

2012-11-29 No. *SD-3782*

## CERTIFICATION STATEMENT

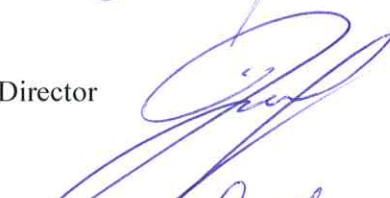
In following with Article 22 of the Law on Securities of the Republic of Lithuania, we, Lietuvos Energija, AB Chief Executive Officer Dalius Misiūnas, Finance and Legal Department Director Artūras Jočius, and Chief Financier Giedruolė Guobienė, certify that, to our knowledge, the unaudited Lietuvos Energija, AB and consolidated 2012 nine-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 NINE-MONTH PERIOD  
ENDED 30 SEPTEMBER 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 29 November 2012.



Dalius Misiūnas  
General Director



Artūras Jočius  
Director of Finance and Law  
Department



Giedruolė Guobienė  
Chief Financier

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

ASSETS	Note	Group at 30 September 2012 (unaudited)	Company at 30 September 2012 (unaudited)	Group at 31 December 2011	Company at 31 December 2011
<b>Non-current assets</b>					
Intangible assets	4	21,752	18,977	39,735	36,345
Property, plant and equipment	5	3,144,823	3,092,140	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		153,613	155,427	146,966	151,648
Deferred income tax assets		498	-	81	-
Other non-current assets		24,348	24,348	9,657	9,657
Amounts receivable		14,574	14,547	1,426	1,426
<b>Total non-current assets</b>		<b>3,359,621</b>	<b>3,360,130</b>	<b>3,316,868</b>	<b>3,312,567</b>
<b>Current assets</b>					
Inventories		65,768	63,826	125,537	123,721
Prepayments		2,715	1,636	2,936	1,909
Trade receivables		352,908	310,023	233,479	207,498
Other receivables		6,224	13,184	7,007	12,648
Other current assets		44	-	-	-
Prepaid income tax		611	-	3,157	3,147
Other financial assets		98	-	267	-
Cash and cash equivalents		44,933	22,800	27,907	8,281
		<b>473,301</b>	<b>411,469</b>	<b>400,290</b>	<b>357,204</b>
Non-current assets classified as held for sale		<b>1,707</b>	<b>-</b>	<b>3,283</b>	<b>1,543</b>
<b>Total current assets</b>		<b>475,008</b>	<b>411,469</b>	<b>403,573</b>	<b>358,747</b>
<b>TOTAL ASSETS</b>		<b>3,834,629</b>	<b>3,771,599</b>	<b>3,720,441</b>	<b>3,671,314</b>

(continued on the next page)

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

EQUITY AND LIABILITIES	Note	Group at 30 September 2012	Company at 30 September 2012	Group at 31 December 2011	Company at 31 December 2011
		(unaudited)	(unaudited)		
<b>Capital and reserves</b>					
Share capital		635,084	635,084	635,084	635,084
Share premium		295,767	295,767	295,767	295,767
Revaluation reserve		12,460	7,915	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		(31,780)	(11,597)	(67,183)	(44,656)
<b>Total equity attributable to owners of the Company</b>		<b>1,665,548</b>	<b>1,680,811</b>	<b>1,631,150</b>	<b>1,648,232</b>
Non-controlling interest		41,222	-	39,951	-
<b>Total equity</b>		<b>1,706,770</b>	<b>1,680,811</b>	<b>1,671,101</b>	<b>1,648,232</b>
<b>Non-current liabilities</b>					
Borrowings	7	557,876	557,876	602,258	602,258
Finance lease liabilities		111	-	319	-
Grants	8	1,062,070	1,062,037	1,008,569	1,008,569
Other non-current accounts payable and liabilities		41,156	39,392	46,137	45,863
Provisions		179	-	-	-
Deferred income tax liabilities		120,874	120,136	125,431	124,311
<b>Total non-current liabilities</b>		<b>1,782,266</b>	<b>1,779,441</b>	<b>1,782,714</b>	<b>1,781,001</b>
<b>Current liabilities</b>					
Borrowings	7	55,921	55,921	39,908	38,739
Finance lease liabilities		394	-	584	-
Trade payables		100,291	89,597	116,830	103,759
Advance amounts received		12,183	11,460	17,628	14,885
Income tax payable		4,158	1,178	1,787	-
Provisions for emission allowances	9	76,130	76,130	61,931	61,931
Other accounts payable and liabilities		83,517	77,061	27,958	22,767
<b>Total current liabilities</b>		<b>345,593</b>	<b>311,347</b>	<b>266,626</b>	<b>242,081</b>
<b>Total liabilities</b>		<b>2,127,859</b>	<b>2,090,788</b>	<b>2,049,340</b>	<b>2,023,082</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,834,629</b>	<b>3,771,599</b>	<b>3,720,441</b>	<b>3,671,314</b>



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

	Note	Group 1 January – 30 September 2012 (unaudited)	Company 1 January – 30 September 2012 (unaudited)	Group 1 January – 30 September 2011 (unaudited)	Company 1 January – 30 September 2011 (unaudited)
<b>Revenue</b>					
Sales revenue		1,006,580	869,706	999,314	993,070
Other operating income		72,630	2,321	37,147	1,459
		<b>1,079,210</b>	<b>872,027</b>	<b>1,036,461</b>	<b>994,529</b>
<b>Operating expenses</b>					
Purchase of electricity or related services		(490,461)	(356,204)	(519,923)	(519,893)
Gas and oil expenses		(368,131)	(368,131)	(313,625)	(313,625)
Depreciation and amortisation		(54,684)	(43,987)	(45,346)	(43,306)
Salaries and related expenses		(47,728)	(23,646)	(36,449)	(28,607)
Revaluation and Impairment of property plant		77	-	-	-
Repair and maintenance expenses		(3,506)	(10,678)	(3,821)	(6,045)
Expenses of revaluation and provisions for emission allowances		(4,531)	(4,531)	(9,946)	(9,946)
Provisions for onerous contracts (expense) / recovery		(6,828)	(6,828)	(7,791)	(7,791)
Impairment write-down of inventories		(717)	(717)	(1,755)	(1,755)
Other expenses		(62,767)	(21,663)	(42,814)	(19,526)
<b>Total operating expenses</b>		<b>(1,039,276)</b>	<b>(836,385)</b>	<b>(981,470)</b>	<b>(950,494)</b>
<b>OPERATING PROFIT</b>		<b>39,934</b>	<b>35,642</b>	<b>54,991</b>	<b>44,035</b>
Finance income:					
Share of result of operations of associates and joint ventures		2,985	-	1,950	-
Other finance income		1,474	4,158	1,028	1,987
Finance (costs)		(4,714)	(4,479)	(4,454)	(4,229)
<b>PROFIT BEFORE INCOME TAX</b>		<b>39,679</b>	<b>35,321</b>	<b>53,515</b>	<b>41,793</b>
Current year income tax expense		(8,498)	(7,171)	(10,232)	(9,512)
Deferred income tax income/(expense)		4,916	4,231	(162)	466
<b>PROFIT FOR THE PERIOD</b>		<b>36,097</b>	<b>32,363</b>	<b>43,121</b>	<b>32,747</b>
<b>Other comprehensive income (loss)</b>					
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		(526)	-	-	-
<b>COMPREHENSIVE INCOME</b>		<b>35,571</b>	<b>32,363</b>	<b>43,121</b>	<b>32,747</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		34,826	32,363	43,121	32,747
Non-controlling interest		1,271	-	-	-
		<b>36,097</b>	<b>32,363</b>	<b>43,121</b>	<b>32,747</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		34,300	32,363	43,121	32,747
Non-controlling interest		1,271	-	-	-
		<b>35,571</b>	<b>32,363</b>	<b>43,121</b>	<b>32,747</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.06</b>		<b>0.07</b>	

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

	Note	Group 1 July – 30 September 2012 (unaudited)	Company 1 July – 30 September 2012 (unaudited)	Group 1 July – 30 September 2011 (unaudited)	Company 1 July – 30 September 2011 (unaudited)
<b>Revenue</b>					
Sales revenue		390,417	352,210	386,099	383,221
Other operating income		23,924	1,220	15,190	799
		<b>414,341</b>	<b>353,430</b>	<b>401,289</b>	<b>384,020</b>
<b>Operating expenses</b>					
Purchase of electricity or related services		(158,173)	(122,051)	(172,484)	(172,454)
Gas and oil expenses		(186,389)	(186,389)	(163,625)	(163,625)
Depreciation and amortization		(18,406)	(14,900)	(14,125)	(13,417)
Salaries and related expenses		(15,027)	(7,738)	(13,630)	(10,686)
Revaluation and Impairment of property plant		77	-	-	-
Repair and maintenance expenses		(842)	(3,068)	(1,052)	(3,047)
Expenses of revaluation and provisions for emission allowances		(2,383)	(2,383)	(2,625)	(2,625)
Provisions for onerous contracts (expense) / recovery		(4,468)	(4,468)	(31,391)	(31,391)
Impairment write-down of inventories		(258)	(258)	(456)	(456)
Other expenses		(18,967)	(5,692)	(17,429)	(6,825)
<b>Total operating expenses</b>		<b>(404,836)</b>	<b>(346,947)</b>	<b>(416,817)</b>	<b>(404,526)</b>
<b>OPERATING PROFIT</b>		<b>9,505</b>	<b>6,483</b>	<b>(15,528)</b>	<b>(20,506)</b>
Finance income:					
Share of result of operations of associates and joint ventures		1,830	-	1,053	-
Other finance income		631	460	235	301
Other finance (costs)		(2,084)	(2,015)	(2,075)	(2,139)
		377	(1,555)	(787)	(1,838)
<b>PROFIT BEFORE INCOME TAX</b>		<b>9,882</b>	<b>4,928</b>	<b>(16,315)</b>	<b>(22,344)</b>
Current year income tax expense		(1,856)	(1,337)	1,666	1,545
Deferred income tax income/(expense)		1,893	1,740	2,575	5,533
<b>PROFIT FOR THE PERIOD</b>		<b>9,919</b>	<b>5,331</b>	<b>(12,074)</b>	<b>(15,266)</b>
<b>Other comprehensive income (loss)</b>					
Profit from revaluations of emission allowances		(1,416)	(1,416)	-	-
<b>COMPREHENSIVE INCOME</b>		<b>8,503</b>	<b>3,915</b>	<b>(12,074)</b>	<b>(15,266)</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		9,380	3,915	(12,074)	(15,266)
Non-controlling interest		539	-	-	-
		<b>9,919</b>	<b>5,331</b>	<b>(12,074)</b>	<b>(15,266)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>					
Owners of the Company		7,964	3,915	(12,074)	(15,266)
Non-controlling interest		539	-	-	-
		<b>8,503</b>	<b>3,915</b>	<b>(12,074)</b>	<b>(15,266)</b>
<b>Basic and diluted earnings per share (in LTL)</b>		<b>0.02</b>		<b>(0.02)</b>	

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	(348)	-	-	348	-
Comprehensive income	-	-	-	-	-	32,747	32,747
<b>Balance at 30 September 2011 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>6,256</b>	<b>35,867</b>	<b>717,775</b>	<b>(22,781)</b>	<b>1,667,968</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	-	-	(480)	-	-	480	-
Other adjustments	-	-	-	-	-	216	216
Comprehensive income	-	-	-	-	-	32,363	32,363
<b>Balance at 30 September 2012 (unaudited)</b>	<b>635,084</b>	<b>295,767</b>	<b>7,915</b>	<b>35,867</b>	<b>717,775</b>	<b>(11,597)</b>	<b>1,680,811</b>

(end)

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

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

	<b>Group 1 January – 30 September 2012</b>	<b>Company 1 January – 30 September 2012</b>	<b>Group 1 January – 30 September 2011</b>	<b>Company 1 January – 30 September 2011</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	<b>36,097</b>	<b>32,363</b>	<b>43,121</b>	<b>32,747</b>
<b>Adjustments for non-cash items and other adjustments:</b>				
Depreciation and amortisation expenses	63,465	52,768	55,663	53,605
Loss/(income) on revaluation of emission allowances and provision expense	11,359	11,359	17,736	17,736
Impairments	5,774	5,154	1,769	128
Share of (profit) of associates and joint ventures	(2,985)	-	(1,950)	-
Income tax expenses	3,564	2,940	2,221	9,749
(Income) from grants	(8,788)	(8,788)	(8,805)	(8,805)
Increase in other provisions	2,728	2,728	20	20
Gains on disposal/write-off of non-current assets (except of financial assets)	150	118	284	262
Elimination of results of financing and investing activities:				
- Dividends	-	(3,000)	-	(774)
- Interest (income)	(886)	(621)	(808)	(802)
- Interest expense	2,070	1,925	2,693	2,359
- Other finance costs	2,056	2,017	1,540	1,458
<b>Changes in working capital</b>				
(Increase) decrease in trade receivables and other amounts receivable	(88,018)	(102,522)	(26,112)	(29,277)
Decrease in inventories and prepayments	61,730	61,810	41,392	42,750
(Decrease) increase in accounts payable, grants and advance amounts received	(2,536)	29,064	55,153	48,155
<b>Cash flows generated from operations</b>				
Income tax (paid)	(3,581)	(2,846)	(6,520)	(5,615)
<b>Net cash generated from operating activities</b>	<b>82,198</b>	<b>84,469</b>	<b>177,398</b>	<b>163,697</b>
<b>Cash flows from investing activities</b>				
(Purchase) of property, plant and equipment (PPE) and intangible assets	(24,806)	(21,513)	(188,589)	(186,908)
Loans	-	(3,000)	-	-
Loans retrieved	-	3,000	-	-
Proceeds from sale of PPE and intangible assets	11	-	39,152	39,152
Term deposits and other financial assets	60	-	-	-
Dividends received	-	3,000	-	774
Interest received	49	320	495	492
<b>Net cash used in investing activities</b>	<b>(24,686)</b>	<b>(18,193)</b>	<b>(148,942)</b>	<b>(146,490)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	2,672	-	129,761	127,061
Repayments of borrowings	(25,547)	(25,547)	(25,246)	(22,547)
Finance lease payments	(398)	-	(247)	-
Interest (paid)	(21,288)	(21,166)	(20,462)	(20,160)
Dividends (paid)	(9)	(9)	(89,050)	(89,050)
Cash flows from financing activities	(39)	-	-	-
<b>Net cash (used in)/ generated from financing activities</b>	<b>(44,609)</b>	<b>(46,722)</b>	<b>(5,244)</b>	<b>(4,696)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,903</b>	<b>19,554</b>	<b>23,212</b>	<b>12,511</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>83,375</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>34,252</b>	<b>22,447</b>	<b>83,615</b>	<b>95,886</b>

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



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

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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 September 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 Valdos 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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**All amounts in LTL thousands unless otherwise stated**

**1 General information (continued)**

As at 30 September 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 September 2012</b>	<b>The Group's shareholding at 31 December 2011</b>	<b>Profit (loss) for 1 January – 30 September 2012</b>	<b>Equity at 30 September 2012</b>	<b>Profile of activities</b>
UAB „Kauno energetikos remontas“	Chemijos g. 17, Kaunas, Lietuva	100 proc.	100 proc.	532	21,710	Repair of energy equipment, production of metal constructions
UAB „Gotlitas“	R. Kalantos g. 119, Kaunas, Lietuva	100 proc.	100 proc.	(107)	1,507	Accommodation services, trade
UAB „Energijos tiekimas“	Žvejų g. 14, Vilnius, Lietuva	100 proc.	100 proc.	333	7,175	Independent electricity supply
UAB „Technologijų ir inovacijų centras“	Juozapavičiaus g. 13, Vilnius, Lietuva	54.04 proc.	54.04 proc.	885	71,437	IT services
UAB „Data Logistics Center“	Juozapavičiaus g. 13, Vilnius, Lietuva	54.04 proc.	54.04 proc.	2,280	19,672	IT services
VŠĮ Respublikinis energetikų mokymo centras	Jeruzalės g. 21, Vilnius, Lietuva	54.04 proc.	54.04 proc.	(282)	(1,418)	Professional development of energy specialists and continual professional training

As at 30 September 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 September 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, Lietuva	23.44 proc.	23.44 proc.	Geothermal energy production
UAB „NT Valdosa“	Geologų g. 16, LT-02190 Vilnius, Lietuva	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 September 2012, the number of employees of the Group was 1,187 (31 December 2011 – 1,179). As at 30 September 2012, the number of employees of the Company was 514 (31 December 2011 – 509).

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



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## **2 Accounting policies**

The Company's and consolidated Group's condensed interim financial information for a nine-month period ended 30 September 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.

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

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.

## **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 September 2012 did not significantly differ from its carrying amounts.

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

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 September 2012 and 31 December 2011 the management of the Company did not identified any impairment indicators for property, plant and equipment of Kaunas Hydro Power Plant and Kruonis Pumped Storage Power Plant.

As at 30 September 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 September 2012 and emission quantities which will be approved in 2013.

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 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 1,280 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 September 2012 the Company's management accounted for LTL 12,690 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 September 2011</b>					
Opening net book amount	392	2,680	37,811	52	40,935
Additions	347	1,136	34,390	-	35,873
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	(256)	(900)	-	-	(1,156)
<b>Net book amount at 30 September 2011</b>	<b>483</b>	<b>3,073</b>	<b>5,742</b>	<b>52</b>	<b>9,350</b>
<b>At 30 September 2012</b>					
Opening net book amount	1,092	3,053	35,457	133	39,735
Additions	359	83	-	143	585
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	(467)	(1,096)	-	-	(1,563)
Reclassification from inventories	-	-	-	8	8
Revaluation income of emission allowances	-	-	(486)	-	(486)
<b>Net book amount at 30 September 2012</b>	<b>1,132</b>	<b>2,040</b>	<b>18,296</b>	<b>284</b>	<b>21,752</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 September 2011</b>				
Opening net book amount	-	37,811	-	37,811
Additions	955	34,390	-	35,345
Grant received	-	26,701	-	26,701
Disposals	-	(38,948)	-	(38,948)
Amortisation	(98)	-	-	(98)
Emission allowances utilised	-	(54,212)	-	(54,212)
<b>Net book amount at 30 September 2011</b>	<b>857</b>	<b>5,742</b>	<b>-</b>	<b>6,599</b>
<b>At 30 September 2012</b>				
Opening net book amount	888	35,457	-	36,345
Additions	51	-	5	56
Grant received	-	14,832	-	14,832
Emission allowances utilised	-	(16,268)	-	(16,268)
Amortisation	(263)	-	-	(263)
Lending of emission allowances	-	(15,239)	-	(15,239)
Revaluation costs of emission allowances	-	(486)	-	(486)
<b>Net book amount at 30 September 2012</b>	<b>676</b>	<b>18,296</b>	<b>5</b>	<b>18,977</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 September 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 September 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 September 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	-	-	520	168	594	81	1,971	89,870	93,204
Impairment	-	(619)	-	-	-	-	-	-	(619)
Disposals	-	-	-	-	-	(5)	(4)	-	(9)
Write-offs	-	(1)	(26)	(4)	(114)	-	(7)	-	(152)
Reclassifications between groups	-	-	-	-	5,756	(7)	34	(5,783)	-
Reclassification to intangible assets	-	-	-	-	-	-	(148)	-	(148)
Reclassification from inventories	-	-	-	-	-	-	39	-	39
Depreciation	-	(423)	(2,766)	(20,543)	(31,160)	(208)	(6,802)	-	(61,902)
<b>Net book amount at 30 September 2012</b>	<b>5,737</b>	<b>16,053</b>	<b>25,340</b>	<b>516,941</b>	<b>1,305,743</b>	<b>899</b>	<b>22,503</b>	<b>1,251,607</b>	<b>3,144,823</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	Construct-ion in progress	Total
<b>At 30 September 2011</b>									
Opening net book amount	5,867	264	10,474	560,298	1,372,371	667	416	902,986	2,853,343
Additions	-	-	-	1,911	-	-	-	222,948	224,859
Disposals	-	-	-	(36)	-	(168)	-	-	(204)
Write-offs	-	-	-	(262)	-	-	-	-	(262)
Depreciation	-	(4)	(559)	(51,135)	-	(129)	(165)	-	(51,992)
<b>Net book amount at 30 September 2011</b>	<b>5,867</b>	<b>260</b>	<b>9,915</b>	<b>510,776</b>	<b>1,372,371</b>	<b>370</b>	<b>251</b>	<b>1,125,934</b>	<b>3,025,744</b>
<b>At 30 September 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	-	-	-	168	594	31	-	89,723	90,516
Reclassifications between groups	-	-	-	-	5,756	(7)	-	(5,749)	-
Write-offs	-	-	-	(4)	(114)	-	-	-	(118)
Depreciation	-	(104)	(582)	(20,543)	(31,160)	(95)	(21)	-	(52 505)
<b>Net book amount at 30 September 2012</b>	<b>5,737</b>	<b>1,334</b>	<b>10,571</b>	<b>516,941</b>	<b>1,305,743</b>	<b>272</b>	<b>151</b>	<b>1,251,391</b>	<b>3,092,140</b>

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**6 Share capital**

As at 30 September 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 September 2012 was 6,443 (31 December 2011 – 6,589).

The shareholders' structure of the Company is as follows:

Shareholders	Share capital at 30 September 2012		Share capital at 31 December 2011	
	(LTL)	%	(LTL)	%
Visagino Atominė Elektrinė UAB	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>

4,067,163,632 ordinary registered uncertificated shares in UAB Visagino Atominė Elektrinė with a par value of LTL 1 per share representing 100% of the voting right at a general shareholder meeting of UAB Visagino Atominė Elektrinė, owned by the state and held in trust by the Ministry of Energy, were handed over to the Ministry of Economy on 27 September 2012 in line with Decision of the Government of the Republic of Lithuania of 4 July 2012.

**7 Borrowings**

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

	Group at 30 September 2012	Company at 30 September 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	63,504	63,504	74,194	74,194
Loan from the European Bank for Reconstruction and Development, in EUR, to be repaid by 18 February 2025	234,934	234,934	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>557,876</b>	<b>557,876</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	10,681	354	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	14,793	14,793	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	21,619	21,619	-	-
UAB „Kauno energetikos remontas“, Nordea Bank Finland PIC branch, factoring agreement	2,672	-	-	-
Credit line from Swedbank AB, maturity term – 1 March 2012	-	-	13,000	13,000
<b>Total current borrowings</b>	<b>68,920</b>	<b>55,921</b>	<b>39,908</b>	<b>38,739</b>



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**7 Borrowings (continued)**

As at 30 September 2012, according to the above-mentioned agreements the balances of undrawn loans and overdrafts of the Group amounted to LTL 74,647 thousand, the Company's LTL 59,647 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 September 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 63,504 thousand as at 30 September 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 nine months period ended 30 September 2012 and 30 September 2011 were as follows:

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>872,957</b>
Grants received	624	67,741	26,701	95,066
Depreciation of immovable property, plant and equipment	(1,584)	(7,222)	-	(8,806)
Utilisation of grant for emission allowances	-	-	(18,106)	(18,106)
<b>Balance at 30 September 2011</b>	<b>25,835</b>	<b>906,681</b>	<b>8,595</b>	<b>941,111</b>
<b>Balance at 1 January 2012</b>	<b>93,853</b>	<b>914,716</b>	-	<b>1,008,569</b>
Grants received	202	59,435	14,832	74,469
Depreciation of immovable property, plant and equipment	(1,567)	(7,221)	-	(8,788)
Utilisation of grant for emission allowances	-	-	(12,213)	(12,213)
<b>Balance at 30 September 2012</b>	<b>92,488</b>	<b>966,930</b>	<b>2,619</b>	<b>1,062,037</b>

During 2012, Company's assets-related grants decreased by LTL 8,788 thousand, i.e. by the amount of depreciation of property, plant and equipment (nine months period ended 30 September 2011 - LTL 8,806 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 37,420 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.

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**8 Grants (continued)**

During 2012 the company received LTL 22,015 thousands of PSO funds for the construction of a new unit of 400 MW combined cycle gas turbine.

**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	18,126	18,126
Emission allowances utilised	(54,212)	(54,212)
<b>Balance at 30 September 2011</b>	<b>31,196</b>	<b>31,196</b>
<b>Balance at 31 December 2011</b>	<b>61,931</b>	<b>61,931</b>
Provisions for pollution emitted*	23,640	23,640
Provisions for onerous contracts	6,827	6,827
Emission allowances utilised	(16,268)	(16,268)
<b>Balance at 30 September 2012</b>	<b>76,130</b>	<b>76,130</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 Valdys UAB. According to the agreement, the Company subscribed for 37,790 ordinary NT Valdys UAB shares of LTL 100 par value each. The total emission price was LTL 3,779,000 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 Valdys UAB increased by 0.64% and as at 30 September 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 September 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 nine-month period ended 30 September 2012:

2012 m.	Electricity production and trade (including export/import)			Other activities	Total
	Lietuvos Energija, AB		Energijos Tiekimas, UAB		
	Regulated activities	Commercial activities			
Total segment revenue	447,272	424,755	243,743	85,060	1,200,830
Inter-segment revenue	-	-	(106,467)	(15,153)	(121,620)
Revenue from external clients	447,272	424,755	137,276	69,907	1,079,210
Expenses after elimination of turnover among the Group companies	(455,273)	(381,112)	(137,257)	(65,635)	(1,039,276)
including depreciation and amortisation expenses	(30,793)	(13,195)	-	(10,697)	(54,684)
Operating profit	(8,001)	43,643	19	4,272	39,934
Finance income	426	487	397	164	1,474
Finance costs	(4,016)	(463)	(93)	(142)	(4,714)
Share of result of associates and joint ventures	-	-	-	2,985	2,985
Profit before income tax	(11,591)	43,668	323	7,279	39,679
Income tax					(3,582)
Profit for the period					36,097

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
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**11 Segment information (continued)**

The table below presents the Group's information on segments for the nine-month period ended 30 September 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	400,114	594,416	143,288	38,258	1,176,075
Inter-segment revenue	-	-	(137,061)	(2,554)	(139,615)
Revenue from external clients	400,114	594,416	6,227	35,704	1,036,461
Expenses after elimination of turnover among the Group companies	(406,340)	(544,157)	(1,656)	(29,319)	(981,470)
including depreciation and amortisation expenses	(30,034)	(13,272)	-	(2,040)	(45,346)
Operating profit	(6,226)	50,259	4,571	6,385	54,991
Finance income	-	965	46	17	1,028
Finance costs	(4,091)	(137)	(64)	(162)	(4,454)
Share of result of associates and joint ventures	-	-	-	1,950	1,950
Profit before income tax	(10,318)	51,087	4,553	8,190	53,515
Income tax					(10,394)
Profit for the period					43,121

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

The Group's revenue received from a single external client during the nine-month period ended 30 September 2012 amounted to LTL 412,940 thousand (the nine-month period ended 30 September 2011 - LTL 458,091 thousand).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
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**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 September 2012 and the balances arising on these transactions as at 30 September 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 Economy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	6,782	168,924	305,005	913,486
Visagino Atominė Elektrinė UAB	-	52	-	355
Associates of the Group	1,679	238	8,492	1,570
<b>Total</b>	<b>8,461</b>	<b>169,214</b>	<b>313,497</b>	<b>915,411</b>

The Company's transactions with related parties during the period of January to September 2012 and the balances arising on these transactions as at 30 September 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	2,817	21,931	10,296	109,771
Entities controlled by the Ministry of the Economy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	6,039	156,082	216,185	882,243
Visagino Atominė Elektrinė UAB	-	-	-	-
Associates of the Group	291	-	5,288	7
<b>Total</b>	<b>9,147</b>	<b>178,013</b>	<b>231,769</b>	<b>992,021</b>

The Group's transactions with related parties during the period of January to September 2011 and the balances arising on these transactions as at 30 September 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 Economy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	18,657	116,770	394,773	896,718
Visagino Atominė Elektrinė UAB	-	-	59	-
Associates of the Group	-	-	4,543	1,089
<b>Total</b>	<b>18,657</b>	<b>116,770</b>	<b>399,375</b>	<b>897,807</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2011 and the balances arising on these transactions as at 30 September 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>
Subsidiaries of the Company	1,833	21,184	2,092	138,222
Entities controlled by the Ministry of the Economy of the Republic of Lithuania (including subsidiaries of Visagino Atominė Elektrinė UAB)	17,443	110,794	394,002	894,648
Visagino Atominė Elektrinė UAB	-	-	59	-
Associates of the Company	-	-	4,543	-
<b>Total</b>	<b>19,276</b>	<b>131,978</b>	<b>400,696</b>	<b>1,032,870</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**

	<b>Group 1 January – 30 September 2012</b>	<b>Company 1 January – 30 September 2012</b>	<b>Group 1 January – 30 September 2011</b>	<b>Company 1 January – 30 September 2011</b>
Employment-related payments	3,277	1,168	2,053	1,132
Termination benefits	108	-	235	178
Number of key management personnel	27	10	20	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 36 million as at 30 September 2012 (31 December 2011 - LTL 115 million).

**14 Events following the reference period**

In October 2012, Lietuvos Energija AB completed the construction of the Combined Cycle Gas Turbine (CCGT). A state commission, which assessed the completion of the construction of the CCTG, concluded that the construction of the CCGT was finished and the facility met the statutory standards. Lietuvos Energija AB took over a title to the property of the CCGT from the contractor.

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**29 November 2012, Elektrėnai**

**PRESS RELEASE**

**Lietuvos Energija Group's Results Reflect Electricity Markets' Trends**

January–September 2012 saw a decline in electricity prices on the Lithuanian wholesale electricity market. During this period the average price of electricity on the Lithuanian power exchange dropped 2% to 156.2 LTL/MWh from the year-earlier figure.

Electricity prices on the Lithuanian power exchange were also affected by prices in the Estonian and Finnish bidding areas of the Nord Pool Spot (NPS). In January–September 2012, the average electricity price in the NPS Finnish bidding area slipped 34% to 119.68 LTL/MWh, year-on-year. The NPS Estonian bidding area saw a drop of 14% to 131.86 LTL/MWh during the period.

After Lithuania joined the NPS on 18 June 2012, Lithuanian and Latvian companies ceased trading on the Estonian power exchange and joined the ELE bidding area of Estonia and Latvia. The average price in NPS ELE area was 146.05 LTL/MWh in June–September 2012.

Despite the decline in electricity prices this year, some months saw a record rise in prices. Freezing weather and increased demand for electricity at the beginning of February pushed the electricity price on the Lithuanian power exchange to a record high of 348.72 LTL/MWh. Such price rise was observed neither in January–February 2010 nor 2011.

Usually the largest proportion of electricity in winter is generated by city-based thermal power plants. However, it was a fossil-fuel power plant in Elektrėnai, controlled by Lietuvos Energija Group (hereinafter Group), that managed to deal with extremely high demand for electricity during the coldest period of 2012. Electricity output at Elektrėnai power plant soared remarkably in 2012, compared to 2010 and 2011.

Another record rise in electricity prices in 2012 was observed on 20 August, with the electricity price on the Lithuanian power exchange at its highest level of the year, 692.60 LTL/MWh. According to the data of the electricity transmission system operator, the price rise was triggered by the unscheduled disconnection of an electricity transmission line by Russia, which was crucial for electricity imports to Lithuania and Latvia. Reacting to this situation, Elektrėnai power plant increased electricity output. This helped to ensure security of supply and stabilise electricity price on the power exchange.

CEO of Lietuvos Energija Dalius Misiūnas said that Elektrėnai power plant was the key source of electricity generation in the summer when Lithuanian thermal power plants generated virtually no heat or electricity. "During the warm period the power plant had to secure system reserves and ensure security of supply. To achieve this objective, Elektrėnai power plant was tasked with generating substantially large volumes of electricity. Therefore, the third quarter yielded the largest amount of electricity produced by the Group. Besides, the tests of a new Combined Cycle Unit also resulted in generating the great amounts of electricity during the said quarter," pointed out Mr Misiūnas.

In January–September 2012, the output of eligible electricity at Elektrėnai power plant made up 1.19 TWh, a rise of 52% year-on-year. Meanwhile, the other power plants controlled by the Group saw a drop in electricity output during the period.

In January–September 2012, electricity output at Kruonis Pumped Storage Plant (KPSP) fell 9% from the year earlier figure. During the period electricity output at Kaunas Hydroelectric Power Plant (KHPP) plunged 25% as the annual average discharge of the Nemunas river was well below the average of multiple years.

The total electricity output of the Group's power plants amounted to 1.77 TWh in January–September 2012, a growth of 20% than year ago. Electricity demand has not changed remarkably in Lithuania during the period – it was a bit higher than 7 TWh.

The Group's companies were particularly busy with expanding their activity in the retail market. The amount of electricity sold on the free market surged 21% to 1.42 TWh, year-on-year. Meanwhile, electricity sales to LESTO AB shrank as much as 15%, as more and more customers switched to independent electricity suppliers.

Despite the growing competition among independent suppliers to corner the retail market, nearly 40% of free market customers purchased electricity from the Group-controlled UAB Energijos Tiekimas by the end of September.

Energijos Tiekimas has also boosted the sale of "green Lithuanian energy" generated by KHPP. In the third quarter, the first two consumers of "green Lithuanian energy" – Druskininkų Rasa and MARS Lietuva – were joined by Iki retail chain, the operator of the largest number of stores in Lithuania, and Lukoil filling station chain. It is expected that these customers will consume about 26% of KHPP's projected output of "green" electricity in 2012.

## **Revenues**

In January–September 2012, the Group's revenues amounted to LTL 1 079 million, a rise of 4% from the 2011 figure of LTL 1 036 million. This surge in revenues is attributed to the fact that after the completion of another stage of the electricity market liberalisation customers with permissible power capacity over 30 kW were free to choose their independent suppliers. Subsequently, the sales of the Group's companies on the free market increased by more than a fifth. The Group's revenues were also driven up by growing electricity output.

## **Regulated and commercial activity**

In January–September 2012, the Group generated 41% of its revenues from regulated activity: the generation of eligible electricity at Elektrėnai power plant and power reserve services provided by Elektrėnai power plant and KPSP. The Group's pre-tax loss from regulated activity made up LTL 12 million. As electricity generation at Elektrėnai power plant is not making profit, it was revenues from KPSP power reserve services that improved the results of regulated activity.

Net profit from commercial activity which comprises electricity generation at KPSP and KHP, the wholesale and retail sale of electricity on the free market and other commercial services made up LTL 48 million in January–September 2012 before taxes.

## **General profitability indicators**

In January–September 2012, the group's EBITDA made up LTL 100 million, while profit totalled LTL 36 million. EBITDA margin was 9%.

Compared to 2011, in January–September 2012 the Group managed to maintain a relatively stable net profit margin: it only fell from 4% to 3%, while the average nine-month gas purchase price then was 1440 LTL/MWh (more than 26% higher than in January–September 2011).

The profitability indicators were negatively affected also by increasing electricity output at Elektrėnai power plant, falling wholesale electricity prices on the wholesale Scandinavian and Baltic markets, shrinking electricity output at the Group-controlled power plants caused by decrease in water discharge and growing competition on the retail Lithuanian electricity market.

## Annex 1. General Group activity indicators

General activity indicators			
Million litas	Jan–Sep 2011	Jan–Sep 2012	Change
<b>Indicators of revenue, costs and profit</b>			
Revenues	1,036	1,079	4%
EBITDA	105	100	-5%
Net profit	43	36	-16%
<b>Relevant indicators</b>			
EBITDA margin	10%	9%	-1%
Net profitability	4%	3%	-1%

## Annex 2. General Group production and sale indicators

General production and sale indicators			
TWh	Jan–Sep 2011	Jan–Sep 2012	Change
<b>Electricity sale to suppliers</b>			
Electricity sales to LESTO	2,704	2,286	-15%
Electricity sales on the free market	1,169	1,419	21%
<b>Production indicators</b>			
Lithuanian Power Plant in Elektrėnai	0,782	1,187	52%
Kruonis Pumped Storage Plant	0,382	0,347	-9%
Kaunas Hydroelectric Power	0,318	0,237	-25%
<b>Remiamos elektros energijos pardavimai</b>			
Electricity generated by wind farms	0,244	0,294	20%
Electricity generated by thermal power plants** (connected to transmission grids)	0,697	0,606	-13%

### \* Lietuvos Energija AB group in September–January 2012 comprised:

Lietuvos Energija AB (which controls Lithuanian power plant in Elektrėnai, Kruonis Pumped Storage Plant and Kaunas Hydroelectric Power Plant), UAB Energijos Tiekimas, UAB Kauno Energetikos Remontas and UAB Technologijų ir Inovacijų Centras.

\*\* The generation of electricity by thermal power plants are planned and coordinated by Lietuvos Energija AB and directly purchased by LESTO AB.

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