



VISAGINO ATOMINĖ ELEKTRINĖ UAB

INTERIM REPORT OF THE COMPANY
FOR THE PERIOD ENDED 30 JUNE 2012

Visagino atominė elektrinė UAB
Company code 301844044, Žvejų Str.14, LT-09310
Vilnius



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FOR THE PERIOD ENDED 30 JUNE 2012**

Translation note:

This version of the accompanying document 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 this document takes precedence over this translation.

**INTERIM REPORT OF VISAGINO ATOMINĖ ELEKTRINĖ UAB
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The interim reports of Visagino atominė elektrinė UAB (hereinafter referred to as the Company) 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.vae.lt.

Information about the Company's activities, strategy and goals, operational environment, risks, branches and representative offices, activities in the areas of environmental protection and involvement in research and development is presented in the Consolidated Annual Report of Visagino atominė elektrinė UAB and the Consolidated and Company's Financial Statements for the year ended 31 December 2011, approved by the resolution of the sole shareholder of 27 April 2012 and published on the Company's website.

GENERAL INFORMATION

Reporting period covered by the report

The Company's interim report covers the period ended 30 June 2012.

Basic information about the Company

Company's name	Visagino atominė elektrinė private limited liability company
Registration number	301844044
Authorised capital	LTL4,067,163,632
Paid authorised capital	LTL4,067,163,632
Address	Žvejų g. 14, LT-09310 Vilnius, Lithuania
Phone	(+370 5) 278 2998
Fax	(+370 5) 278 2115
E-mail	info@vae.lt
Website	www.vae.lt
Legal form	Private limited liability company
Date of registration and register	28 August 2008, Register of Legal Entities
Register, where information about the Company is compiled and stored	Register of Legal Entities, state enterprise the Centre of Registers

OVERVIEW OF THE ACTIVITIES

The Company's activities during the reporting period

The Company is engaged in two main areas of activities- first, preparation for the construction of the new Visaginas nuclear power plant (hereinafter referred to as Visaginas NPP), including participation searching for the investors in the project, negotiations with regional partners and the strategic investor in Visaginas NPP, and the drafting of various project contracts. The Company analyses the project's present legal, regulatory and investment environment, elaborates and submits proposals to relevant authorities necessary for establishing the project's legal, regulatory and investment environment. Preparatory work is necessary for the timely implementation of the Visaginas NPP construction project.

The Company is engaged in a second area of activities as the VAE Group's holding company. This involves the implementation of the VAE Group's management functions, which are necessary for ensuring reliable and efficient activities among its controlled companies and the electricity sector. On 8 June 2012, the European Commission submitted its opinion on the Visaginas nuclear power plant project (Visaginas project), in keeping with the EURATOM Treaty. On the basis of the completed project assessment, the European Commission believes that the Visaginas project meets the goals of the EURATOM Treaty. The European Commission states that the project contributes to the safety of energy supply in the Baltic region and the comprehensive integration of the Baltic states into the European internal energy market.

On 21 June 2012, the Parliament of the Republic of Lithuania adopted the Law on Nuclear Energy and the Law on Granting the Concession and Assuming the Essential Property Obligations of the Republic of Lithuania in the Visaginas Nuclear Power Plant Project, which came into effect on 28 June 2012. The Law on Granting the Concession approves the Concession Agreement, which produces an environment for investment.

Having adopted laws and approved the Concession Agreement, the Parliament has set up an appropriate legal environment in Lithuania, as the receiving country. It has also provided the possibility for investor companies – regional partners and approved strategic investor Hitachi to finalise negotiations on establishing a project company and sign agreements under the terms and conditions approved by the Parliament. After the concession is awarded, the company implementing the project will be able to sign the contract for independent work with Hitachi GE, carry out design work and start the construction of Visaginas NPP after receiving a final investment decision in 2015.

Analysis of the Company's financial results

The Company's net profit for the second quarter of 2012 amounted to LTL 501,828 thousand, more than four times higher than in the same period last year. This result derives from the Company's income from subsidiaries' dividends and higher income from interest. In 2012, the Company received dividends amounting to LTL521,821 thousand in appropriation its subsidiaries' accumulated retained earnings as at the end of 2011. In 2011, the Company received dividends amounting to LTL137,227 thousand in appropriation its subsidiaries' accumulated retained earnings as at the end of 2010.

The Company incurred a higher operating loss (EBIT) in the first six months of 2012 by 31 per cent compared with the same period the previous year. This is a result of higher salary expenses within the Company caused by an increase in the number of staff, higher spending on consulting services caused by a tight schedule of pre-concessional work and negotiations and higher expenditure on

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public relations needed to meet the public need for information about the Visaginas nuclear power plant project.

The total value of the Company's non-current assets increased by 0.2 per cent between January and June 2012 and comprised 85.6 per cent of the Company's total assets. The Company's total current assets increased by 307 per cent as a result of increased short-term financial investments and deposits and comprised 14.4 per cent of the Company's total assets.

The Company's current liabilities decreased by 5 per cent between January and June 2012 and equity increased by 12 per cent.

Investments

The Company's investments between January and June 2012 amounted to LTL 2,773 thousand. These were comprised of project implementation expenditure related to the construction in progress.

Dividend policy

The Government of the Republic of Lithuania holds 100 per cent of the Company's shares directly via the Ministry of Energy of the Republic of Lithuania. With respect to dividend policy, the Company and Group follow the principles of paying dividends for state-owned shares set forth in Resolution No. 20 of 14 January 1997 (earlier version of Resolution No. 361 of 30 March 2011), in coordination with the priorities of the Group's strategic project funding needs.

HUMAN RESOURCES POLICY

In order to achieve its goals and conduct socially-responsible business, the Company aims to attract and retain high-quality employees and to develop long-term partnership-based relationships with them on the principle of reciprocal benefits and a general successful future for the Company.

During the first half of 2012, the Company focused in the area of employee management on the investigation of employee opinions, performance assessment and training.

The Company appreciates its employees' opinions; accordingly, the Company arranged a traditional survey of its employees opinion in January-February 2012. A total of 61 per cent of employees answered the questionnaire. The results of the survey were later presented to the Company's management and employees to analyse the problems it identified and examine the solutions.

As at 30 June 2012, the Company had 48 employees. The Company's total salary fund for the period from January to June 2012 amounted to LTL 2,901 thousand.

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Average salary of the Company's employees

Employees by category	January- June 2012, LTL
Management	17,838
Professionals and middle-level managers	9,168

INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL, SHAREHOLDERS AND MANAGEMENT

As at 30 June 2012, the Company's share capital amounted to LTL4,067,163,632. The share capital was divided into ordinary registered shares with a nominal value of LTL1 per share. All shares were fully paid.

Company shareholders:

	Share capital, LTL	%
Republic of Lithuania represented by the Ministry of Energy	4,067,164	100.00

Members of the management bodies

According to the Company's Articles of Association, the Company's management bodies are as follows: the General Meeting of Shareholders, the Board and the Company's Manager (Chief Executive Officer).

The Board is a collegial management body composed of 5 members.

Name, surname	Position	Number of shares held, percentage	Employer
The Board			
Arvydas Darulis	Chairman	-	The Ministry of Energy of the Republic of Lithuania
Rimantas Vaitkus	Member	-	Visagino atominė elektrinė UAB
Kęstutis Škiudas	Member	-	The Government of the Republic of Lithuania
Aloyzas Vitkauskas	Member	-	The Ministry of Finance of the Republic of Lithuania
Mantas Zalatorius	Member	-	The Swedish Trade Council
Company's Manager			
Rimantas Vaitkus	Chief Executive Officer	-	

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The Company has an Audit Committee, which also carries out the function of Audit Committee for the Group's companies in accordance with the provisions of the Law on Audit.

Information about the Audit Committee members:

Audit Committee member	Number of Company shares held	Term of office	Employer
Vygantas Reifonas (Independent member)	-	March 2011 – March 2015	Lietuvos draudimas AB
Danielius Merkinas (Independent member)	-	March 2011 – March 2015	Nordnet UAB
Marius Garuckas (Independent member)	-	March 2011 – March 2015	GlaxoSmithKline Lietuva UAB
Lina Šmočiukienė	-	March 2011 – March 2015	The Ministry of Energy of the Republic of Lithuania

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.

Chief Executive Officer

Rimantas Vaitkus

29 August 2012