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PRESS RELEASE

Lietuvos Energija Group is reinforcing its position in the free market for electricity

Lietuvos Energija, a national power generating company, is continuing its efforts to reinforce the company's position in the free market for electricity. In the first six months of 2012, it increased its electricity generation volumes by 2% compared with the same period of previous year, whereas the Group's electricity sales in the free market grew 48%.

Lietuvos Energija Group* includes all the state-controlled power generation capacities in Lithuania, i. e. the Lithuanian Power Plant in Elektrėnai (LEL), Kruonis Hydro Pumped Storage Plant (Kruonis HPSP), and Kaunas Hydro Electric Power Plant (Kaunas HEPP). The amount of electricity generated by all these plants during the first 6 months of 2012 totals 0.879 TWh.

In the said period, LEL increased its power generation volumes 26% compared with the same period of previous year; 0.46 TWh of electricity was produced at LEL. Due to a situation in the market where purchasing on the electricity exchange was more lucrative than transforming the night-time electricity into the day-time one, the power generation volumes at the Kruonis HPSP dropped 6%. Generation at the Kaunas HEPP decreased 26% due to the lower level of water in the Nemunas River.

"In the first quarter of this year, we generated more electricity due to increased demand because of the cold winter, whereas in the second quarter it was better to buy electricity in the market as the price was low. Daily production planning, taking the demand for electricity and market prices into consideration, enabled us to offer a competitive electricity price to customers", Dalius Misiūnas, General Manager of Lietuvos Energija, comments the operating results of the six months of 2012.

Income

In the first six months of 2012, income of the Group increased 5% compared with the same period of 2011: from LTL 635 million to LTL 665 million. This has resulted from a larger amount of electricity sold in the free market (0.96 TWh or 48% more than in the first half of 2011).

About 40% of all customers in the free market bought electricity from Energijos tiekimas UAB, which is one of the Group's companies, as of the end of the first 6-month period of 2012.

While electricity sales to LESTO decreased 20% due to the larger number of customers that opted to choose independent suppliers, electricity sales in the free market grew as much as 48%, therefore, the total volume of sales to suppliers in 2012 remained practically the same as in 2011.

Regulated and Commercial Operations

Income from regulated activities, i. e. subsidised electricity generation at LEL, heat generation, and LEL and Kruonis HPSP power reserving services accounted for 46% of all income of the Group. The Group's loss on regulated activities before tax was LTL 5 million. LEL does not earn profit on

power generation, thus only the income from Kruonis HPSP power reserving services had a positive effect on the result of regulated activities.

Net profit from commercial activities consisting of the power generation at Kruonis HPSP and Kaunas HEPP, wholesale and retail trade in electricity in the free market, and other commercial services for the months of 2012 amounted to LTL 35 million (before tax).

Profitability Ratios

In the first 6 months of 2012, the Group's EBITDA was LTL 69 m, net profit LTL 26 m, EBITDA margin 10%, and net profitability 4%. The decrease in profitability ratios compared with 2011 was influenced by the higher electricity generation volumes at LEL, lower generation volumes and the hydro power plants, and stronger competition in the retail market for electricity.

* Structure of Lietuvos energija, AB Group of companies in the first half of 2012:

Lietuvos energija, AB; Energijos tiekimas UAB; Kauno energetikos remontas UAB; and Technologijų ir inovacijų centras UAB.

Structure of Lietuvos energija, AB Group of companies in the first half of 2011:

Lietuvos energija, AB; Energijos tiekimas UAB; Kauno energetikos remontas UAB; and Data Logistics Center UAB.

Annex 1. Key Operating Indicators

Key operating indicators				
LTL million	6 m. of 2011	6 m. of 2012	Change, %	
Income, costs & profit				
Income	635	665	5%	
EBITDA	103	69	-33%	
Net profit	55	26	-53%	
Ratios				
EBITDA margin	16%	10%	-6%	
Net profitability	9%	4%	-5%	

Annex 2. Key Production and Sales Indicators

Pagrindiniai gamybos ir pardavimų rodikliai				
TWh	6 m. of 2011	6 m. of 2012	Change, %	
Electricity sales to suppliers				
Sales to LESTO	1.804	1.443	-20%	
Sales in free market	0.647	0.960	48%	
Production indicators				
Lithuanian Power Plant	0.365	0.460	26%	
Kruonis HPSP	0.247	0.231	-6%	
Kaunas HEPP	0.252	0.188	-26%	
Subsidised electricity sales				
Electricity from wind farms	0.171	0.202	18%	
Electricity from co-generation plants (connected to transmission network)*	0.616	0.567	-8%	

* Production at co-generation plants is planned and managed by Lietuvos Energija, AB and the electricity generated at such plants is purchased by LESTO.

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