

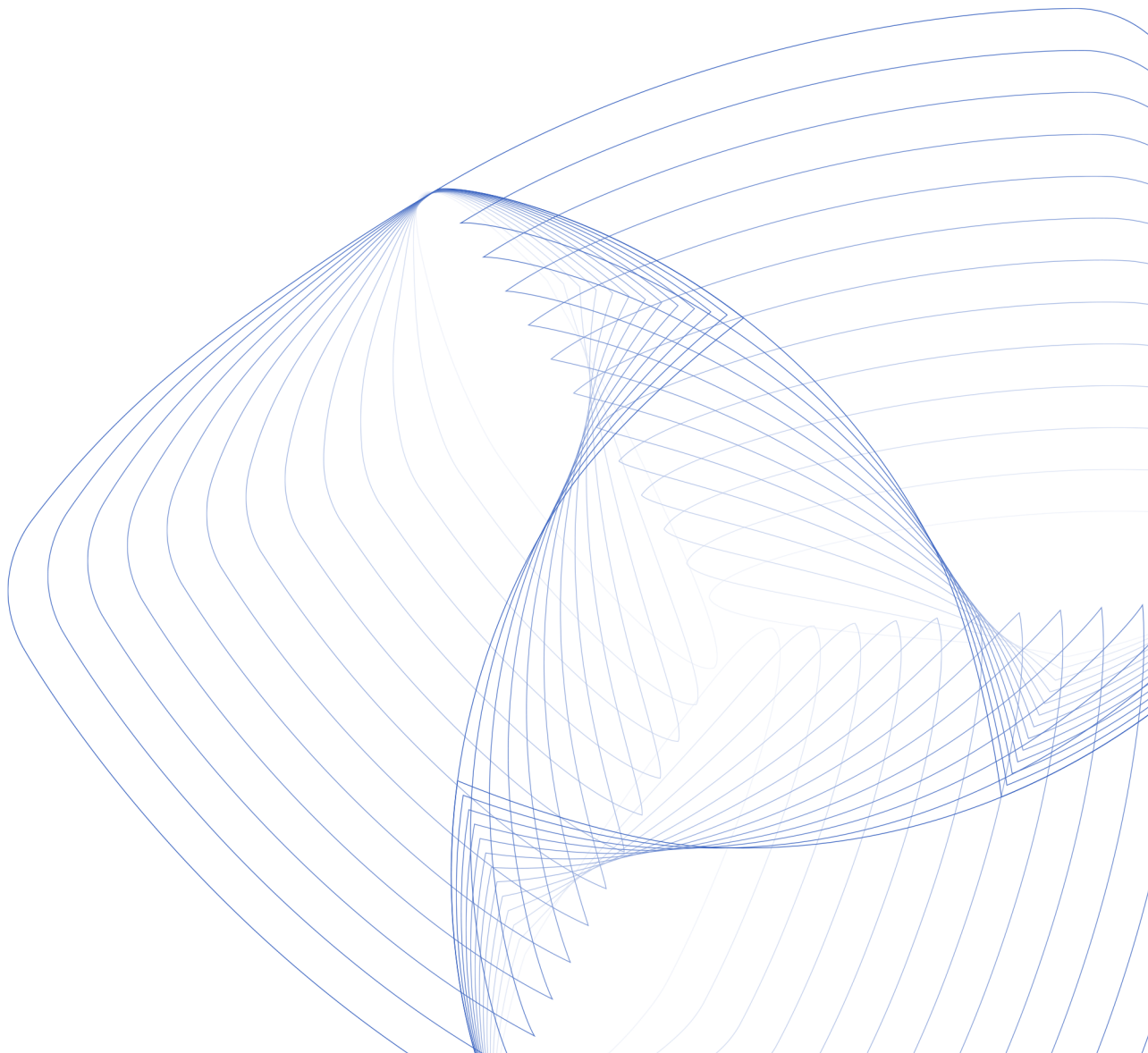


**Lietuvos
energija**

**LIETUVOS ENERGIJA UAB
(former VISAGINO ATOMINĖ ELEKTRINĖ UAB)**

**CONSOLIDATED AND COMPANY'S CONDENSED INTERIM
FINANCIAL INFORMATION (UNAUDITED)**

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2013**



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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

This version of our report is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

	Notes	Group		Company	
		30/09/2013	31/12/2012	30/09/2013	31/12/2012
ASSETS					
Non-current assets					
Intangible assets	4	336,199	361,653	-	-
Property, plant, and equipment	5	7,802,383	7,986,191	24,403	24,382
Prepayments for non-current assets		7,363	7,408	-	-
Investment property		118,654	113,879	-	-
Investments in subsidiaries and other investments	6	-	-	2,761,350	2,761,345
Investments in associates		29,513	29,178	-	-
Amounts receivable after one year and grants/subsidies receivable		709,223	733,110	690,000	720,000
Other financial assets		57,901	-	57,901	-
Other non-current assets		18,163	23,723	-	-
Deferred income tax assets		11,254	11,876	10,366	10,996
Total non-current assets		9,090,653	9,267,018	3,544,020	3,516,723
Current assets					
Inventories		38,680	73,618	-	-
Prepayments		12,632	2,346	19	126
Trade receivables		373,092	271,244	2	2
Other receivables		119,939	245,406	36,100	36,110
Other current assets		328	6	-	-
Prepaid income tax		9,284	4,262	-	-
Short-term investments, time deposits and other financial assets		250,976	301,454	250,976	298,434
Cash and cash equivalents	7	351,804	122,176	184,655	57,765
		1,156,735	1,020,512	471,752	392,437
Non-current assets held for sale		1,503	8,291	266	266
Total current assets		1,158,238	1,028,803	472,018	392,703
TOTAL ASSETS		10,248,891	10,295,821	4,016,038	3,909,426

Continued on next page

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

	Notes	Group		Company	
		30/09/2013	31/12/2012	30/09/2013	31/12/2012
EQUITY AND LIABILITIES					
Equity					
Share capital	8	4,067,164	4,067,164	4,067,164	4,067,164
Reserves		1,476,134	1,568,323	-	-
Retained earnings (deficit)		393,032	187,934	(52,352)	(165,096)
Equity attributable to owners of the parent		5,936,330	5,823,421	4,014,812	3,902,068
Non-controlling interest		711,780	726,362	-	-
Total equity		6,648,110	6,549,783	4,014,812	3,902,068
Amounts payable and liabilities					
Amounts payable after one year and liabilities					
Non-current borrowings	10	817,966	948,017	-	-
Finance lease liabilities		44	44	-	-
Grants and subsidies		1,098,618	1,125,450	-	-
Deferred income tax liability		510,815	526,705	-	-
Provisions	9	3,718	3,512	-	-
Deferred income		191,653	198,034	-	-
Other non-current amounts payable and liabilities		64,159	34,429	-	-
Total amounts payable after one year and non-current liabilities		2,686,973	2,836,191	-	-
Amounts payable within one year and liabilities					
Current portion of non-current borrowings	10	320,520	178,078	-	-
Current borrowings	10	73,461	129,524	-	-
Current portion of finance lease liabilities		60	327	-	-
Trade payables		229,725	225,140	301	595
Advance amounts received		72,470	65,846	-	-
Current income tax liabilities		4,081	17,396	-	-
Provisions	9	12,364	13,915	-	-
Other current amounts payable and liabilities		201,127	279,621	925	6,763
Total amounts payable within one year and liabilities		913,808	909,847	1,226	7,358
Total amounts payable and liabilities		3,600,781	3,746,038	1,226	7,358
TOTAL EQUITY AND LIABILITIES		10,248,891	10,295,821	4,016,038	3,909,426

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

	Notes	Group		Company	
		30/09/2013	30/09/2012 (Restated)	30/09/2013	30/09/2012
Continuing operations					
Revenue					
Sales revenue		2,053,426	1,944,177	-	-
Other operating income		85,634	84,172	6	6
Total revenue		2,139,060	2,028,349	6	6
Operating expenses					
Purchase of electricity or related services		(961,312)	(961,987)	-	-
Purchase of gas and fuel oil		(320,631)	(368,131)	-	-
Depreciation and amortisation		(362,757)	(361,417)	(13)	(65)
Salaries and related expenses		(167,076)	(172,159)	(5,150)	(6,119)
Repair and maintenance expenses		(57,831)	(46,457)	-	-
Revaluation of emission allowances		(15,314)	(7,315)	-	-
Write-off of property, plant and equipment		(9,364)	(11,151)	-	-
Write – off of trade receivable		(5,978)	(8,474)	-	-
Impairment		756	(4,705)	-	-
Other expenses		(93,829)	(108,480)	(1,973)	(25,889)
Total operating expenses		(1,993,336)	(2,050,276)	(7,136)	(32,073)
Operating profit/(loss)		145,724	(21,927)	(7,130)	(32,067)
Impairment of investment in subsidiary		-	-	-	(363,467)
Finance income		14,759	7,943	120,507	526,429
Finance costs		(20,702)	(11,969)	(3)	(8)
Profit/(loss) before income tax		139,781	(25,953)	113,374	130,887
Current year income tax expense		(29,805)	(25,940)	-	-
Deferred income tax income/(expense)		15,256	31,566	(630)	4,202
Net profit/(loss) from continuing operations		125,232	(20,327)	112,744	135,089
Discontinued operations					
Loss on disposal of discontinued operations	12	-	(731,183)	-	-
Net profit (loss) from discontinued operations, net of related income tax		-	16,507	-	-
Net profit/(loss)		125,232	(735,003)	112,744	135,089
Attributable to:					
Owners of the parent		114,957	(731,310)	112,744	135,089
Non-controlling interest		10,275	(3,693)	-	-
Other comprehensive income/(loss)					
Gain/(loss) on revaluation of non-current assets		(65)	(367)	-	-
Other income (loss) included directly in equity during the period		-	-	-	-
Other comprehensive income/(loss)		(65)	(367)	-	-
Total comprehensive income/(loss) for the period		125,167	(735,370)	112,744	135,089
Attributable to:					
Owners of the parent		114,895	(731,675)	112,744	135,089
Non-controlling interest		10,272	(3,695)	-	-

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

	Group		Company	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Cash flows from operating activities				
Net profit (loss)	125,232	(735,003)	112,744	135,089
Adjustments for non-monetary items:				
Depreciation and amortisation	393,368	465,139	13	65
Revaluation of property, plant and equipment	77	289	-	-
Impairment of assets reversal	(20)	-	-	-
Share of the results of associates and joint ventures	(348)	(638)	-	-
Income tax expense	14,549	(2,208)	630	(4,202)
(Depreciation) of grants	(30,611)	(10,791)	-	-
Increase (decrease) in provisions	(1,345)	(1,373)	-	-
Gain/(loss) on disposal/write-off of property, plant and equipment	9,214	11,162	-	-
Elimination of results of financing and investing activities:				
Interest income	(11,573)	(7,090)	(11,252)	(4,591)
Interest expense	22,831	9,000	-	-
Other finance (income)/costs	(4,967)	731,803	(109,255)	(158,354)
Changes in working capital:				
(Increase) decrease in trade receivables and other amounts receivable	23,619	(140,936)	2,079	(9,250)
(Increase) decrease in inventories, prepayments and other current assets	24,330	53,887	107	17
Increase (decrease) in amounts payable, deferred income and advance amounts received	100,064	25,947	(490)	(277)
Income tax (paid)	(48,303)	(34,498)	-	-
Net cash flows from/(used in) operating activities	616,117	364,690	(5,424)	(41,503)
Cash flows from investing activities				
(Purchase) of property, plant and equipment and intangible assets	(344,461)	(315,501)	(5,676)	(2,794)
Proceeds from sale of property, plant and equipment and intangible assets	4,889	708	-	-
Loans repaid, loan repayments received	25,286	236	25,000	-
Change in time deposits	64,090	(117,729)	61,070	(226,780)
Grants received	5,618	76,151	-	-
Acquisition of subsidiaries/associates	-	-	(5)	(10)
Bonds acquired	(160,941)	(96,032)	(160,941)	(96,032)
Bonds disposed	90,316	55,065	90,316	55,065
Interest received	14,067	8,258	13,295	3,200
Dividends received	-	-	109,255	321,821
Other cash flows from investing activities	7	(50)	-	-
Net cash from investing activities	(301,129)	(388,894)	132,314	54,470
Cash flows from financing activities				
Proceeds from borrowings	164,327	195,576	-	-
Repayments of borrowings	(155,092)	(124,694)	-	-
Lease payments	(267)	(398)	-	-
Interest paid	(20,101)	(29,344)	-	-
Dividends paid	(18,525)	(35,735)	-	-
Other cash flows from financing activities	(39)	(39)	-	-
Disposal of LITGRID AB	-	(114,806)	-	-
Net cash flows from/(used in) financing activities	(29,697)	(109,440)	-	-
(Decrease) increase in cash and cash equivalents (including overdraft)	285,291	(133,644)	126,890	12,967
Cash and cash equivalents (including overdraft) at the beginning of the period	(3,215)	154,525	57,765	5,145
Cash and cash equivalents (including overdraft) at the end of the period	282,076	20,881	184,655	18,112

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

Group	Equity attributable to owners of the Group							Non-controlling interest	Total
	Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Subtotal			
Balance at 1 January 2012	4,067,164	124,567	1,145,301	1,645,170	(144,198)	6,838,004	792,426	7,630,430	
Revaluation of property, plant and equipment, net of deferred income tax	-	-	(385)	-	20	(365)	(2)	(367)	
Total other comprehensive income/(loss) for the period	-	-	(385)	-	20	(365)	(2)	(367)	
Net profit (loss) for the reporting period	-	-	-	-	(731,310)	(731,310)	(3,693)	(735,003)	
Total comprehensive income/(loss) for the period	-	-	(385)	-	(731,290)	(731,675)	(3,695)	(735,370)	
Other adjustments	-	-	-	-	208	208	8	216	
Transfer of revaluation reserve to retained earnings (depreciation transfer, net of deferred income tax)	-	-	(71,580)	-	71,580	-	-	-	
Transfer to reserves and movements in reserves	-	202	-	(316,883)	316,681	-	-	-	
Dividends	-	-	-	-	(275,000)	(275,000)	(39,348)	(314,348)	
Changes in non-controlling interests on the reorganisation of group structure	-	(49,204)	(246,632)	(638,387)	952,119	17,896	(39,347)	(21,451)	
Balance at 30 September 2012 (amended)	4,067,164	75,565	826,704	689,900	190,100	5,849,433	710,044	6,559,477	
Balance at 1 January 2013	4,067,164	75,467	802,934	689,922	187,934	5,823,421	726,362	6,549,783	
Revaluation of property, plant and equipment, net of deferred income tax effects	-	-	(62)	-	-	(62)	(3)	(65)	
Total other comprehensive income (loss) for the period	-	-	(62)	-	-	(62)	(3)	(65)	
Net profit (loss) for the reporting period	-	-	-	-	114,957	114,957	10,275	125,232	
Total comprehensive income/(loss) for the period	-	-	(62)	-	114,957	114,895	10,272	125,167	
Transfer of revaluation reserve to retained earnings (depreciation transfer, net of deferred income tax)	-	-	(55,445)	-	55,445	-	-	-	
Transfer to reserves and movements in reserves	-	1,595	-	(38,453)	36,858	-	-	-	
Dividends	-	-	-	-	-	-	(18,818)	(18,818)	
Changes in non-controlling interests on the reorganisation of group structure	-	12	164	-	(2,162)	(1,986)	(6,036)	(8,022)	
Balance at 30 September 2013	4,067,164	77,074	747,591	651,469	393,032	5,936,330	711,780	6,648,110	

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

Company	Share capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance at 1 January 2012	4,067,164	-	-	-	(23,724)	4,043,440	-	4,043,440
Net profit (loss) for the reporting period	-	-	-	-	135,089	135,089	-	135,089
Dividends	-	-	-	-	(275,000)	(275,000)	-	(275,000)
Balance at 30 September 2012	4,067,164	-	-	-	(163,635)	3,903,529	-	3,903,529
Balance at 1 January 2013	4,067,164	-	-	-	(165,096)	3,902,068	-	3,902,068
Net profit (loss) for the reporting period	-	-	-	-	112,744	112,744	-	112,744
Balance at 30 September 2013	4,067,164	-	-	-	(52,352)	4,014,812	-	4,014,812

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 2013

All amounts in LTL thousands unless otherwise stated

1. General information

This financial information for the nine-month period ended 30 September 2013 contains unaudited condensed interim financial information of Lietuvos Energija UAB (former Visagino Atominė Elektrinė UAB) (“the Company”) and its subsidiaries (“the Group”) for the aforementioned reporting period (“the financial information” or “the interim financial information”).

As of 30 August 2013, Visagino Atominė Elektrinė UAB is officially known as Lietuvos Energija UAB. The same company name and new articles of association are registered with the Register of Legal Entities.

Lietuvos Energija UAB is a private limited liability company registered in the Republic of Lithuania. The address of the Company’s registered office is Žvejų g. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-seeking entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044, VAT payer’s code LT100004278519. The Company has been established for an unlimited period.

Lietuvos Energija UAB is a parent company in charge of management and coordination of activities of group companies engaged in electricity and heat generation, supply, import and export, distribution and trade in electricity, maintenance and development of electricity sector.

The Company analyses the activities of the Group, represents the Group, exercises rights and duties of shareholder, sets operating guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technologies, communication etc.

Lietuvos energija UAB seeks to ensure effective activities of the Group, to accomplish objectives included in the National Energy Independence Strategy and other regulations, where related to the group activities, thereby ensuring socially responsible enhancement of long-term value.

The Company’s shares are owned by the Lithuanian Government.

Company’s shareholder	30/09/2013		31/12/2012	
	Share capital	%	Share capital	%
Republic of Lithuania represented by the Lithuanian Ministry of Finance	4,067,164	100.00		
Republic of Lithuania represented by the Lithuanian Ministry of Economy			4,067,164	100.00

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

The Group includes Lietuvos Energija UAB and subsidiaries directly or indirectly controlled by the Company.

Group company	Registered office address	Effective ownership interest 30/09/2013, %	Share capital (LTL thousands) 30/09/2013	Core activities
Lietuvos Energijos Gamyba AB	Elektrinės str. 21 LT-26108, Elektrėnai	96.1	635,084	Generation, supply, import, export and trade in electricity
LESTO AB	Žvejų str. 14, Vilnius	82.6	603,945	Electricity supply and distribution to customers
NT Valdos UAB	Geologų str. 16, LT-02190 Vilnius	87.9	314,001	Operation of real estate, other related activities and service provision
Duomenų Logistikos Centras UAB (former Technologijų ir Inovacijų Centras UAB)	A.Juozapavičiaus str.13, Vilnius	73.2	76,513	Maintenance of information technologies and telecommunications
ELEKTROS TINKLO PASLAUGOS UAB	Motorų str. 2, Vilnius	82.6	18,904	Construction, repair and maintenance of power network and related equipment, and customer connection to the grid
Kauno Energetikos Remontas UAB	Chemijos str. 17, Kaunas	96.1	14,245	Repair of energy equipment, production of metal structures
Gotlitas UAB	R.Kalantos str. 119, Kaunas	96.1	1,450	Accommodation services, trade
Energijos Tiekimas UAB	Jeruzalės str. 21, Vilnius	96.1	750	Electricity supply
Respublikinis Energetikų Mokymo Centras VŠĮ	Jeruzalės str. 21, Vilnius	73.2	294	Professional development and further training of energy specialists
Energijos Tiekimas OÜ	Narva mnt 5, 10117 Tallinn	96.1	121	Electricity supply
Energijos Tiekimas SIA	Elizabetes iela 45/47, LV-1010 Rīga	96.1	99	Electricity supply
VAE SPB UAB	Žvejų str. 14, Vilnius	100.0	10	Consultation activities

As of 30 September 2013, the Group had 4,493 employees (31 December 2012: 4,612), and the Company had 52 employees (31 December 2012: 49).

This financial information was approved by the management of Lietuvos Energija UAB on 29 November 2013.

2. Summary of significant accounting policies

This interim financial information for the period ended 30 September 2013 has been prepared in accordance with the International Accounting Standard ("IAS") No 34, "Interim financial reporting".

For a better understanding of data contained in this condensed interim financial information, this financial information should be read in conjunction with the consolidated and stand-alone financial statements of Lietuvos Energija UAB (former Visagino Atominė Elektrinė UAB) for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those applied during the preparation of the annual financial statements for the year 2012.

Income tax

Income tax for the interim reporting periods is estimated using the tax rate which would be applied in calculation of taxes on the probable total profit for the year.

New standards, amendments and interpretations

There are no new standards, amendments and interpretations that are mandatory for the Company and the Group in 2013 and that have a significant impact on the Company's and the Group's financial information.

3. Critical accounting estimates and judgements used in the preparation of the financial statements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial information according to International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Changes in the underlying assumptions, estimates and judgments may have a material effect on this financial information. The accounting estimates applied in preparing the condensed interim financial information are consistent with those used in preparing the annual financial statements.

Revaluation and impairment of assets

The Group accounts for property, plant and equipment, except for the assets of Kaunas Hydro Power Plant, Kruonis Pumped Storage Power Plant and the Stand-by Power Plant, at revaluated amount in accordance with International Accounting Standard No16 'Property, plant and equipment'. The fair value of most items of fixed tangible assets due to its specific nature was measured using a depreciated replacement cost approach as at 31 December 2008.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

If the value of assets is measured based on a depreciated replacement cost method, International Valuation Standards require that an adequate profitability test is performed. Accounting standards require a periodical review of value of property, plant and equipment. When the carrying amount of property, plant and equipment stated in the balance sheet is higher than its value in use or fair value, less selling expenses, the value of property, plant and equipment shall be reduced. In other words, the value of property, plant and equipment recorded in the balance sheet should be written down to a higher of the two indicators: the value of future benefits of assets expected by the Group from their use or the value of proceeds expected to be received from immediate write-off and disposal of assets.

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

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

According to the Government's Resolution No. 1142 of 9 September 2009 "On the methodology for determination of the value of assets used in licensed activities of the electricity service provider", the determination of the price caps for electricity transmission, distribution and public supply services is to include the value of assets used in licensed activities of the service provider, which is equal to the book value (carrying amount) of fixed tangible assets as at 31 December 2002 increased by the amount of capital expenditures implemented and agreed with the Commission and reduced by the depreciation amount calculated pursuant to the procedure stipulated in the Lithuanian Law on Corporate Income Tax. The management believes that the aforementioned amendments to legal acts have a significant negative impact on the fair value of property, plant and equipment.

The revised Law on Electricity of the Republic of Lithuania came into force on 7 February 2012. Chapter Two of the Law sets forth the provisions for regulation of the activities in the electricity sector and stipulates the function of the Commission to set the principles for establishing the prices regulated by the state and submit them for the Government's approval, and the Government's function to approve the principles for establishing the prices regulated by the state. The revised Law contains amended provisions on an entity with significant influence in electricity market and the right of the provider of electricity transmission, distribution and/or public supply services to obtain a reasonable return on investments. In addition, the revised Law has been supplemented with new provisions on accounting and control of costs, the adoption of which will be implemented as soon as the Commission prepares and announces the system, method and/or model for accounting of costs obligatory for an entity with significant influence in electricity market, as well as to the provider of electricity transmission, distribution and/or public supply services. The adoption of relevant legal acts by the Government and the Commission that are necessary for the implementation of the aforementioned provisions of the Law on Electricity is likely to reduce uncertainties of regulatory provisions relating to the principles for the establishment of value of assets used in licensed activities.

For the above-mentioned reasons, the values of property, plant and equipment reported in this financial information may significantly differ from those that would have been determined if the valuation of assets had been performed by independent appraisers as required by International Valuation and Accounting Standards.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013

All amounts in LTL thousands unless otherwise stated

It is probable that such valuation would have a negative impact on the Group's result of operation and on the shareholders' equity reported in the financial information as of 30 September 2013.

Revaluation of assets

As decided by the management, independent property appraisers carried out no assessment of the fair values of the property, plant and equipment of 30 September 2013 and 31 December 2012, due to significant reorganisation of the entire energy sector in 2010 - 2012 and uncertainties related to the establishment of a new model of electricity prices and the deadline for its approval.

As at 31 December 2012, the valuation of property within the Group was performed by independent appraisers for NT Valdos UAB. The valuation of the assets was conducted by an independent property valuation company and group valuation specialists.

As decided by the management, independent appraisers did not carry out assessment of the fair value of the other property, plant and equipment of 30 September 2013 and 31 December 2012 due to remaining uncertainties, related to the change in the above regulations.

Impairment of assets

As at 30 September 2013 and 31 December 2012, the Group's management tested for impairment the property, plant and equipment of Kaunas Hydro Power Plant, Kruonis Pumped Storage Power Plant and the Stand-by Power Plant and did not identify any indications of impairment.

Impairment of investment value in subsidiaries

Although the subsidiaries LESTO AB and Lietuvos Energijos Gamyba AB are listed on Vilnius stock exchange, the Group management believes the market is not sufficiently active to treat the listed price of shares as a fair value of investment into subsidiaries at the balance sheet date. As of 30 September 2013 and 31 December 2012, due to significant uncertainties, as described in Note 3 Revaluation and impairment of assets, related to effect of amendments to legal acts regulating the cap prices for electricity transmission, distribution and public supply on the future cash flows of the Group, the Company did not carry out impairment tests for investment value in subsidiaries LESTO AB and Lietuvos Energijos Gamyba AB.

Impairment of goodwill and intangible assets not subject to amortisation

The consolidated financial information include goodwill and licences with indefinite useful life that arose as a result of acquisition of VST AB in 2008. As of 30 September 2013 and 31 December 2012, due to significant uncertainties, as described in Note 3 Revaluation and impairment of assets, related to inability to assess reliably the impact on the Group's future cash flows of amendments to legal acts regulating the prices for electricity distribution and supply services, the Group did not carry out impairment tests for goodwill and licences with indefinite useful life. The Group's management believe the value of these assets of the Group could not be measured reliably as of 30 September 2013 and 31 December 2012.

Useful lives of of property, plant and equipment

The estimation of the useful lives of property, plant and equipment is a matter of judgment based on the experience with similar assets. The economic benefits embodied in the assets are obtained through use. However, other factors, such as technical or commercial obsolescence often result in the diminution of the economic benefits embodied in the assets. The remaining useful lives are assessed in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following key factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational method; and (c) technical or commercial obsolescence arising from changes in market conditions.

Accrued income

Revenue received from private customers is recognised based on the payments received. Therefore at the end of each reporting period the amount of the revenue earned but not yet paid by private customers is estimated and accrued by the management of the Group company. Accrued sales income are assessed as 1/3 of the payments for electricity received in the last month of the reporting period. The accrual is based on historic experience and average period of payment by customers for electricity. The Group's management has estimated that the majority of private customers declare and make payment for the electricity consumed on approx. the 20 th day of the month, while electricity is supplied for a full month (30 or 31 days). Consequently, the volume of electricity used over the remaining 10 days is proportionally estimated based on total volume of electricity supplied to the grid (factually known variable) and the volume of electricity used by private customers during the last month of the reporting period and multiplied by the average rate per 1 kWh.

Accounting for customer connection fees

Before 1 July 2009, the Group used to defer income received from new customer connections to the grid. This was recognised as deferred income over the period of 31 years, which is the average useful life of electricity equipment constructed by the Group upon connection of new customers. Management of the distribution company of the Group believe that the period of provision of services to customers is indefinite, therefore, the average useful life of electricity equipment constructed by the Group upon connection of new customers was used as the best estimate of the period over which connection fees paid customers were recognised as income.

With effect from 1 July 2009 and based on IFRIC 18 interpretation, the newly connected customers to the grid do not obtain any additional future benefits as compared to all the remaining customers, consequently, the provision of connection service is treated as completed and income from connection is recognised upon the connection of a new customer.

Impairment of amounts receivable

Impairment losses were determined in respect of amounts receivable based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current assessment by the management could change significantly

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due to change in the market environment or national economy. Indicator of recoverability is also significantly related to the success indicator and steps taken in order to recover seriously delayed receivables.

In order to determine the value and decrease in it, receivables are assessed either individually or collectively in a group of comparable receivables. In respect of individually assessed receivable, each amount receivable is assessed in view of both current or available data in the external information sources on market trends and forecasts, possible collateral of the amount receivable, as well as events demonstrating that the value of amounts receivable has decreased, e.g. compliance with conditions of contract, facts on the activities of debtor etc. In case of impairment of the amounts receivable in general, in view of historic statistics, verification is carried out yearly, whether the deferral rules applied to the general assessment correspond to historic data of impairment of amounts receivable; it also includes setting of deferral rules applicable to generally assessed amounts receivable for the next year.

Tax audits

The Tax Inspectorate may at any time inspect the books and records within 5 years subsequent to the reporting tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances that might result in a potential material liability in this respect.

Amortisation rates of licences

Indefinite useful lives were established for the licences of distribution system operator and public supply services that were acquired on a business combination in 2008 because the validity term of these licences can be extended at no significant efforts or costs.

Deferred income tax

The Company's costs related to project of new nuclear power plant, however, not directly related to collection of construction permit, accounted by the Company as operating costs in the comprehensive income statement. These costs are responsible for deferred income tax, as the Company recognises the deferred income tax assets only to the extent it is likely to reduce taxable income.

Held-to-maturity financial assets

The Group follows the requirements of IAS 39, based on which non-derivative financial assets with fixed or otherwise determinable payments and fixed maturity terms are classified as held-to-maturity. For the purpose of such classification, the Group assesses its intentions and abilities to hold these investments to maturity. If the Group were not able to hold these investments to maturity due to other than specific circumstances, for instance, sells an insignificant part of securities close to maturity, the Group would have to reclassify the entire group as available-for-sale financial assets and measure investment at fair value rather than at amortised cost. If all held-to-maturity investments were reclassified to another category of assets, the carrying amount would not change significantly.

Provision for utilisation of emission allowances

The Group estimates provision for utilisation of emission allowances based on actual emissions over the reporting period multiplied by the market price for one unit of emission allowances. Actual emissions are approved by the relevant regulating State over the period of 4 months after the year end. Based on its past experience, the Group's management does not expect any significant differences between the estimated provisions as of 30 September 2013 and emissions that will be approved in 2014.

Accrual of PSO service fees

The variable part of **public service obligation** ("PSO") 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 fee estimates to the National Commission for Control of Prices and Energy which include breakdown of variable electric power production costs – natural gas, fuel oil, and emission allowance costs, costs for desulphurisation of reagents. The variable part of PSO fees for the next calendar year is estimated with reference to expected variable costs to be incurred in the production of the approved quota of electricity subject to compensation.

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4. Intangible assets

Group	Patents and licences	Computer software	Emission allowances	Other intangible assets	Goodwill	Total
Net book amount at 1 January 2012	119,110	9,910	35,459	760	178,103	343,342
Acquisitions	359	1,112	14,832	1,050	-	17,353
Reclassified from/to property, plant and equipment	148	-	-	-	-	148
Write-off/emission allowances utilised	-	-	(16,268)	-	-	(16,268)
Revaluation of emission allowances	-	-	(486)	-	-	(486)
Lending of emission allowances	-	-	(15,239)	-	-	(15,239)
Reclassified from/to inventories	-	-	-	8	-	8
Amortisation	(485)	(3,445)	-	(94)	-	(4,024)
Disposal of LITGRID AB (Note 12)	-	(1,215)	-	(47)	-	(1,262)
Net book amount at 30 September 2012	119,132	6,362	18,298	1,677	178,103	323,572

Net book amount at 1 January 2013	118,873	6,587	55,413	2,677	178,103	361,653
Acquisitions	16	2,720	1,222	1,105	-	5,063
Reclassified from/to property, plant and equipment	652	-	-	71	-	723
Write-off/emission allowances utilised	-	-	(13,895)	(6)	-	(13,901)
Disposals	-	-	(4,041)	-	-	(4,041)
Revaluation of emission allowances	-	-	(9,411)	-	-	(9,411)
Amortisation	(571)	(3,272)	-	(44)	-	(3,887)
Net book amount at 30 September 2013	118,970	6,035	29,288	3,803	178,103	336,199

Company	Other intangible assets	Total
Net book amount at 1 January 2012	66	66
Amortisation	(54)	(54)
Net book amount at 30 September 2012	12	12
Net book amount at 1 January 2013	-	-
Amortisation	-	-
Net book amount at 30 September 2013	-	-

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5. Property, plant and equipment

Group	Land	Buildings	Structures and machinery	Assets of Hydro Power Plant, Pumped Storage Power Plant and Stand-by Power Plant	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount at 1 January 2012	8,151	452,155	6,150,649	1,867,986	45,993	147,822	1,312,639	9,985,395
Acquisitions	-	3,543	8,179	762	2,390	10,752	379,369	404,995
Revaluation	-	(535)	(252)	-	12	(40)	-	(815)
Disposals	-	(229)	(68)	-	(50)	(12)	-	(359)
Write-offs	-	(286)	(10,825)	(118)	-	(17)	-	(11,246)
Impairment	-	-	(9)	-	-	-	-	(9)
Reversal of impairment	-	-	-	-	-	-	9	9
Reclassifications between groups	-	3,936	201,712	5,756	(7)	10,255	(221,652)	-
Reclassified to assets, intangible assets	-	(443)	(54)	-	-	(148)	-	(645)
Reclassified to investment property	-	(8,439)	(202)	-	-	-	-	(8,641)
Reclassified from/to inventories	-	-	-	-	-	39	-	39
Depreciation	-	(18,946)	(360,618)	(51,703)	(5,283)	(26,866)	-	(463,416)
Disposal of LITGRID AB (Note 12)	(1,961)	(34,144)	(1,767,965)	-	(1,308)	(41,987)	(125,297)	(1,972,662)
Net book amount at 30 September 2012	6,190	396,612	4,220,547	1,822,683	41,747	99,798	1,345,068	7,932,645
Net book amount at 1 January 2013	6,190	383,536	4,228,702	3,117,578	50,268	102,222	97,695	7,986,191
Acquisitions	-	19	2,389	687	3,918	3,349	207,246	217,608
Revaluation	-	(77)	-	-	-	-	-	(77)
Disposals	-	(36)	(98)	(165)	(303)	(246)	-	(848)
Write-offs	-	(165)	(9,175)	(17)	(1)	(32)	(3)	(9,393)
Impairment	-	-	(25)	-	-	-	-	(25)
Reversal of impairment	-	-	20	-	-	-	25	45
Reclassification between groups	-	2,382	198,874	1,703	-	6,679	(209,638)	-
Reclassified to assets, intangible assets	-	230	-	-	-	1	(724)	(493)
Reclassified to investment property	-	(4,968)	(40)	-	-	-	-	(5,008)
Reclassified from/to inventories	-	-	(5)	3,878	-	(9)	-	3,864
Depreciation	-	(14,671)	(260,479)	(90,552)	(5,313)	(18,466)	-	(389,481)
Net book amount at 30 September 2013	6,190	366,250	4,160,163	3,033,112	48,569	93,498	94,601	7,802,383
Company	Other fixed tangible assets			Construction in progress		Total		
Net book amount at 1 January 2012				46	11,281	11,327		
Acquisitions				17	8,063	8,080		
Depreciation				(11)	-	(11)		
Net book amount at 30 September 2012				52	19,344	19,396		
Net book amount at 1 January 2013				48	24,334	24,382		
Acquisitions				-	34	34		
Depreciation				(13)	-	(13)		
Net book amount at 30 September 2013				35	24,368	24,403		

6. Investment

As of 30 September 2013, the Company had ownership interests in the following Group companies:

Group company	Acquisition cost	Contributions for loss	Carrying amount	Ownership interest, %
Subsidiaries:				
Lietuvos Energijos Gamyba AB	1,017,998	-	1,017,998	96.13
LESTO AB	1,742,737	-	1,742,737	82.63
VAE SPB UAB	10	5	15	100.00
	2,760,745	5	2,760,750	
Investments:				
Duomenų logistikos centras UAB	500	-	500	0.65
NTValdos UAB	100	-	100	0.03
	600	-	600	
	2,761,345	5	2,761,350	

As of 31 December 2012, the Company had ownership interests in the following Group companies:

Group company	Acquisition cost	Contributions for loss	Carrying amount	Ownership interest
Subsidiaries:				
Lietuvos Energijos Gamyba AB	1,017,998	-	1,017,998	96.13
LESTO AB	1,742,737	-	1,742,737	82.63
VAE SPB UAB	10	-	10	100.00
	2,760,745	-	2,760,745	
Investments:				
Duomenų logistikos centras UAB	500	-	500	0.65
NTValdos UAB	100	-	100	0.03
	600	-	600	
	2,761,345	-	2,761,345	

7. Cash and cash equivalents

Cash and cash equivalents and bank overdraft include the following for the purpose of the cash flow statement:

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
Cash and cash equivalents	351,804	122,176	184,655	57,765
Bank overdraft	(69,728)	(125,391)	-	-
Carrying amount	282,076	(3,215)	184,655	57,765

8. Share capital

On 13 February 2013, the shares of the Company were transferred to the Ministry of Finance of the Republic of Lithuania.

As at 31 December 2012 and 30 September 2013, the Company's authorised share capital totalled LTL 4,067,163,632. As at 31 December 2012 and 30 September 2013, the authorised share capital was divided into ordinary registered shares with a nominal value of LTL 1 each. All the shares are fully paid.

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9. Provisions

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
Non-current	3,718	3,512	-	-
Current	12,364	13,915	-	-
Carrying amount	16,082	17,427	-	-

Group	Provisions for emissions	Provisions for employee benefits	Other provisions	Total
At 1 January 2012	61,931	4,715	679	67,325
Increase over the period	30,444	74	21	30,539
Used over the period	(16,265)	(787)	-	(17,052)
Disposal of LITGRID AB (Note12)	-	(707)	(344)	(1,051)
At 30 September 2012	76,110	3,295	356	79,761
At 1 January 2013	13,895	3,227	305	17,427
Increase over the period	8,379	6,399	-	14,778
Used over the period	(13,895)	(2,112)	(116)	(16,123)
At 30 September 2013	8,379	7,514	189	16,082

10. Borrowings

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
Non-current				
Bank borrowings	817,966	948,017	-	-
Current				
Current portion of non-current borrowings	320,520	178,078	-	-
Other loans	-	3,155	-	-
Bank overdraft	69,728	125,391	-	-
Interest payable	3,733	978	-	-
Total loans	1,211,947	1,255,619	-	-

Non-current loans analysed by maturity

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
1 to 2 years	118,637	275,888	-	-
2 to 5 years	563,814	520,746	-	-
Over 5 years	135,515	151,383	-	-
Total	817,966	948,017	-	-

The loan agreements contain certain financial and non-financial covenants that the individual Group companies are obliged to comply with. In the opinion of the management, as of 30 September 2013 and 31 December 2012, the Group complied with all the covenants.

11. Income tax expenses

Income tax expenses over the period comprise income tax of the reporting period and deferred income tax.

Income tax at a rate of 15% was payable on profit for 2013 (the same as in 2012) in accordance with the Lithuanian regulatory legislation on taxation.

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12. Discontinued operations

In September 2012, Lietuvos energija UAB (former Visagino Atominė Elektrinė UAB) transferred its subsidiary, LITGRID AB, to EPSO-G, established by the Ministry of Energy of the Republic of Lithuania. As a result of disposal of LITGRID AB shares, the Group lost control over the companies LITGRID AB, BALTPPOOL UAB and TETAS UAB, and all revenue/expenses earned/incurred by these companies during the nine-month period in 2012 have been classified as discontinued operations in the financial statements.

The table below presents information on assets and liabilities of the disposed LITGRID AB group for the period ended 30 September 2012.

	Notes	LITGRID AB group
ASSETS		
Non-current assets		
Intangible assets	4	1,262
Property, plant and equipment	5	1,972,662
Prepayments for non-current assets		111,427
Investments in associates		21,313
Other financial assets		7,722
Deferred income tax assets		235
Total non-current assets		2,114,621
Current assets		
Inventories		13,126
Prepayments		1,331
Trade receivables		39,706
Other amounts receivable		11,880
Short-term investments, time deposits and other financial assets		85,723
Cash and cash equivalents		119,402
Amounts receivable from Visagino Atominė Elektrinė UAB group		96,638
Total current assets		367,806
TOTAL ASSETS		2,482,427

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	Notes	LITGRID AB Group
LIABILITIES		
Amounts payable and liabilities		
Amounts payable after one year and liabilities		
Grants and subsidies		257,227
Deferred income tax liabilities		169,889
Provisions	9	730
Deferred income		14,127
Other non-current amounts payable and liabilities		5,538
Amounts payable to Visagino Atominė Elektrinė UAB group		6,069
Total amounts payable after one year and non-current liabilities		453,580
Amounts payable within one year and liabilities		
Current borrowings		4,596
Trade payables		36,281
Advance amounts received		9,064
Income tax liabilities		14,578
Provisions	9	321
Other current amounts payable and liabilities		121,543
Dividends payable to Visagino Atominė Elektrinė UAB		200,000
Other amounts payable to Visagino Atominė Elektrinė UAB group		116,377
Total amounts payable within one year and current liabilities		502,760
Total amounts payable and liabilities		956,340
TOTAL LIABILITIES		956,340
NET ASSETS		
		1,526,087
Recognition of associate		6,752
Non-controlling interest		38,152
Sale price		750,000
Loss on disposal		731,183
Reconciliation of cash flows from disposal of the subsidiary:		
Proceeds from disposal of the subsidiary		-
Cash and cash equivalents (including bank overdraft)		114,806
Cash and cash equivalents		119,402
Bank overdraft		(4,596)
Cash flows from disposal of the subsidiary		(114,806)

13. Dividends

In September 2012, the Company declared LTL 275 million dividends to the State budget.

In 2013, the Company paid out no dividends.

On 27 April 2012, the general meeting of LESTO AB declared the payment of dividends of LTL 170,312 thousand from the profit for appropriation. Dividends received by the Company amounted to LTL 140,725 thousand.

On 30 April 2012, the general meeting of LITGRID AB declared the payment of dividends of LTL 390,857 thousand from the profit for appropriation. Dividends received by the Company amounted to LTL 381,096 thousand.

On 30 April 2013, the general meeting of LESTO AB declared the payment of dividends of LTL 102,670 thousand from the profit for appropriation. Dividends received by the Company amounted to LTL 84,834 thousand.

On 30 April 2013, the general meeting of Lietuvos Energijos Gamyba AB declared the payment of dividends of LTL 25,403 thousand from the profit for appropriation. Dividends received by the Company amounted to LTL 24,421 thousand.

14. Related-party transactions

As of 30 September 2013, the parent was the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania (As of 31 December 2012, the parent was the Republic of Lithuania represented by the Ministry of Economy of the Republic of Lithuania). For the purpose of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosure includes transactions conducted with the parent company, subsidiaries, associates and management, and the balances arising from these transactions.

Transactions with related parties were as follows:

Sales of goods and services

	Group		Company	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
LESTO AB	-	-	6	6
EPSO-G UAB	8,334	-	8,334	-
The Group's associates and joint ventures	318	2,029	-	-
	8,652	2,029	8,340	6

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Purchases of goods and services

	Group		Company	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
NT Valdos UAB	-	-	721	616
Duomenų Logistikos Centras UAB	-	-	410	414
LESTO AB	-	-	27	-
The Group's associates and joint ventures	4,280	4,560	-	-
	4,280	4,560	1,158	1,030

Amounts receivable from related parties

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
LESTO AB	-	-	2	2
EPSO-G UAB	725,590	753,547	725,590	753,547
The Group's associates and joint ventures	19	68	-	-
	725,609	753,615	725,592	753,549

Amounts payable to related parties

	Group		Company	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
NT Valdos UAB	-	-	162	144
Duomenų Logistikos Centras UAB	-	-	61	68
	-	-	223	212

The following payments were made to key management personnel:

	Group		Company	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Salaries and other short-term benefits to key management personnel	6,896	6,801	707	857
Including: termination benefits	401	114	-	-
Number of key management personnel	55	57	7	5

Key management personnel includes heads of administration and their deputies and chief accountants.

15. Events after the end of the reporting period

As of 15 October 2013, Lietuvos energija UAB became the main shareholder of LITGAS UAB which is responsible for the supply of natural gas through liquefied natural gas (LNG) terminal and the natural gas trading. Lietuvos energija UAB owns 67 per cent of LITGAS UAB shares. The rest of the shares belong to the company founder Klaipėda Nafta AB.



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