

CONSOLIDATED INTERIM REPORT OF LIETUVOS ENERGIJA, UAB AND THE GROUP

1 January to 30 June 2013



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About the Company and the Group

Lietuvos Energija, UAB group (hereinafter Lietuvos Energija group or the Group) is a state-controlled company group operating in power and heat generation and supply, electricity import, export, trade and distribution as well as maintenance and development of electricity sector.

The Group companies own and operate key Lithuanian power plants ensuring security of energy supply, nation-wide distribution network and implement projects of strategic importance, pursue objectives of the National Energy Strategy.

Lietuvos Energija group is comprised of the following companies: Lietuvos Energijos Gamyba, AB, electricity and heat generation, electricity import, export and trade company (hereinafter Lietuvos Energijos Gamyba), AB LESTO, electricity distribution network operator (hereinafter LESTO) and their subsidiaries, as well as UAB VAE SPB.

Group companies provide services to over 1.5 million customers throughout Lithuania and supply electricity to customers in foreign countries. In H1 2013 Group companies generated 0.74 TWh (-15.9%, compared to H1 2012) and transmitted 4.15 TWh (+1.7%) of electricity to customers.

Total value of assets managed by Lietuvos Energija group companies exceeds LTL 10.1 billion. In H1 2013, consolidated income grew by 1.5% (compared to the respective period of 2012) to LTL 1.434 billion. Group EBITDA amounted to LTL 365.8 million (+55%, LTL +130 million). Net profit amounted to LTL 75 million (LTL +87 million).

Parent company Lietuvos Energija, UAB (hereinafter Lietuvos Energija or the Company) is responsible for transparent management and coordination of activities of the Group, improving efficiency in order to provide customers with competitive services and to ensure increasing of the long-term value for the shareholders in a socially responsible way.

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 power generation, commerce, finance, law, strategy and development, human resources, risk management, audit, technologies, communication etc.

¹ Detailed list of Lietuvos Energija Group companies is provided on page 21 of this report.

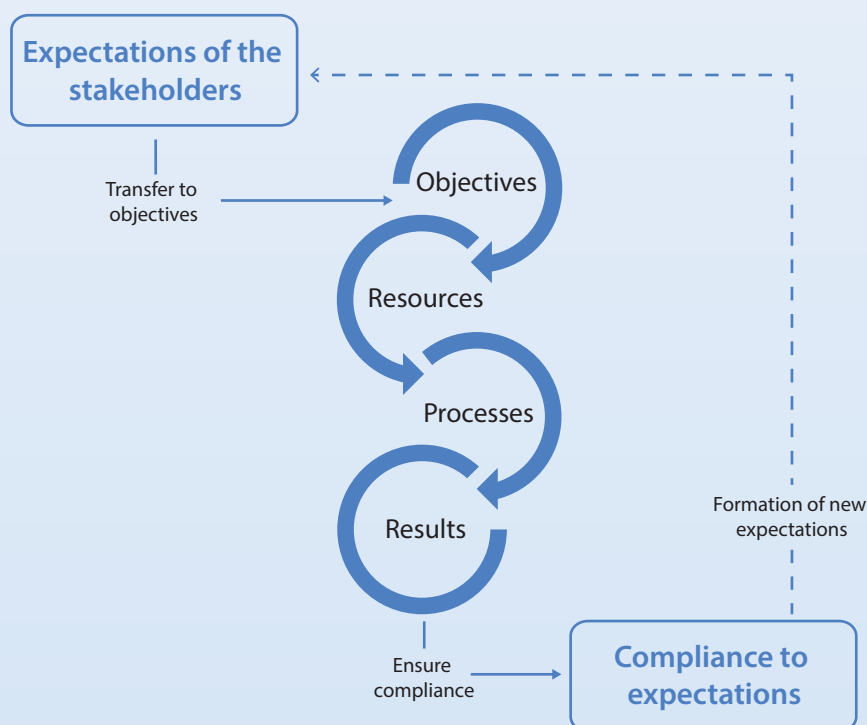
Changes within the Group

Under initiative of the Ministry of Finance, Lietuvos Energija group shareholder, the reorganisation of the Group's corporate governance was started in H1 2013 in order to improve efficiency and transparency of activities.

The essence of the reorganisation is to streamline responsibilities of management and supervisory bodies by electing Supervisory Boards and Boards and to enhance of corporate governance by establishing management and control system ensuring efficient implementation of objectives of the shareholder and socially responsible enhancement in the long-term value.

Principles of the corporate governance of the Group are as follows:

- ▶ **Prerequisites for effective corporate governance are provided.** The environment in which the Group of companies or individual companies operate encourages transparent market activities, legal compliance, and ensures separation of management, supervision and regulatory functions.
- ▶ **Exercise of rights of shareholders.** Opportunities to exercise both property and non-property rights granted by shares are ensured simultaneously ensuring interests of minority shareholders.
- ▶ **Role of the stakeholders.** Expectations and rights of the stakeholders emerging from agreements or legal regulation are recognised and the active cooperation in creation of added value is also encouraged.
- ▶ **Openness and transparency.** It is ensured the information about the Group is disclosed in time and in exact manner.
- ▶ **Responsibility and accountability of management and supervisory bodies.** It is ensured the management and supervisory bodies of the Group or individual companies carry out their functions adequately and are accountable to the shareholders.



The corporate governance model of the Group is based on an integrated management and control system, interrelated and completely including all key components of activities – from cyclic operational planning by defining operating targets, performance of activities, to the achievement of indicators and assessment of performance. It is also ensured the process is continuous and results of one cycle become starting data of another cycle.

Based on the new management model, Lietuvos Energija and the subordinate subsidiaries of the Group, listed on NASDAQ OMX Vilnius stock exchange, including LESTO and Lietuvos Energijos Gamyba shall have both Supervisory Boards, and Boards. The Supervisory Boards shall elect five-member Boards of companies for a four-year term, and each Board shall elect its chairman from within its members.

The Supervisory Board of Lietuvos Energija, UAB, elected by the general meeting of shareholders has seven members, including three independent members, while the other four represent the Ministries of Finance, Energy and Economy, and the Office of the Government.

No Supervisory Boards shall be formed in other companies of the Group in charge of maintenance activities. These companies shall be managed by the Boards, including both independent members and those representing the interests of the shareholder.

After the reorganisation of the corporate governance, the management of the Group's companies' activities in the key corporate fields, i.e. finance, law, strategy and development, human resources, risk management, audit, technologies, communications, etc. will be concentrated within the parent company Lietuvos Energija. The Group applies united principles governing management of programmes, processes and projects.

It is anticipated that coordination of activities and unified management and control system will help to reach a synergy effect, harmonize different activities of the Group companies and efficiently aim them towards the achievement of common goals of Lietuvos Energija Group.

The first stage of reorganisation involving the amendment of the Group companies' articles of association and election of the Supervisory Boards and the Boards is scheduled to be completed by October 2013.

In the subsequent stages strategic and systematic long-term decisions will be taken and implemented. They will help to achieve key reorganisation objectives – to increase the return on capital and the long-term value in a socially responsible way by balancing of interests of the shareholder with the interests and expectations of the other stakeholders.

Advanced international and national practices, recommendations of the Organisation for Economic Co-operation and Development and other international institutions, as well as code of governance applicable for the companies, listed on NASDAQ OMX Vilnius stock exchange, and management guidelines for the state-run companies by Baltic Institute of Corporate Governance (BICG) were used to prepare the new management structure and model of the Group.

The model of corporate governance of the Group of energy companies is implemented in line with the corporate governance guidelines approved by the Ministry of Finance on 7 June 2013 (the guidelines are available at www.le.lt).

Key reorganisation-related events

- ▶ The Minister of Finance of the Republic of Lithuania approved guidelines of corporate governance of UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) companies group controlled by the Ministry of Finance and comprising of power generation, distribution and maintenance companies (7 June 2013).
- ▶ Based on decision by the Ministry of Finance, articles of association of the state-controlled UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) were amended and a seven-member Supervisory Board was elected for a four-year term (16 July 2013).
- ▶ Šarūnas Kliokys was elected as a chairman of Supervisory Board of Group parent company UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) and Appointment and Salary Committee was established in the meeting of the Supervisory Board (17 July 2013).
- ▶ The Supervisory Board elected a Board of the parent company UAB Visagino Atominė Elektrinė (as of 30 August 2013 known as Lietuvos Energija, UAB) for a four-year term. The Board members elected dr. Dalius Misiūnas as the Board chairman and CEO of the Company (22 July 2013).
Shareholders of Lietuvos Energija, AB approved the change of the company name to Lietuvos Energijos Gamyba, AB and elected a three-member Supervisory Board (29 July 2013).
- ▶ Lietuvos Energija, AB was renamed to Lietuvos Energijos Gamyba, AB. New name and articles of association were registered with the Register of Legal Entities (5 August 2013).
The selection to the Boards of Lietuvos Energijos Gamyba, AB and AB LESTO was announced (8 August 2013).

Changes of company names

On 5 August 2013, Lietuvos Energija, AB, a power generation and supply, electricity import, export, and trade company changed its name to Lietuvos Energijos Gamyba, AB.

On 30 August 2013, Group parent company UAB Visagino Atominė Elektrinė has changed its name to Lietuvos Energija, UAB.

Company names relevant on the publication date of this report are used in the report hereafter.

Management

Supervisory Board of Lietuvos Energija

(Active since 16 July 2013)

Supervisory Board is elected by the general meeting of shareholders; it consists of 7 members, including 3 independent ones, and 4 members representing the Ministries of Finance, Energy, Economy and the Office of the Government.

CHAIRMAN (independent member)



**Šarūnas
Kliokys**

Director and chairman of the Board of UAB Avestis,
Chairman of the Board of UAB Šiaulių Plento Grupė,
Chairman of the Board of UAB Kilimai

INDEPENDENT MEMBERS



Antanas Danys

Board member of Lietuvos Junior Achievement, public organisation, former chairman of the Board and head of administration of Swedbank, AB



Dr. Virginijus Lepeška

Founder and chairman of the Board of UAB Organizacijų Vystymo Centras

REPRESENTATIVES OF THE GOVERNMENT



Aloyzas Vitkauskas

Ministry of Finance,
vice-minister



Žydrūnė Juodkienė

Ministry of Energy,
vice-minister



Rasa Noreikienė

Ministry of Economy,
vice-minister



Tomas Garasimavičius

Office of the Government,
advisor to the Prime Minister

Board of Lietuvos Energija

(Active since 22 July 2013)

The Board of the Company includes 5 members, elected by the Supervisory Board for a four-year term; the Board elects its chairman from within its members.

CHAIRMAN



**Dr. Dalius
Misiūnas**

Chief Executive Officer

MEMBERS



Ilona Daugėlaitė

Director for Organisational
Development



Darius Kašauskas

Finance and Treasury Director



Mindaugas Keizeris

Strategy and Development
Director



Liudas Liutkevičius

Generation and Services
Director

Activities

Business development and innovations

Stronger market position. We have been strengthening our leading position in the free electricity market and have embarked on expansion into foreign markets; we have also increased the number of customers of green electricity. During the first six months, Energijos Tiekimas, an electricity supply company controlled by the Group company Lietuvos Energijos Gamyba, increased the number of customers by 72%, to over 5,000. The number of users of the certified green Lithuanian energy, generated by Kaunas Hydroelectric Power Plant was also on the increase: at the end of first half of the 2013, this type of electricity was used by 30 companies and 5 households. In July, Energijos Tiekimas entered Latvian and Estonian markets; its first customers - Lithuanian embassies in Riga and Tallinn chose Energijos Tiekimas offer based on the best price criterion.

Developments in the heat generation sector. We have expanded our activities in the heat generation sector, as Lietuvos Energijos Gamyba elected a contractor for a new heat generation complex in Elektrėnai town. The 40 MW biofuel and 50 MW steam boilers will be constructed by two-company – Filter and Vapor and UAB Kauno Energetikos Remontas consortium. According to plans, the new heat complex will start supplying heat in 2014-2015 and the price of that heat energy, which will stand at approximately 13 ct/kWh, will be amongst the lowest in whole country. The new boilers shall meet the heat and steam needs of Elektrėnai town, Kietaviškių Gausa company, as well as those of the stand-by power plant owned and operated by Lietuvos Energijos Gamyba; this will also help to reduce the need for funding of Public Service Obligation (PSO) fee.

Exploring future opportunities. We started studying practical electric car usage potential in Lithuania. By being one of the initiators of electric cars and the required infrastructure development in Lithuania, the Group company LESTO has analysed electric cars available on the market. The company has leased Nissan Leaf electric car, the most popular electric car in the world which company employees use in real environment as a service car for regular assignments. The aim is to gather more data and better assess the areas in which electric car could replace traditional vehicle and provide savings. The public is informed about opportunities of such green transport on www.lesto.lt/elektromobiliai website. The company also plans to install the first fast-charging station for the electric cars.

Studying the natural gas storage facility potential. Studies in boreholes in Telšiai region, Syderiai geological structure were completed. The objective of those studies is to determine whether it is possible to install the first Lithuanian storage facility for natural gas. Based on four boreholes of over 1.5 kilometre depth with horizontal sections Lietuvos Energijos Gamyba carries out research of the storage facility and analyses data collected. Based on arranged and assessed data gathered in 2010-2013 concerning composition and parameters of Syderiai geological structure, a model of a reservoir shall be designed allowing for assessment of characteristics of the storage facility. The model shall serve as a basis for calculation and estimation of potential gas quantity to be stored in the reservoir and any available scenarios of gas in and out pumping. The Company shall also assess the number and type of storage facility boreholes to be installed, any financial resources for implementation of the project. The works are scheduled for completion by the end of 2013.

Expansion of Kruonis Pumped Storage Hydroelectric Plant. We continued preparatory works of Kruonis Pumped Storage Hydroelectric Plant (PSHP) development project, that once implemented shall allow the power plant to operate more flexibly, increase the system reserve and get economic benefits. Apart from four currently existing units, Lietuvos Energijos Gamyba shall install a fifth unit of 225 MW to be both more efficient and flexible compared to the old units. Its technical characteristics will allow using Kruonis PSHP for regulation of imbalances of power generated by wind farms, which will increase as countries in the region well expand electricity generation from renewable energy sources. This unit shall also allow for efficient use of opportunities provided by NordBalt and LitPol Link connections to import cheaper night electricity from surrounding markets and to transform it into peak day time electricity. Once expanded, Kruonis PSHP will help to meet the reserve needs.

Preparation for the new nuclear power plant. Preparatory works for the new nuclear power plant project were carried on. The company in charge of the project together with the regional partners and strategic investor, continues with the assessment of economic viability of the project, seeks opportunities to ensure maximum funding for the project by lowest costs using international financial institutions and export credit agencies. Negotiations with regional partners are carried regarding contractual framework for the project involvement, in order to ensure sharing of project implementation costs, responsibility and risk. We have also completed project geological geotechnical studies of a new site soil and have agreed the report with the state authorities. New nuclear power plant site safety analysis and its substantiation were completed, and the State Nuclear Power Safety Inspectorate (VATESI) was provided with a report in order to collect its conclusion.

Cooperation in nuclear energy science and research fields. We expanded cooperation in the field of science and research of nuclear energy. UAB Visagino Atominė Elektrinė and Vilnius, Latvia, Tartu and Tallinn technical universities, Centre for Physical and Technological Science (Lithuania), National Nuclear Research Centre (Poland) and Hitachi and GE-Hitachi Nuclear Energy have signed a memorandum of cooperation. It provides that the universities involved in the project shall develop scientific, educational and research programmes related to nuclear energy, develop a platform for training of specialists in nuclear energy. Both Hitachi and GE-Hitachi Nuclear Energy shall act as engineers of the programme and technical advisers, while scientific and research centres shall contribute with their knowledge and provide for both the premises and human resources for experimental works under the regional nuclear energy research programme.

Enhancement of operating efficiency

The way for further improvement in efficiency of the Group activities was paved by reorganisation of corporate governance of Lietuvos Energija Group based on a new model. The parent company Lietuvos energija shall concentrate the coordination of activities of the Group of the companies. Election of the supervisory boards and boards shall now separate responsibilities of management and supervisory bodies. A unified management and control system will be introduced. Once reorganisation is completed successfully, there will be an opportunity for efficient management of the Group, accomplishment of its objectives and higher value.

More efficient customer service. Innovations were implemented and activities optimised in order to provide more efficient customer service. LESTO has updated its online customer care centre (www.manoelektra.lt), which offers functionality close to a regular customer care centre: customers can get full information regarding their payments, electricity used, inspections of meter readings, payment plans, submit an application for connection to the grid, monitor the course of the process, order and modify services parameters. In order to reduce load on the customer care centre, LESTO has implemented an opportunity to receive messages on power shortages and troubleshooting duration by short messages (SMS) and e-mail. Following implementation of the more functional self-service online

and using telephone line 1802 and based on analysis of trends in customer care a decision was taken to optimise customer care network by moving centres from ten smaller towns to larger cities.

Modernisation of network. In order to reduce the loss, improve service quality and to ensure a more reliable supply, we have been upgrading distribution network and the related equipment. With co-funding by the EU structural funds LESTO has been replacing overhead lines with underground cables. The aim is to extend the length of underground cable lines by over a thousand kilometres in 2013. Currently, underground cable lines account for 24% of the entire distribution network which total length is 121,126 kilometres. The works also included expansion and update of electricity grids in horticulture communities, the replacement of old electricity meters with two-times more accurate metering devices.

Social responsibility

Lietuvos Energija group particularly focusses on social responsibility and seeks to ensure the Group operates based on principles of responsible activities enshrined in the Global Compact, initiated by the United Nations. The Global Compact includes implementation of 10 principles of responsible activity and encourages companies to avoid damage to the environment, community, other businesses and to join their effort with the United Nations, public authorities and non-governmental organisations in dealing with social and environmental issues, thereby contributing to the development of the society and economic growth. The Global Compact is based on the principles of human rights, rights of workers, environment, and fight against corruption.

In 2013, LESTO, part of Lietuvos Energija Group, was invited to chair the National Network of Companies of Responsible Business (NAV[T). NAV[T unites socially responsible Lithuanian businesses. Key mission of the network is to encourage ideas of responsible business, and their development, as a key prerequisite for sustainable development in Lithuania.

The activities of social responsibility of Lietuvos Energija Group in first half of 2013 included the following:

- ▶ We have enhanced our role in terms of a socially responsible and active member of the public. LESTO has examined opportunities to improve services provided for customers with special needs. This is to say services to people with both temporary and permanent disability, to the elderly, to people with age-related disability, as well as people with temporary mobility impairment, e.g. using walking aids, mothers with baby carriages etc. Analysis was carried out and assessments and recommendations received; these are now implemented in customer care centres. Memos were prepared for the use by employees to improve service of customers with special needs.
- ▶ We have engaged in educational activities and encouraged rational and responsible use of electricity. LESTO has run a third conference for rational use of electricity in business, thereby supporting and expanding its own "Tiek kiek reikia" (www.tiekkiekreikia.lt) ("Insofar as it is needed") initiative of responsible consumption. During the initiative, the company, together with its partners, has installed model and power-saving lighting systems of premises for general use in four multi-apartment buildings.
- ▶ We have actively contributed to the event during traditional Days of Energy Professionals run by the National Lithuanian Electricity Association (NLEA). Representatives of our Group companies have presented pupils, students and other interested members of the public with lectures on electricity generation, activities of distribution network operator, smart and nuclear energy.
- ▶ Lietuvos Energijos Gamyba became a member of an educational initiative "Kam to reikia?!" ("What is it needed for?!"), and accommodated highest number (160) of schoolchildren from the entire Lithuania. Pupils were invited to visit the power plants managed by the Company, including the stand-by power plant in Elektrėnai, Kruonis Pumped Storage Hydroelectric Plant and Kaunas Hydroelectric Power Plant and to witness first hand as to where and how electricity is generated and to learn everything on the profession of an energy professional themselves.

- ▶ LESTO completed a project for protection of storks, started in 2009, and involving the Lithuanian Society of Ornithologists, Institute of ecology at the Centre for Natural Studies, and other partners, with co-financing by the EU structural funds. The project involved installation of safe platforms for stork nests on supports of electricity lines.
- ▶ Lietuvos Energijos Gamyba was actively involved in the activities of the local community of Elektrėnai. The company continued a cycle of events, "Lietuvos Energijos Gamyba presents", where Elektrėnai residents have had an opportunity to meet famous people of culture, art, sports, and business, as invited by the company, and to discuss relevant topics. Laura Asadauskaitė and Andrejus Zadneprovskis, Lithuanian and World famous sports stars visited Elektrėnai, another meeting invited mountaineer Vidas Vitkauskas. The team of Lietuvos Energijos Gamyba also contributed to the traditional campaign "Darom" ("Let's do it"); they cleaned the territory of Elektrėnai, installed sports gear on the town beach, renovated a sports field and planted trees.
- ▶ At Kaunas University of Technology Career Days 2013, Lietuvos Energijos Gamyba, part of the Group, presented positions of various specialists at the company, and provided the students with interest in energy sector with an opportunity to grasp what it means and what it takes to work for Lietuvos Energijos Gamyba in original and innovative manner.

Personnel

In order to accomplish the objectives set by the shareholder and to engage in a socially responsible business, the Group seeks to attract and retain highly-qualified employees and together create a long-term partnership relations and a common successful future based on the principle of mutual value-creation.

Lietuvos Energija group considers the opinion of its employees; in January-February 2013 the Group ran a traditional employee opinion survey. Both the managers and employees of the Group were presented with the results of the survey, and a plan of measures was formed that, when implemented, shall resolve issues identified during the survey.

Companies of the Group regularly seek to improve skills of employees and provide its employees with all certificates required for work by law. In H1 2013 268 Lietuvos Energijos Gamyba employees attended technical trainings, while 22 company employees attended management training. Over the first 6 months 2013, LESTO mandatory technical trainings involved 731 employees; and training of general competencies involved 974 employees. For the third year now, LESTO has successfully used programme of internal lecturers, with the trainings being conducted by company employees to their colleagues. Over first half of 2013 internal trainings involved 82 employees.

In order to attract young highly-qualified specialists to the Group, Lietuvos Energija group is actively collaborating with educational establishments and provides students of higher education and vocational schools with an opportunity to apply their knowledge and gain practical skills. In H1 2013 the Group companies Lietuvos Energijos Gamyba and LESTO accepted 92 students on intership. As many as 7 students, following their interships at LESTO, were employed, based on a fixed-term or open-ended employment agreement.

At 30 June 2013, the Group had 4,495 employees. Total salary fund of the Group, in the period of January to June 2013 amounted to LTL 90 million.

Category of employees	Average monthly salary, LTL
Key management personnel	13 614
Specialists and middle-ranking managers, blue-collar workers	3 116

Average salary of the Group employees in January to June 2013

There were no marked changes in the number of employees at Lietuvos Energija group and the Company, compared to 30 June 2012.

	Total number of employees	Change, %*
Lietuvos Energija, UAB	48	0
AB LESTO	2,489	-4
Lietuvos Energijos Gamyba, AB	506	0
UAB Technologijų ir Inovacijų Centras	217	-10
Energijos Tiekimas, UAB	18	20
UAB Kauno Energetikos Remontas	241	-7
UAB ELEKTROS TINKLO PASLAUGOS	571	-2
NT Valdos, UAB	243	-3
VŠĮ National Centre of Training for Energy Specialists	162	-5
Total	4,495	-3

* change to 2012 was assessed excluding employees of LITGRID AB Group.

At 30 June 2013, the parent Company had 48 employees. All Company employees have a university education. The Company employs 7 doctors, 1 certified professional project manager (PMP), 1 expert holding 2 CFA levels, and nuclear energy specialists. Employees are active members of various associations and unions (TBTA, EGIA, LBEA, FAA, LSIS, LGS), members of the academic community (KTU Business Council, LEI Supervisory Board, Council of the Faculty of Physics of Vilnius University, Technological Development Committee at the Agency for Science, Innovations and Technologies etc.). Total salary fund of the Company, in the period of January to June 2013 amounted to LTL 2.6 million.

Category of employees	Average monthly salary, LTL
Key management personnel	16,363
Specialists and middle-ranking managers	8,411

Average salary of the Company employees in January to June 2013.

In line with the guidelines approved, following reorganisation of corporate governance of Lietuvos Energija group, more focus shall be placed on coordinated development of the organisation and personnel policy. This shall allow for an efficient use of competencies available at the Company and identification of necessary ones, as well as for improved satisfaction of employees.

Environmental protection

Lietuvos Energija group promotes both cost-saving and anti-pollution measures at work, and encourages the sparing use of natural resources. The Group seeks to introduce advanced, efficient and environmentally friendly technologies, comply with the environmental laws and regulations, and implement preventive measures to reduce adverse impact upon the environment in a professional manner.

Lietuvos Energijos Gamyba regularly carries out calculations of pollution from stationary and mobile pollution sources, accounting of chemicals, carries out internal audit of chemical and preparations, treatment of waste and waste water originating.

In H1 2013, project on implementation of environmental protection management system, in line with LST EN ISO 14001:2005 standard was initiated at Lietuvos Energijos Gamyba. The project is scheduled for completion by late 2013.

By way of projects on environmental protection, the Group seeks to reduce the adverse effect of energy objects on humans and the environment and to encourage public involvement in various initiatives related to the protection of environment.

Analysis of Group performance

Key operational and financial indicators

In H1 2013, volume of electricity generated by Lietuvos Energija group amounted to 0.74 TWh (-15.9% and -0.14 TWh, compared to the first 6 months of 2012). The lesser generation of electricity was due to the reduced quota of eligible electricity generation given to the stand-by power plant in Elektrėnai for 2013. The actual decrease in the period has been partly compensated by the increase in the quantities of electricity generated at Kruonis Pumped Storage Hydroelectric Plant and Kaunas Hydroelectric Power Plant.

The volume of electricity distributed by the Group to customers using medium and low voltage grids was 4.15 TWh (+1.7%, +0.07 TWh). The increase in the volume of electricity distributed to customers reflected the continuous growth of Lithuanian economy.

Both public and guaranteed electricity supply of Lietuvos Energija group over the comparable period was 1.58 TWh (-16.4%, -0.31 TWh). The volumes of these activities shrunk due to further active liberalisation processes of the Lithuanian electricity market. Sales of electricity in the free market amounted to 0.54 TWh (-43.2%, -0.41 TWh). The volume of electricity sold by Energijos Tiekimas dropped as the company concentrated on profitability improvement.

Without taking the impact of natural disasters (force majeure) into account, average duration of unexpected electricity transmission outages (SAIDI) over H1 2013 amounted to 32.58 minutes per customer, with average number of unexpected extended outages (SAIFI) over H1 2013 amounting to 0.44 times per customer. During the first six months of 2013 the quality indicators of LESTO electricity supply improved compared to the respective period of 2012 – in H1 2012 SAIDI amounted to 33.71 minutes, while SAIFI amounted to 0.5 times per customer.

Key indicators of Lietuvos Energija group

Thousand LTL, unless specified otherwise		H1 2013	H1 2012 (restated)	Change	
				+/-	%
Business indicators					
Produced electricity	TWh	0.74	0.88	-0.14	-15.9
Distributed electric energy via medium to low voltage grids	TWh	4.15	4.08	0.07	1.7
Public and guaranteed supply	TWh	1.58	1.89	-0.31	-16.4
Sales of electricity in the market	TWh	0.54	0.95	-0.41	-43.2
Electricity supply quality indicators					
SAIDI ¹ (with force majeure)	min	50.41	59.53		
SAIFI ² (with force majeure)	units	0.58	0.74		
Financial indicators					
Revenue		1,434,415	1,413,769	20,646	1.5
Costs of purchase of electricity, fuel and related services		(859,141)	(940,891)	81,750	-8.7
Operating expenses		(209,484)	(237,066)	27,582	-11.6
EBITDA		365,790	235,812	129,978	55.1
EBITDA margin³	%	25.5	16.7		
Net profit (loss)		75,037	(12,339)*	87,376	

*continuous activity

Changes in assets and equity of the Group in H1 2013 amounted to -1.9% (LTL -192.4 million) and +0.7% (LTL -48.1 million). Negative alteration in assets was mainly influenced by the changes in the tangible assets, reflecting higher level of financial depreciation as compared to investments in property, plant and equipment over the same period. The increase of the equity was influenced by profitable operations of the Group in H1 2013.

Key indicators of Lietuvos Energija Group (continued)

Thousand LTL, unless specified otherwise		30/6/2013	31/12/2012	Change	
				+/-	%
Financial indicators (continued)					
Total assets		10,103,375	10,295,821	-192,446	-1.9
Equity		6,597,915	6,549,783	48,132	0.7
Financial debt		1,212,472	1,255,012	-42,540	-3.4
Net Financial Debt ⁴		742,528	831,382	-88,854	-10.7
Return on Equity (ROE) ⁵	%	2.3	-0.5		
Net Financial Debt / last 12 months EBITDA	%	109	151		
Net Financial Debt / Equity	%	11.3	12.7		

¹ Operating expenses (OPEX) = operating expenses excluding costs of purchase electricity, fuel and related services, depreciation and amortisation and impairment and write-off of property, plant and equipment;

² EBITDA (profit before interest, taxes, depreciation and amortisation) = profit/(loss) before taxes + interest costs - interest income - dividends received + depreciation and amortisation + impairment costs + write-off of property, plant and equipment;

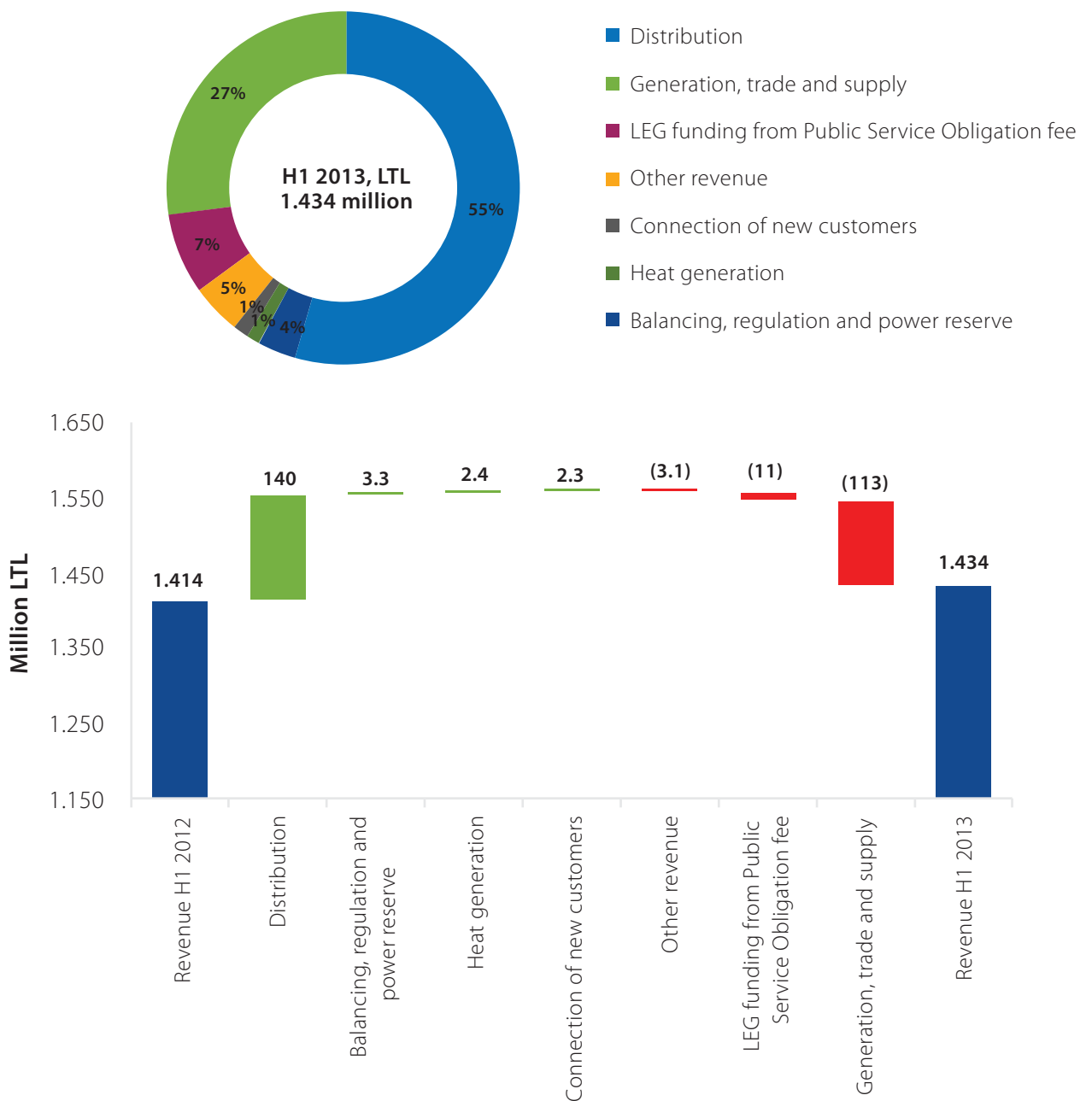
³ EBITDA margin = EBITDA / Revenue;

⁴ Net Financial Debt = financial debt - cash and cash equivalent - current investment and fixed term deposits;

⁵ Return on equity (ROE) = annualized net profit (loss)/equity the end of the period.

Revenue

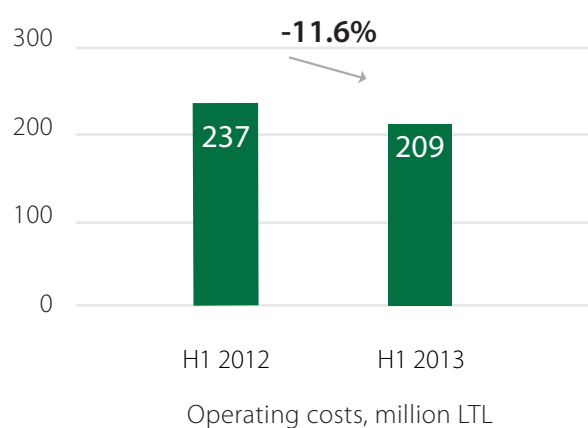
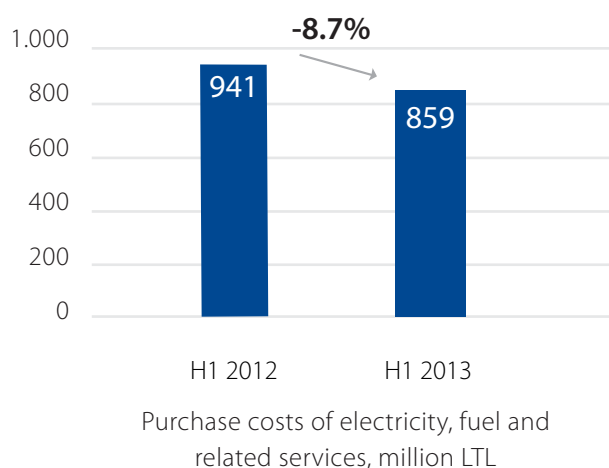
In H1 2013 Lietuvos Energija group revenue amounted to LTL 1,434.4 million (change of +1.5% and LTL +20.6 million compared to the first 6 months of 2012). Key reasons behind increase in revenue included growth of volume of electricity distributed (1,7%), increase of Public Service Obligation fee component in the transmission activities tariff from 7.04 ct/kWh to 9.38 ct/kWh and the increase of average electricity transmission price from 3.09 ct/kWh to 3.45 ct/kWh. Overall growth of revenue was lessened by the fall of trade and supply revenue income due to smaller volumes of supply and power generation.



Operating and purchase costs

Operating costs amounted to LTL 209.5 million and dropped by -11.6% (LTL -27.6 million) compared to the same period in the previous year. Decline in operating costs was caused by two main interrelated reasons: increase in efficiency of regulated operations and decrease of expenditures related to Visaginas Nuclear Power Plant project. Costs under project of Visaginas Nuclear Power Plant in the comparable period dropped due to successful completion of large part of preparatory project works in 2012 (*www.vae.lt*).

The purchase costs of electricity, fuel and related services were lower by -8.7% (LTL -81.8 million) in the comparable period. Reduction in these costs was caused by decreased volume of electricity supply and reduced amount of electricity generation in the Lietuvos Elektrinė power plant.

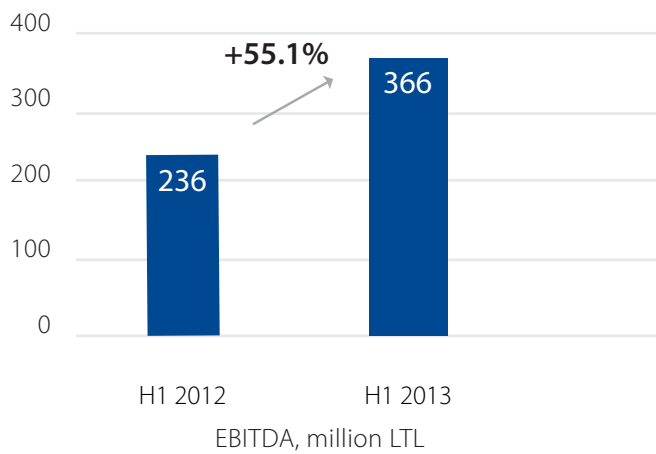


EBITDA and net profit

In H1 2013, the Group's EBITDA amounted to LTL 365.8 million (+55.1%, LTL +130 million). The growth of EBITDA of Lietuvos Energija group was positively influenced by reduction of key operating costs and significant increase in the profit margin of commercial operations of Lietuvos Energijos Gamyba. EBITDA margin in the current period amounted to 25.5% (EBITDA margin in the previous period was 16.7%).

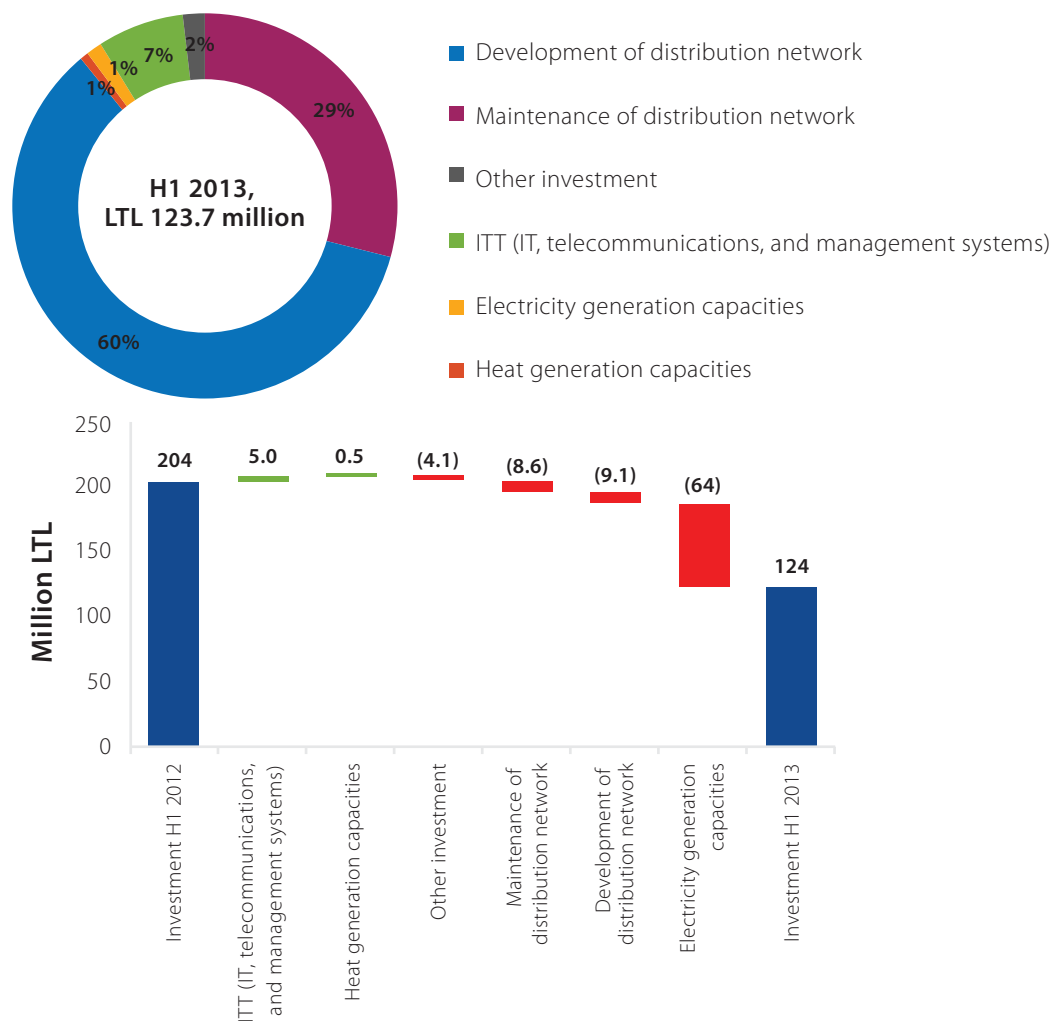
Net profit amounted to LTL 75 million, demonstrating an increase by LTL 87.4 million, compared to the result of H1 2012 (LTL -12.3 million)*. Increase in the net profit growth of the Group essentially reflected dynamics in the increase of EBITDA. Growth of net profit was partially set off upon assessment and accounting of impairment of the emission allowances held which was in turn caused by changes in value of emission allowances on the market.

*from continuing operations



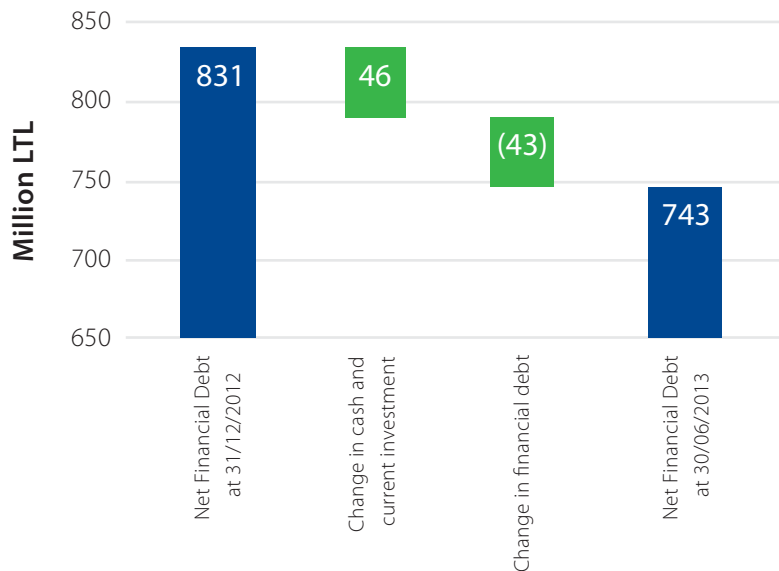
Investment

In H1 2013, Group investment amounted to LTL 123.7 million (-39.4%, LTL -80.3 million). Investment into development of distribution network amounted to LTL 74.4 million. This represents a 10.9% drop compared to the investment into distribution grid in H1 2012 (LTL 83.5 million). In H1 2013, LESTO connected 8,606 new customers, or 7.6% more than in the comparable period of 2012, where 7,997 new customers were connected. Due to successful completion of the new combined-cycle gas turbine unit of Lietuvos Elektrinė in 2012, investment into electricity generation capacity in H1 2013 fell to the necessary level of required investment to support current power generation capacity.

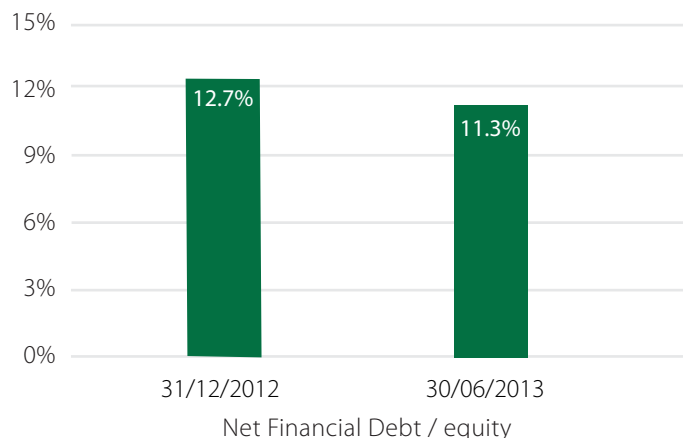
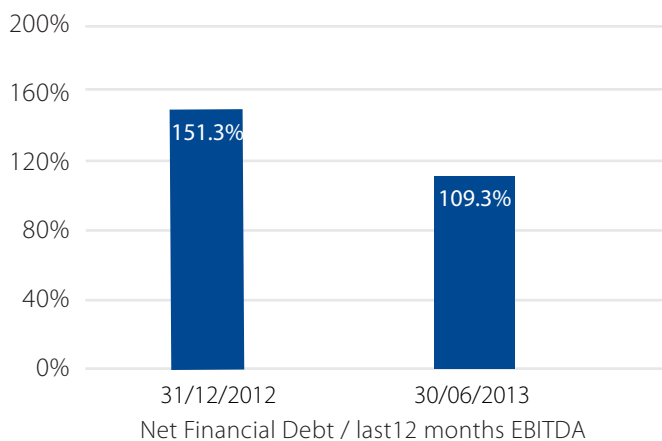


Financial debt

At the end of 6 months 2013 period, net financial debt of the Group amounted to LTL 742.5 million (a change of -10.7% and LTL 88.9 million compared to level of net debt in the beginning of 2013). Over the H1 2013, there were no significant changes in the debt level of the Group, and consequently the Group retained sound financial capacity.



Present level of financial debt remains low in regard to both Group's revenue level and current capital structure. The level of financial debt of the Group compared to average debt levels of European energy sector companies reflects sound financial positions of the Group.



Key information on the Company

Interim reports of Lietuvos Energija and its subsidiaries are prepared in accordance with Resolution No. 1052 of the Government of the Republic of Lithuania of 14 July 2010 Concerning the Approval of the Description of the Guidelines on Assurance of State-Owned Enterprise Activity Transparency and Appointment of a Coordinating Authority, and are publicised on the Company's website at: www.le.lt.

Name	Lietuvos Energija, UAB
Company code	301844044
Authorised share capital	LTL 4,067,163,632
Paid-up authorised share capital	LTL 4,067,163,632
Address	Žvejų g. 14, LT-09310, Vilnius, Lithuania
Telephone	(8 5) 278 2998
Fax	(8 5) 278 2115
E-mail	biuras@le.lt
Website	www.le.lt
Legal form	Private limited liability company
Registration date and place	28 August 2008, Register of Legal Entities
Register gathering and storing data on the company	Register of Legal Entities, state enterprise the Centre of Registers

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

As at 30 June 2013, the Company's authorised share capital totalled LTL 4,067,163,632. As at 30 June 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.

Company's shareholder	Authorised share capital (LTL thousand)	%
Republic of Lithuania represented by the Ministry of Finance	4,067,164	100

Information on the subsidiaries, branches and representative offices

Lietuvos Energija, UAB controls, directly or indirectly, the following companies:

Company name	Registered office address	Effective ownership interest 30/06/2013, %	Share capital (LTL thousands) 30/06/2013	Core activities
Lietuvos Energijos Gamyba, AB	Elektrinės str. 21 LT-26108, Elektrėnai	96.1	635,084	Generation, supply, import, export and trade in electricity
AB LESTO	Žvejų str. 14, Vilnius	82.6	603,945	Electricity supply and distribution to customers
NT Valdos, UAB	Geologų str. 16, Vilnius	87.9	314,001	Operation of real estate, other related activities and service provision
UAB Technologijų ir Inovacijų Centras	Žvejų str. 14, Vilnius	73.2	76,513	Maintenance of information technologies and telecommunications
UAB ELEKTROS TINKLO PASLAUGOS	Motorų str. 2, Vilnius	82.6	18,904	Construction, repair and maintenance of power network and related equipment, and customer connection to the grid
UAB Kauno Energetikos Remontas	Chemijos str. 17, Kaunas	96.1	14,245	Repair of energy equipment, production of metal structures
Gotlitas UAB (controlled through UAB Kauno Energetikos Remontas)	R. Kalantos str. 119, Kaunas	96.1	1,450	Accommodation services, trade
Energijos Tiekimas UAB	Jeruzalės str. 21, Vilnius	96.1	750	Electricity supply
VŠĮ National Centre of Training for Energy Specialists	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
UAB VAE SPB	Žvejų str. 14, Vilnius	100	10	Consultation activities

Members of the management bodies

In accordance with the articles of association as of 30 June 2013, the management bodies of the Company are as follows: the Board of the Company and Chief Executive Officer.

In accordance with the articles of association as of 30 June 2013, the Board, as a collegial body of the Company, includes 5 members.

At the end of the reporting period (30 June 2013), the Board of the Company included the following:

Member of the Board	Position	Interest in the Company and the Group companies, %	Employer
Board			
Aušra Vičkačkienė	Chairperson	-	Ministry of Finance
Rimantas Vaitkus	Member	-	UAB Visagino Atominė Elektrinė
Dalius Misiūnas	Member	-	Lietuvos Energija, AB
Audronė Railaitė	Member	-	Ministry of Economy
Agnė Kairytė	Member	-	Ministry of Energy
Manager			
Rimantas Vaitkus	Chief Executive Officer	-	

Audit Committee

On 30 June 2013, the Company included an Audit Committee; later in accordance with the Law on Audit, also carries out the functions of the Audit Committee of the companies of the Group.

Information on the members of the Audit Committee:

Member of the Audit Committee	Number of shares of the Company and the Group held	Term	Employer
Vygantas Reifonas (independent member)	-	March 2011 to March 2015	Lietuvos bankas
Danielius Merkinas (independent member)	-	March 2011 to March 2015	UAB Nordnet
Marius Garuckas (independent member)	-	March 2011 to March 2015	UAB GlaxoSmithKline Lietuva

The Audit Committee performs the following main functions:

- ▶ Supervising the preparation process for financial statements of the Company and its subsidiaries;
- ▶ Supervising the efficiency of the internal control and risk management systems of the Company and its subsidiaries, in order to analyse the need for and suitability of these systems and monitor them;
- ▶ Supervising how a certified auditor and audit company follow the principles of independence and impartiality, in order to provide them with relevant recommendations;
- ▶ Supervising the audit processes of the Company and its subsidiaries, in order to evaluate the efficiency of an audit and the administration's reaction to recommendations submitted by an audit company to the management;
- ▶ Supervising the efficiency of the internal audit process of the Company and its subsidiaries, in order to analyse the need for and suitability of this function, submit related recommendations and take adequate actions if necessary.

Information about contracts between the issuer and securities' public offering agents

Lietuvos Energija has not concluded any contracts with securities' public offering agents as its securities are not traded on the stock exchange.

Companies of the Group:

Lietuvos Energijos Gamyba, AB

Lietuvos Energijos Gamyba has concluded a contract for handling the accounting of securities issued by the issuer and handling of personal securities accounts with Swedbank, AB.

AB LESTO

Swedbank, AB is the authorised processor of security accounts of LESTO.

Trade in securities of the Group on the regulated markets

Lietuvos Energijos Gamyba, AB

At 1 September 2011, the shares of Lietuvos Energijos Gamyba were listed with the official trading list of NASDAQ OMX Vilnius. Company shares are listed on NASDAQ OMX Vilnius stock exchange (hereinafter Vilnius stock exchange).

On 30 June 2013 the company had issued 635,083,615 ordinary registered shares with a nominal value of LTL 1 each

Emission ISIN code LT0000128571.

AB LESTO

Since 17 January 2011 the ordinary registered shares of LESTO were listed with the official trading list of NASDAQ OMX Vilnius.

On 30 June 2013 the company had issued 603,944,593 ordinary registered shares with a nominal value of LTL 1 each.

Emission ISIN code LT0000128449.



Lietuvos Energija, UAB
Žvejų str.14, Vilnius
www.le.lt