of the need for and appropriateness of such systems;
- oversee the adherence to the principles of independence and objectivity by the certified auditor and the audit company and make relevant recommendations;
- oversee the conduct of audits of the Company and its subsidiaries, evaluate the effectiveness of the audits and management's response to the recommendations made by the auditors;
- oversee the effectiveness of the internal audit function of the Company and its subsidiaries, analyse the need for and appropriateness of such function, make recommendations on matters related to the internal audit and take action as required.

**3. Members of Management Bodies and Their Participation in the Authorised Capital of the Issuer**

***Members of the Board (as of 30 June 2012)***

Position	Name	Start date	End date	No of shares of the Issuer held by the member
Chairman of the Board	Kęstutis Žilėnas	2010-04-30	To date	-
Member of the Board	Aloyzas Vitkauskas	2011-01-19	To date	-
Member of the Board	Dalius Misiūnas	2011-03-17	To date	-
Member of the Board	Sonata Matulevičienė	2011-12-12	To date	-
Member of the Board	Rimantas Vaitkus	2011-12-12	To date	-

***Members of the Administration (as of 30 June 2012)***

Position	Name	Start date	End date	No of shares of the Issuer held by the member
General Manager	Dalius Misiūnas	2011-02-12	To date	-
Chief Financier / Head of Accounts Dpt.	Giedruolė Guobienė	2011-08-01	To date	-

***Information on amounts paid, other assets transferred and guarantees provided by the Issuer to these persons (total amounts and average amounts per member of a collective management body, General Manager and Chief Financier)***

	Amounts Jan – June 2012, LTL	Other assets and guarantees in 2012, LTL	Total, LTL
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Per member of the Board on average	125,349		125,349
All members of the Board collectively	125,349		125,349
General Manager	125,349		125,349
Chief Financier	62,244		62,244

***Any agreements between the Issuer and members of its bodies / employees providing for compensation in case of resignation or dismissal without a valid reason or redundancy due to change in control of the Issuer***

None

***Issuers of equity securities must also present information on major related-party transactions specifying the amounts of transactions, nature of the related-party relationship and other information on the transactions required for understanding financial position of the Company if such transactions are material or were concluded on a basis other than arms-length basis. Information on individual transactions may be generalised based on transaction types except for cases where, in order to understand the impact of the related-party transactions on the Company's financial position, detailed information must be presented. "Related party" has the same meaning as in the accounting standards applied by the Issuer***

Related party transactions are disclosed in Note 12 to the Financial Statements for the first 6 months of 2012.

***Any significant agreements to which the Issuer is a party and which would take effect, change or terminate in case of change in the Issuer's control. Impact of such transactions except for cases where disclosure would cause considerable damage to the Issuer due to the nature of the agreements***

None

***Any detrimental transactions concluded in the reporting period on behalf of the Issuer (transactions not in line with the Company's objectives or normal market conditions; infringing interests of the shareholders or other stakeholders etc.) which have had or might have an adverse impact on the Issuer's operations and/or operating result; as well as information on transactions involving a conflict of interest between the responsibilities that the Issuer's management, majority shareholders or stakeholders have to the Issuer and their private interests and/or positions held elsewhere.***

None.

#### **4. Main Characteristics of the Internal Control System and the Risk Management Systems**

Every month the Company receives financial reports from its subsidiaries for analysis. The Company consolidates financial statements of its subsidiaries. The Chief Financier of the Company is responsible for the proper drawing up and consolidation of financial statements and for the timely and correct collection of data from the Group's companies. The drawing up of the Company's financial statements and the internal control and financial risk management systems are managed according to the provisions of relevant legal acts.

##### **4.1. Political risk**

Operations of the Company are governed by the Republic of Lithuania Law on Electricity and the related regulations. Amendments to this law may affect the operations and results of the Company. Decisions on electricity pricing are adopted by the State Commission on Prices and Energy Control, therefore, results of the Company's operations may depend on its decisions.

##### **4.2. Financial risk**

The Group's companies are exposed to financial risks in their operations including credit risk, liquidity risk and market risk (foreign currency risk, interest rate risk with respect to fair value and cash flows, securities price risk). By managing these risks the Group's companies seek to minimise the effects of the factors that could potentially have an adverse impact on the financial results of the Group and the Company.

##### **4.3. Credit risk**

Credit risk related to accounts receivable is limited as key customers of the Company are large and reliable companies. Credit risk is managed through continuous monitoring.

Credits risk related to cash at banks is limited as both the Group and the Company conduct operations through banks having high credit ratings given by foreign rating agencies.

##### **4.4. Liquidity risk**

Liquidity risk is managed by planning the movements of cash flows of the Group's companies. Cash flow forecasts are made in order to minimise liquidity risk. Overdraft agreements and credit line agreements are used for short-term balancing of cash flows (incoming and outgoing).

The Group's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 1.33 and 1.13 respectively as of 30 June 2012. The Company's liquidity ratio (current assets/current liabilities) and quick ratio (current assets-inventories/current liabilities) are 1.37 and 1.04 respectively as of 30 June 2012.

##### **4.5. Market risk**

Income and cash flows of the Group companies are influenced by fluctuations of market interest rates as all the loans of the Group companies as of 30 June 2012 are variable interest rate loans. Increase in interest-rate risk mainly depends on long-term loans. The variable interest rates are linked to LIBOR EUR. The Company has made loans to the Group's companies at variable interest rates. The Company has concluded an agreement on future contracts for tradable pollution permits, therefore, it is exposed to risk of changes in the prices for such permits. A record drop in these prices at the end of 2011 has had a negative impact on the annual performance indicators of the Company.

The Group's companies have concluded no interest rate swaps in as of 30 June 2012.

#### **4.6. Foreign currency exchange risk**

In order to manage foreign currency risk the Group concludes credit agreements in EUR or LTL only. The currencies of purchase and sale agreements concluded by the Company are mainly EUR and LTL as well.

On 2 February 2002 the Litas was pegged to the Euro. Therefore, equity of the Company and of the Group is not significantly affected by currency exchange rate fluctuations

The Group companies are not exposed to significant concentration of foreign currency risk, therefore, no financial instruments were used for managing foreign currency risk in the first half of 2012.

#### **4.7. Securities price risk**

The Company has not acquired securities, therefore, it is not exposed to risks related to prices of securities.

#### **4.8. Technical and production risks**

##### ***Lithuanian Power Plant (LEL)***

On 11 June 2012, Lietuvos energija, AB received the [OHSAS 18001:2007 / LST 1977:2008 certificate No. LT0071S](#). By this certificate Bureau Veritas confirms that it has checked the organisation's health and safety at work system and has determined that the system is in conformity with the management system standard. The health and safety at work management system forms part of the overall management system of the Company including the organisational structure, scheduled activities, allocation of responsibilities, business practices, internal procedures, methods, process control and resources necessary for the implementation, maintaining and improvement of the health and safety at work system. OHSAS 18001 is aimed at ensuring safety and health of employees and reducing the probability of accidents at work as well as prevalence of occupational diseases.

In June 2012, the superheater in boiler No. 8 was replaced as its term of service had expired.

A project on the rehabilitation of worn flotation equipment was launched in the first half of 2012.

***Kaunas Hydro Electric Power Plant (Kaunas HEPP)***

Repairs of the thermal control equipment in hydro generators No. 1 and No 2 were carried out in the first half of 2012 in order to ensure reliable operation of the equipment.

***Kruonis Hydro Pumped Storage Power Plant (Kruonis HPSP)***

In spring of 2012, an automated control system informing about deviations from permissible limits in the technical condition of the hydraulic engineering structures was implemented.

A design on the replacement of protection parts in the hydro generating units was prepared. It will be used during capital repairs to be carried out in the second half of 2012.

**4.9. Environmental risks**

The main environmental requirements set for the Company include the use of environmentally friendly materials, ensuring that the energy installations and structures match the environment, and ensuring that changes in the water level in the Kaunas Lagoon and the Nemunas River downstream the Kaunas HEPP are kept within the permissible range. At present the Company is fully compliant with the environmental regulations.



### III. OTHER INFORMATION

#### 1. References and additional explanations about the information provided in the consolidated financial statements

The Notes to the Financial Statements for the 6 months of 2012 contain detailed explanations of financial information.

#### 2. Information about audit

**Auditor of the Company:** PricewaterhouseCoopers UAB, J. Jasinskio 16B, LT-01112 Vilnius, Lithuania

#### 3. Information published by the Company

***During the first 6 months of 2012 the Company has published the following notices of material events:***

<b>2012 01 13</b>	Development of a project by Lietuvos energija, AB
<b>2012 02 08</b>	New version of the Law on Electricity takes effect
<b>2012 02 20</b>	Lietuvos energija has found an opportunity to buy natural gas at lower prices in West Europe
<b>2012 02 20</b>	Lietuvos energija approached Gazprom Export proposing natural gas exchange
<b>2012 02 24</b>	Renewed negotiations over the Petrašiūnai project
<b>2012 02 24</b>	Lietuvos energija is renewing negotiations over the construction of the Petrašiūnai biofuel-fired plant
<b>2012 02 29</b>	Interim financial information on Lietuvos energija for the 12 months of 2011
<b>2012 03 01</b>	CORRECTION: Interim financial information on Lietuvos energija for the 12 months of 2011
<b>2012 03 07</b>	Lietuvos energija has signed a letter of intent
<b>2012 03 08</b>	Department of Hydro Electric Power Plants being formed by Lietuvos energija, AB
<b>2012 03 22</b>	Presentation of new trademark „Green Lithuanian Energy“
<b>2012 04 06</b>	Agenda of the general meeting of shareholders of Lietuvos energija, AB and draft resolutions
<b>2012 04 30</b>	Resolutions passed by the general meeting of shareholders of Lietuvos energija, AB on 30 April 2012
<b>2012 04 30</b>	Annual information for 2011
<b>2012 05 29</b>	Agenda of the extraordinary meeting of shareholders of Lietuvos energija, AB and draft resolution
<b>2012 05 31</b>	Operating results of Lietuvos energija, AB for the first quarter of 2012
<b>2012 06 21</b>	Resolution passed by the general meeting of shareholders of Lietuvos energija, AB on 21 June 2012

For full information about notices of material events published in the first half of 2012 please see website of NASDAQ OMX Baltic <http://www.nasdaqomxbaltic.com> or the Company's website [www.le.lt](http://www.le.lt) or please contact VĮ Registrų centras (Public Entity Centre of Registers).