

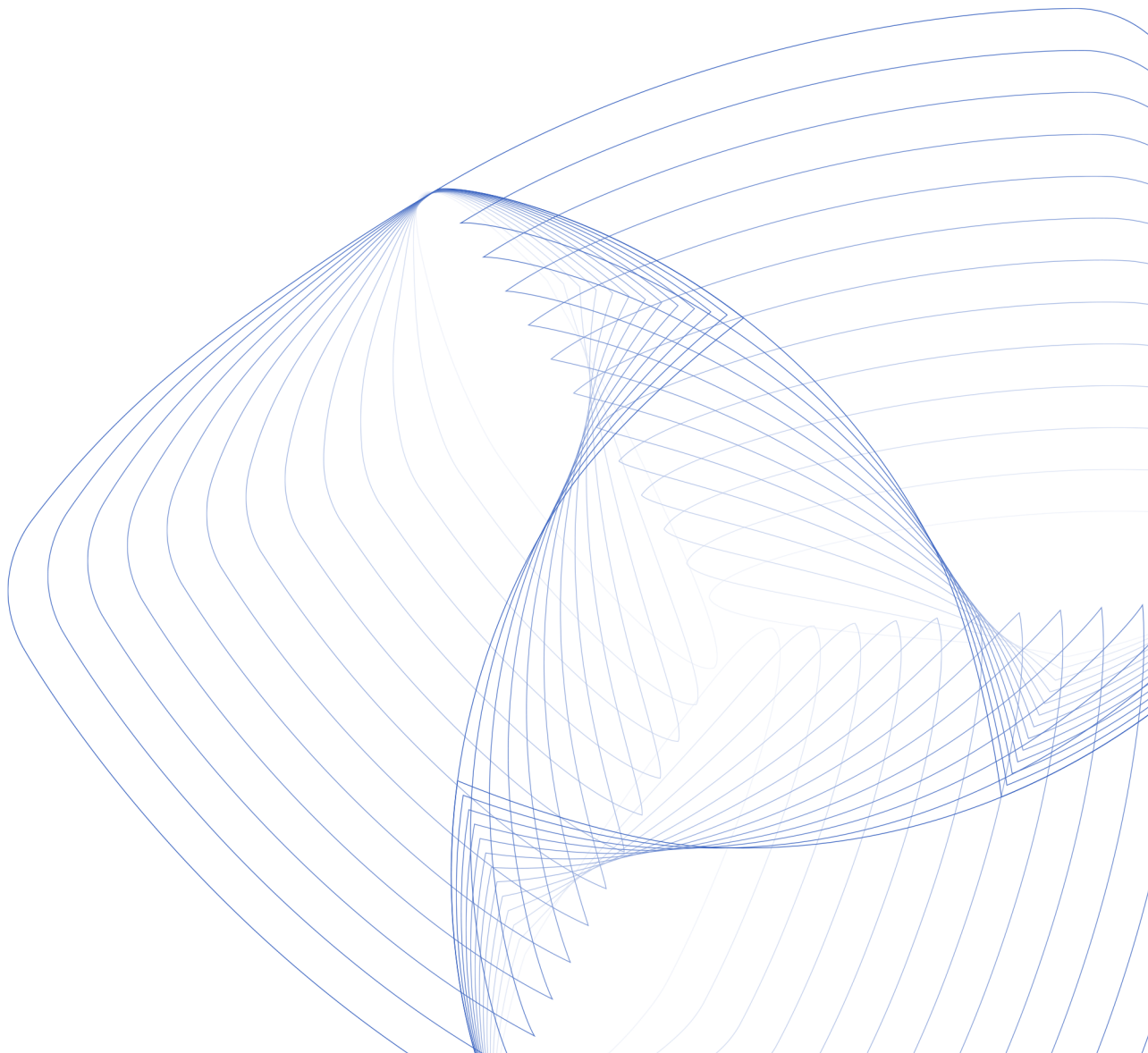


**Lietuvos
energija**

**LIETUVOS ENERGIJA, UAB
(former UAB Visagino Atominė Elektrinė)**

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

**FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2013**



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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 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	
		30/06/2013	31/12/2012	30/06/2013	31/12/2012
ASSETS					
Non-current assets					
Intangible assets	4	330,906	361,653	-	-
Property, plant, and equipment	5	7,831,342	7,986,191	24,508	24,382
Prepayments for non-current assets		7,363	7,408	-	-
Investment property		117,557	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		728,581	733,110	720,000	720,000
Other financial assets		58,023	-	58,023	-
Other non-current assets		15,047	23,723	-	-
Deferred income tax assets		11,719	11,876	10,557	10,996
Total non-current assets		9,130,051	9,267,018	3,574,438	3,516,723
Current assets					
Inventories		41,551	73,618	-	-
Prepayments		7,746	2,346	54	126
Trade receivables		280,018	271,244	2	2
Other receivables		168,670	245,406	41,456	36,110
Other current assets		-	6	-	-
Prepaid income tax		3,890	4,262	-	-
Short-term investments, time deposits and other financial assets		291,317	301,454	291,317	298,434
Cash and cash equivalents	7	178,627	122,176	108,508	57,765
		971,819	1,020,512	441,337	392,437
Non-current assets held for sale		1,505	8,291	266	266
Total current assets		973,324	1,028,803	441,603	392,703
TOTAL ASSETS		10,103,375	10,295,821	4,016,041	3,909,426

Continued on next page

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

	Notes	Group		Company	
		30/06/2013	31/12/2012	30/06/2013	31/12/2012
EQUITY AND LIABILITIES					
Equity					
Share capital	8	4,067,164	4,067,164	4,067,164	4,067,164
Reserves		1,494,393	1,568,323	-	-
Retained earnings (deficit)		328,681	187,934	(53,405)	(165,096)
Equity attributable to owners of the parent		5,890,238	5,823,421	4,013,759	3,902,068
Non-controlling interest		707,677	726,362	-	-
Total equity		6,597,915	6,549,783	4,013,759	3,902,068
Amounts payable and liabilities					
Amounts payable after one year and liabilities					
Non-current borrowings	10	799,793	948,017	-	-
Finance lease liabilities		44	44	-	-
Grants and subsidies		1,108,383	1,125,450	-	-
Deferred income tax liability		512,946	526,705	-	-
Provisions	9	3,689	3,512	-	-
Deferred income		193,778	198,034	-	-
Other non-current amounts payable and liabilities		33,558	34,429	-	-
Total amounts payable after one year and non-current liabilities		2,652,191	2,836,191	-	-
Amounts payable within one year and liabilities					
Current portion of long-term debts	10	320,220	178,078	-	-
Current borrowings	10	92,265	128,546	-	-
Current portion of finance lease liabilities		150	327	-	-
Trade payables		186,458	225,140	378	595
Advance amounts received		68,202	65,846	-	-
Current income tax liabilities		20,783	17,396	-	-
Provisions	9	6,078	13,915	-	-
Other current amounts payable and liabilities		159,113	280,599	1,904	6,763
Total amounts payable within one year and liabilities		853,269	909,847	2,282	7,358
Total amounts payable and liabilities		3,505,460	3,746,038	2,282	7,358
TOTAL EQUITY AND LIABILITIES		10,103,375	10,295,821	4,016,041	3,909,426

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

	Notes	Group		Company	
		30/06/2013	30/06/2012 (Restated)	30/06/2013	30/06/2012
Continuing operations					
Revenue					
Sales revenue		1,383,607	1,359,533	-	-
Other operating income		50,808	54,236	4	4
Total revenue		1,434,415	1,413,769	4	4
Operating expenses					
Purchase of electricity or related services		(762,748)	(759,149)	-	-
Purchase of gas and fuel oil		(96,393)	(181,742)	-	-
Depreciation and amortisation		(250,449)	(240,152)	(8)	(43)
Salaries and related expenses		(114,543)	(118,462)	(3,348)	(4,309)
Repair and maintenance expenses		(34,247)	(31,393)	-	-
Revaluation and impairment of emission allowances		(23,460)	(2,360)	-	-
Write-off of property, plant and equipment		(6,343)	(7,192)	-	-
Other expenses		(60,694)	(87,211)	(1,252)	(21,464)
Total operating expenses		(1,348,877)	(1,427,661)	(4,608)	(25,816)
Operating profit/(loss)		85,538	(13,892)	(4,604)	(25,812)
Financing activities					
Finance income		10,411	4,125	116,734	524,011
Finance costs		(13,387)	(7,535)	-	(3)
Finance income/(costs), net		(2,976)	(3,410)	116,734	524,008
Profit/(loss) before income tax		82,562	(17,302)	112,130	498,196
Current year income tax expense		(21,108)	(17,775)	-	-
Deferred income tax income/(expense)		13,583	22,738	(439)	3,632
Net profit/(loss) for the period		75,037	(12,339)	111,691	501,828
Discontinued operations					
Net profit (loss) from discontinued operations, net of related income tax	12	-	11,268	-	-
Net profit/(loss)		75,037	(1,071)	111,691	501,828
Attributable to:					
Owners of the parent		68,865	794	111,691	501,828
Non-controlling interest		6,172	(1,865)	-	-
Other comprehensive income/(loss)					
Gain/(loss) on revaluation of non-current assets		(65)	969	-	-
Other income (loss) included directly in equity during the period		-	-	-	-
Other comprehensive income/(loss) for the period		(65)	969	-	-
Total comprehensive income/(loss) for the period		74 972	(102)	111,691	501,828
Attributable to:					
Owners of the parent		68,803	1,715	111,691	501,828
Non-controlling interest		6,169	(1,817)	-	-

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

	Group		Company	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Cash flows from operating activities				
Net profit (loss)	75,037	(1,071)	111,691	501,828
Adjustments for non-monetary items:				
Depreciation and amortisation	270,877	309,276	8	43
Revaluation of property, plant and equipment	77	372	-	-
Impairment (reversal of impairment)	(20)	-	-	-
Share of the results of associates and joint ventures	(348)	(638)	-	-
Income tax expense	7,525	(2,731)	439	(3,632)
(Depreciation) of grants	(20,427)	(4,167)	-	-
Increase (decrease) in provisions	(7,660)	1,675	-	-
Gain/(loss) on disposal/write-off of property, plant and equipment	6,218	7,107	-	-
Elimination of results of financing and investing activities:				
Interest income	(7,708)	(4,578)	(7,479)	(2,190)
Interest expense	15,534	6,739	-	-
Other finance (income)/costs	(4,502)	(217)	(109,255)	(521,821)
Changes in working capital:				
(Increase) decrease in trade receivables and other amounts receivable	67,962	508	181	(461)
(Increase) decrease in inventories, prepayments and other current assets	26,673	59,103	72	12
Increase (decrease) in amounts payable, deferred income and advance amounts received	(94,881)	(28,365)	566	(3,247)
Income tax (paid)	(17,511)	(4,463)	-	-
Net cash flows from/(used in) operating activities	316,846	338,550	(3,777)	(29,468)
Cash flows from investing activities				
(Purchase) of property, plant and equipment and intangible assets	(148,417)	(205,942)	(5,776)	(37)
Proceeds from sale of property, plant and equipment and intangible assets	4,511	299	-	-
Loans repayments received	202	219	-	-
Change in time deposits	53,733	(163,129)	50,713	(256,160)
Grants received	4,433	50,582	-	-
Acquisition of subsidiaries/associates	-	-	(5)	(10)
Bonds acquired	(153,002)	(33,824)	(153,002)	(33,824)
Bonds disposed	52,064	51,230	52,064	51,230
Interest received	2,314	6,436	1,271	2,297
Dividends received	-	-	109,255	321,821
Other cash flows from investing activities	-	221	-	-
Net cash used in investing activities	(184,162)	(293,908)	54,520	85,317
Cash flows from financing activities				
Proceeds from borrowings	129,948	157,237	-	-
Repayments of borrowings	(138,494)	(66,972)	-	-
Lease payments	(177)	(263)	-	-
Interest paid	(15,536)	(23,065)	-	-
Dividends paid	(18,148)	(38,851)	-	-
Other cash flows from financing activities	(10)	(59)	-	-
Net cash flows from/(used in) financing activities	(42,417)	28,027	-	-
(Decrease) increase in cash and cash equivalents (including overdraft)	90,267	72,669	50,743	55,849
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 period	87,052	227,194	108,508	60,994

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	921	-	-	921	48	969	
Total comprehensive income/(loss) for the period	-	-	921	-	-	921	48	969	
Net profit (loss) for the reporting period	-	-	-	-	794	794	(1,865)	(1,071)	
Total comprehensive income/(loss) for the period	-	-	921	-	794	1,715	(1,817)	(102)	
Other adjustments	-	-	-	-	202	202	3	205	
Transfer of revaluation reserve to retained earnings (depreciation transfer, net of deferred income tax)	-	-	(48,645)	-	48,645	-	-	-	
Transfer to reserves and movements in reserves	-	202	-	(316,883)	316,681	-	-	-	
Dividends	-	-	-	-	-	-	(39,348)	(39,348)	
Balance at 30 June 2012	4,067,164	124,769	1,097,577	1,328,287	222,124	6,839,921	751,264	7,591,185	
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	-	-	-	-	68,865	68,865	6 172	75 037	
Total comprehensive income/(loss) for the period	-	-	(62)	-	68 865	68 803	6 169	74 972	
Transfer of revaluation reserve to retained earnings (depreciation transfer, net of deferred income tax)	-	-	(37,186)	-	37,186	-	-	-	
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 June 2013	4,067,164	77,074	765,850	651,469	328,681	5,890,238	707,677	6,597,915	

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	-	-	501,828	501,828	-	501,828
Balance at 30 June 2012	4,067,164	-	-	-	478,104	4,545,268	-	4,545,268
Balance at 1 January 2013	4,067,164	-	-	-	(165,096)	3,902,068	-	3,902,068
Net profit (loss) for the reporting period					111,691	111,691	-	111,691
Balance at 30 June 2013	4,067,164	-	-	-	(53,405)	4,013,759	-	4,013,759

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

1. General information

This financial information for a six-month period ended 30 June 2013 contains unaudited condensed interim financial information of Lietuvos Energija, UAB (former UAB Visagino Atominė Elektrinė) (“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, UAB Visagino Atominė Elektrinė 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 str. 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 LT10004278519. 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	30/06/2013		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 A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

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

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, LT-02190 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
National Centre of Training for Energy Specialists Public Institution	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 Riga	96.1	99	Electricity supply
UAB VAE SPB	Žvejų str. 14, Vilnius	100.0	10	Consultation activities

As of 30 June 2013, the Group had 4,495 employees (31 December 2012: 4,612), and the Company had 48 employees (31 December 2012: 49).

This financial information was approved by the management of Lietuvos Energija, UAB on 30 August 2013.

2. Summary of significant accounting policies

This interim financial information for the period ended 30 June 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 UAB Visagino Atominė Elektrinė) 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 Group in 2013 and that have a significant impact on 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 judgements 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 Thermal 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 A SIX-MONTH PERIOD ENDED 30 JUNE 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 the above financial statements may significantly differ from those that would have been determined if the valuation of assets had

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR A SIX-MONTH PERIOD ENDED 30 JUNE 2013

All amounts in LTL thousands unless otherwise stated

been performed by independent appraisers as required by International Valuation and Accounting Standards. 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 statements as of 30 June 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 equipments as of 30 June 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 equipments as of 30 June 2013 and 31 December 2012 due to remaining uncertainties, related to the change in the above regulations.

Impairment of assets

As at 30 June 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 AB LESTO 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 date of formation of balance, on a fair value, of investment into subsidiaries. As of 31 December 2012 and 30 June 2013, 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 AB LESTO and Lietuvos Energijos Gamyba, AB.

Impairment of goodwill and intangible assets not subject to amortisation

The consolidated statements include goodwill and licences with indefinite useful life that arose as a result of acquisition of VST AB in 2008. As of 31 December 2012 and 30 June 2013, 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 31 December 2012 and 30 June 2013.

Useful lives of of property, plant and equipment

The estimation of the useful lives of 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 operating distribution networks. Accrued sales income are assessed as 1/3 of the payments for electricity received in December. 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 20th 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 December 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 is 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 securities 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

Company costs related to project of new nuclear power plant, however, not directly related to collection of construction permit, accounted by the Company operating costs in the comprehensive income statement. These 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/Company 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/Company assesses its intentions and abilities to hold these investments to maturity. If the Group/Company 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/Company 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.

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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 a 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 June 2013 and emissions that will be approved for 2014.

Accrual of PSO service fees

The variable part of PSO service fees is estimated with reference to variable costs incurred during the reporting period. The producers ensuring the security of electric power supply and reserves of energy system, submit their PSO service fee estimates to the 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 service 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. As of 30 June 2013, the Group's management accounted for LTL 4,479 thousand (as of 30 June 2012, LTL 16,950 thousand) income from PSO service fees received as a compensation for the difference in gas prices.

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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
Acquisition cost	357	99	14,832	1,417	-	16,705
Reclassified from/to fixed tangible assets	148	74	-	(74)	-	148
Write-off/emission allowances utilised	-	-	(16,268)	-	-	(16,268)
Revaluation of emission allowances	-	-	1,418	-	-	1,418
Lending of emission allowances	-	-	(15,239)	-	-	(15,239)
Reclassified from/to inventories	-	-	-	8	-	8
Amortisation	(315)	(2,266)	-	(62)	-	(2,643)
Net book amount at 30 June 2012	119,300	7,817	20,202	2,049	178,103	327,471

Net book amount at 1 January 2013	118,873	6,587	55,413	2,677	178,103	361,653
Acquisition cost	16	1,299	1,222	1,105	-	3,642
Reclassified from/to fixed tangible assets	652	-	-	(29)	-	623
Write-off/emission allowances utilised	-	-	(13,895)	-	-	(13,895)
Disposals	-	-	(4,041)	-	-	(4,041)
Revaluation of emission allowances	-	-	(14,438)	-	-	(14,438)
Amortisation	(357)	(2,252)	-	(29)	-	(2,638)
Net book amount at 30 June 2013	119,184	5,634	24,261	3,724	178,103	330,906

Company	Other intangible assets	Total
Net book amount at 1 January 2012	66	66
Amortisation	(36)	(36)
Net book amount at 30 June 2012	30	30
Net book amount at 1 January 2013	-	-
Amortisation	-	-
Net book amount at 30 June 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	-	3,495	6,950	147	1,700	1,409	225,895	239,596
Revaluation	-	(618)	(252)	-	12	(40)	-	(898)
Disposals	-	-	(17)	-	(50)	(4)	-	(71)
Write-offs	-	(246)	(6,926)	(4)	-	(16)	-	(7,192)
Impairment	-	-	(8)	-	-	-	-	(8)
Reversal of impairment	-	-	-	-	-	-	8	8
Reclassifications between groups	-	506	10,565	-	-	1,107	(12,178)	-
Reclassified to assets, intangible assets	-	-	-	-	-	(148)	-	(148)
Reclassified to investment property	-	(10,729)	(578)	-	-	-	-	(11,307)
Reclassified from/to inventories	-	(443)	(32)	-	-	39	-	(436)
Depreciation	-	(11,437)	(239,484)	(34,206)	(3,633)	(17,873)	-	(306,633)
Net book amount at 30 June 2012	8,151	432,683	5,920,867	1,833,923	44,022	132,296	1,526,364	9,898,306

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	1,134	555	734	2,557	115,696	120,695
Revaluation	-	(77)	-	-	-	-	-	(77)
Disposals	-	-	(95)	(164)	(209)	(2)	-	(470)
Write-offs	-	(124)	(6,193)	(17)	-	(6)	(3)	(6,343)
Impairment	-	-	(25)	-	-	-	-	(25)
Reversal of impairment	-	-	20	-	-	-	25	45
Inter-group reclassification	-	1,717	118,192	175	-	6,092	(126,176)	-
Reclassified to assets, intangible assets	-	-	-	-	-	-	(623)	(623)
Reclassified to investment property	-	(3,639)	(42)	-	-	-	-	(3,681)
Reclassified from/to inventories	-	-	(3)	3,878	-	(6)	-	3,869
Depreciation	-	(9,841)	(182,172)	(60,378)	(3,661)	(12,187)	-	(268,239)
Net book amount at 30 June 2013	6,190	371,591	4,159,518	3,061,627	47,132	98,670	86,614	7,831,342

Company	Other fixed tangible assets	Construction in progress	Total
Net book amount at 1 January 2012	46	11,281	11,327
Acquisitions	10	2,763	2,773
Depreciation	(7)	-	(7)
Net book amount at 30 June 2012	49	14,044	14,093
Net book amount at 1 January 2013	48	24,334	24,382
Acquisitions	-	134	134
Depreciation	(8)	-	(8)
Net book amount at 30 June 2013	40	24,468	24,508

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6. Investment

As of 30 June 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
AB LESTO	1,742,737	-	1,742,737	82.63
UAB VAE SPB	10	5	15	100.00
	2,760,745	5	2,760,750	
Investments:				
UAB Technologijų ir Inovacijų Centras	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
AB LESTO	1,742,737	-	1,742,737	82.63
UAB VAE SPB	10	-	10	100.00
	2,760,745	-	2,760,745	
Investments:				
UAB Technologijų ir Inovacijų Centras	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	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Cash and cash equivalents	178,627	122,176	108,508	57,765
Bank overdraft	(91,575)	(125,391)	-	-
Carrying amount	87,052	(3,215)	108,508	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 June 2013, the Company's authorised share capital totalled LTL 4,067,163,632. As at 31 December 2012 and 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.

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9. Provisions

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Non-current	3,689	3,512	-	-
Current	6,078	13,915	-	-
Carrying amount	9,767	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	12,661	73	21	12,755
Decrease due to changes in assumptions	(16,265)	(787)	-	(17,052)
At 30 June 2012	58,327	4,001	700	63,028
At 1 January 2013	13,895	3,227	305	17,427
Increase over the period	2,506	5,590	-	8,096
Used over the period	(13,895)	(1,788)	(73)	(15,756)
At 30 June 2013	2,506	7,029	232	9,767

10. Borrowings

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
Non-current				
Bank borrowings	799,793	948,017	-	-
Current				
Current portion of long-term debts	320,220	178,078	-	-
Other loans	690	3,155	-	-
Bank overdraft	91,575	125,391	-	-
Total loans	1,212,278	1,254,641	-	-

Non-current loans analysed by maturity

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
1 to 2 years	113,952	275,888	-	-
2 to 5 years	550,326	520,746	-	-
Over 5 years	135,515	151,383	-	-
Total	799,793	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 June 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.

12. Discontinued operations

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

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 AB LESTO 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 AB LITGRID 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 AB LESTO 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 June 2013, the parent was the Republic of Lithuania represented by the Lithuanian Ministry of Finance (As of 31 December 2012, the parent was the Republic of Lithuania represented by the Lithuanian Ministry of Economy). 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.

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Transactions with related parties were as follows:

Sales of goods and services

	Group		Company	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
AB LESTO	-	-	4	4
UAB EPSO-G	5,526	-	-	-
The Group's associates and joint ventures	271	291	-	-
	5,797	291	4	4

Purchases of goods and services

	Group		Company	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
NT Valdos, UAB	-	-	464	391
UAB Technologijų ir Inovacijų Centras	-	-	268	287
AB LESTO	-	-	28	-
The Group's associates and joint ventures	2,832	2,600	-	-
	2,832	2,600	760	678

Amounts receivable from related parties

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
AB LESTO	-	-	2	2
UAB EPSO-G	760,234	753,547	760,234	753,547
The Group's associates and joint ventures	19	68	-	-
	760,253	753,615	760,236	753,549

Amounts payable to related parties

	Group		Company	
	30/06/2013	31/12/2012	30/06/2013	31/12/2012
NT Valdos, UAB	-	-	136	144
UAB Technologijų ir Inovacijų Centras	-	-	51	68
	-	-	187	212

The following payments were made to key management personnel:

	Group		Company	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Salaries and other short-term benefits to key management personnel	4,492	4,495	393	535
Including: termination benefits	163	69	-	-
Number of key management personnel	51	57	4	5

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



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