



**AKCINĖ BENDROVĖ „LIETUVOS DUJOS“  
JOINT STOCK COMPANY LIETUVOS DUJOS**

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To: The Securities Commission  
of the Republic of Lithuania

2010-08-31

**CONFIRMATION OF RESPONSIBLE PERSONS**

Following Art. 22 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of Periodic and Additional Information approved by the Securities Commission of the Republic of Lithuania, we, Viktoras Valentukevičius, General Manager and Giedrė Glinskienė, Deputy General Manager – Chief Financial Officer of AB Lietuvos Dujos, hereby confirm that to the best of our knowledge, the attached AB Lietuvos Dujos Consolidated and Parent Company's Condensed Financial Statements for the Six Months Ended 30 June 2010 Prepared According to International Financial Reporting Standards as Adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss of AB Lietuvos Dujos and the Group and the Interim Consolidated Report for the Six Months of 2010 presents a true and fair review of the business development and business activities.

General Manager

Viktoras Valentukevičius

Deputy General Manager–  
Chief Financial Officer

Giedrė Glinskienė

# **AB LIETUVOS DUJOS**

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

AB LIETUVOS DUJOS, company code 120059523, Agonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(all amounts are in LTL thousand unless otherwise stated)

**Statements of financial position**

	Notes	Group		Company	
		As of 30 June 2010 (pre-audited)	As of 31 December 2009 (audited)	As of 30 June 2010 (pre-audited)	As of 31 December 2009 (audited)
<b>ASSETS</b>					
<b>A. Non-current assets</b>		<b>2,324,585</b>	<b>2,290,965</b>	<b>2,326,115</b>	<b>2,292,578</b>
I. Intangible assets		3,255	3,917	3,236	3,896
II. Property, plant and equipment		2,321,299	2,287,000	2,312,111	2,277,897
II.1. Land		183	183	183	183
II.2. Buildings and structures		2,014,812	2,046,025	2,006,082	2,039,464
II.2.1 . Buildings		85,742	84,536	77,012	77,975
II.2.2 . Transmission networks and related installations		1,234,774	1,257,982	1,234,774	1,257,982
II.2.3 . Distribution networks and related installations		683,530	692,380	683,530	692,380
II.2.4 . Other buildings and structures		10,766	11,127	10,766	11,127
II.3. Machinery and equipment		90,120	94,131	90,120	94,131
II.4. Vehicles		13,580	15,001	13,574	14,990
II.5. Other equipment, tools and devices		27,098	30,627	26,712	30,338
II.6. Other property, plant and equipment		3,379	3,892	3,379	3,892
II.7. Construction in progress		172,127	97,141	172,061	94,899
III. Non-current financial assets		31	48	10,768	10,785
III.1. Investments into subsidiaries		-	-	10,737	10,737
III.2. Non-current accounts receivable		31	48	31	48
<b>B. Current assets</b>		<b>167,779</b>	<b>260,217</b>	<b>165,548</b>	<b>257,231</b>
I. Inventories and prepayments		48,391	44,402	48,377	44,391
I.1. Inventories		48,072	44,226	48,063	44,215
I.1.1. Raw materials, spare parts and other inventories		4,671	4,177	4,670	4,176
I.1.2. Goods for resale (including natural gas)		43,401	40,049	43,393	40,039
I.2. Prepayments		319	176	314	176
II. Accounts receivable		89,376	128,029	89,249	127,668
II.1. Trade receivables	4	88,914	126,757	88,853	126,722
II.2. Other receivables		462	1,272	396	946
III. Other current assets	5	1,879	22,958	-	21,016
IV. Cash and cash equivalents		28,133	64,828	27,922	64,156
<b>Total assets</b>		<b>2,492,364</b>	<b>2,551,182</b>	<b>2,491,663</b>	<b>2,549,809</b>


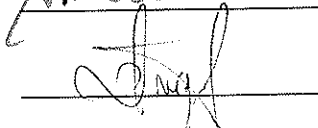
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The accompanying notes are an integral part of these financial statements.

**Statements of financial position (cont'd)**

	Notes	Group		Company	
		As of 30 June 2010 (pre-audited)	As of 31 December 2009 (audited)	As of 30 June 2010 (pre-audited)	As of 31 December 2009 (audited)
<b>EQUITY AND LIABILITIES</b>					
<b>C. Equity</b>		<b>2,006,812</b>	<b>1,991,184</b>	<b>2,005,837</b>	<b>1,989,996</b>
I. Share capital		469,068	469,068	469,068	469,068
II. Reserves		1,452,130	1,369,370	1,449,828	1,366,977
II.1. Legal reserves		31,114	26,372	30,922	26,180
II.2. Other reserves		1,421,016	1,342,998	1,418,906	1,340,797
III. Retained earnings		85,614	152,746	86,941	153,951
<b>D. Liabilities</b>		<b>485,552</b>	<b>559,998</b>	<b>485,826</b>	<b>559,813</b>
I. Non-current liabilities		353,209	358,577	353,592	358,964
I.1. Non-current borrowings	7	5,360	6,432	5,360	6,432
I.2. Grants (deferred revenue)		171,390	171,871	171,390	171,871
I.3. Non-current employee benefits		7,283	7,283	7,283	7,283
I.4. Deferred tax liability		169,176	172,991	169,559	173,378
II. Current liabilities		132,343	201,421	132,234	200,849
II.1. Current portion of non-current borrowings	7	2,144	2,144	2,144	2,144
II.2. Trade payables	8	79,817	145,112	79,792	144,592
II.3. Prepayments received		14,453	9,760	14,434	9,755
II.4. Income tax payable		12,063	2,853	12,063	2,853
II.5. Payroll related liabilities		10,783	7,273	10,719	7,237
II.6. Other payables and current liabilities	9	13,083	34,279	13,082	34,268
<b>Total equity and liabilities</b>		<b>2,492,364</b>	<b>2,551,182</b>	<b>2,491,663</b>	<b>2,549,809</b>

The accompanying notes are an integral part of these financial statements.


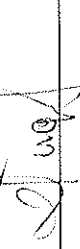
General Manager	Viktoras Valentukevičius		31 August 2010
Chief Accountant	Žydrūnas Augutis		31 August 2010

AB LIETUVOS DUJOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(all amounts are in LTL thousand unless otherwise stated)

**Income statements**

	Notes		Group		Company		Group		Company	
	Three months period ended 30 June	Three months period ended 30 June	Three months period ended 30 June	Three months period ended 30 June	Six months period ended 30 June	Six months period ended 30 June	Six months period ended 30 June	Six months period ended 30 June	Six months period ended 30 June	Six months period ended 30 June
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)
I. Revenue	275,983	187,594	275,807	187,403	962,933	717,497	962,693	717,206		
I.1. Sales	274,264	185,630	274,088	185,439	959,182	714,016	958,942	713,725		
I.2. Other income	1,719	1,964	1,719	1,964	3,751	3,481	3,751	3,481		
II. Expenses	(260,269)	(160,511)	(259,968)	(160,230)	(863,706)	(653,286)	(863,180)	(652,733)		
II.1. Cost of natural gas	(192,778)	(99,099)	(192,778)	(99,099)	(739,245)	(533,836)	(739,245)	(533,836)		
II.2. Other expenses	(67,491)	(61,412)	(67,190)	(61,131)	(124,461)	(119,450)	(123,935)	(118,897)		
III. Profit from operations	15,714	27,083	15,839	27,173	99,227	64,211	99,513	64,473		
IV. Financial activity	807	767	788	675	2,487	1,665	2,407	1,484		
IV.1. Income	920	908	901	816	2,313	1,995	2,259	1,814		
IV.2. Expenses	(113)	(141)	(113)	(141)	174	(330)	148	(330)		
V. Profit before tax	16,521	27,850	16,627	27,848	101,714	65,876	101,920	65,957		
VI. Income tax	(1,401)	(3,758)	(1,399)	(3,754)	(14,983)	(12,476)	(14,979)	(12,470)		
VI.1. Current period income tax	(3,164)	(6,070)	(3,164)	(6,070)	(18,798)	(17,555)	(18,798)	(17,555)		
VI.2. Deferred income tax	1,763	2,312	1,765	2,316	3,815	5,079	3,819	5,085		
VII. Net profit	15,120	24,092	15,228	24,094	86,731	53,400	86,941	53,487		
Basic and diluted earnings per share (LTL)	0.03	0.05	0.03	0.05	0.18	0.11	0.19	0.11		

The accompanying notes are an integral part of these financial statements.

General Manager Viktoras Valentukevičius  31 August 2010  
Chief Accountant Žydrūnas Augutis  31 August 2010

AB LIETUVOS DUJOS, company code 120059523, Agonų Str. 24, Vilnius, Lithuania  
 CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2010  
 (all amounts are in LTL thousand unless otherwise stated)

**Statements of comprehensive income**

	Group		Company		Group		Company	
	Three months period ended 30 June 2010	Three months period ended 30 June 2009	Three months period ended 30 June 2010	Three months period ended 30 June 2009	Six months period ended 30 June 2010	Six months period ended 30 June 2009	Six months period ended 30 June 2010	Six months period ended 30 June 2009
I. Net profit	15,120	24,092	15,228	24,094	86,731	53,400	86,941	53,487
II. Total comprehensive income	15,120	24,092	15,228	24,094	86,731	53,400	86,941	53,487

The accompanying notes are an integral part of these financial statements.

General Manager \_\_\_\_\_ Viktoras Valentukevičius \_\_\_\_\_ 31 August 2010

Chief Accountant \_\_\_\_\_ Žydrūnas Augutis \_\_\_\_\_ 31 August 2010

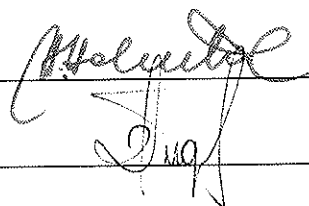
AB LIETUVOS DUJOS, company code 120059523, Abruonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(all amounts are in LTL thousand unless otherwise stated)

**Statements of changes in equity**

<u>Group</u>	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance as of 1 January 2009 (audited)</b>		<b>469,068</b>	<b>23,160</b>	<b>1,388,615</b>	<b>1,462</b>	<b>1,882,305</b>
Transfer to legal reserve		-	3,212	-	(3,212)	-
Transfer to other reserves		-	-	16,100	(16,100)	-
Transfer to retained earnings due to shareholders decision		-	-	(61,717)	61,717	-
Dividends declared		-	-	-	(45,000)	(45,000)
Total comprehensive income		-	-	-	53,400	53,400
<b>Balance as of 30 June 2009 (pre-audited)</b>		<b>469,068</b>	<b>26,372</b>	<b>1,342,998</b>	<b>52,267</b>	<b>1,890,705</b>
<b>Balance as of 31 December 2009 (audited)</b>		<b>469,068</b>	<b>26,372</b>	<b>1,342,998</b>	<b>152,746</b>	<b>1,991,184</b>
Transfer to legal reserve		-	4,742	-	(4,742)	-
Transfer to other reserves		-	-	78,109	(78,109)	-
Transfer from other reserves to compensate the loss of the subsidiary		-	-	(91)	91	-
Dividends declared	11	-	-	-	(71,100)	(71,100)
Total comprehensive income		-	-	-	86,728	86,728
<b>Balance as of 30 June 2010 (pre-audited)</b>		<b>469,068</b>	<b>31,114</b>	<b>1,421,016</b>	<b>85,614</b>	<b>2,006,812</b>

The accompanying notes are an integral part of these financial statements.

General Manager Viktoras Valentukevičius



31 August 2010

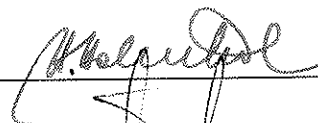
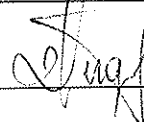
Chief Accountant Žydrūnas Augutis

31 August 2010

**Statements of changes in equity (cont'd)**

<u>Company</u>	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance as of 1 January 2009 (audited)</b>		<b>469,068</b>	<b>22,983</b>	<b>1,386,695</b>	<b>2,299</b>	<b>1,881,045</b>
Transfer to legal reserve		-	3,197	-	(3,197)	-
Transfer to other reserves		-	-	15,819	(15,819)	-
Transfer to retained earnings due to shareholders decision		-	-	(61,717)	61,717	-
Dividends declared		-	-	-	(45,000)	(45,000)
Total comprehensive income		-	-	-	53,487	53,487
<b>Balance as of 30 June 2009 (pre-audited)</b>		<b>469,068</b>	<b>26,180</b>	<b>1,340,797</b>	<b>53,487</b>	<b>1,889,532</b>
<b>Balance as of 31 December 2009 (audited)</b>		<b>469,068</b>	<b>26,180</b>	<b>1,340,797</b>	<b>153,951</b>	<b>1,989,996</b>
Transfer to legal reserve		-	4,742	-	(4,742)	-
Transfer to other reserves		-	-	78,109	(78,109)	-
Dividends declared	11	-	-	-	(71,100)	(71,100)
Total comprehensive income		-	-	-	86,941	86,941
<b>Balance as of 30 June 2010 (pre-audited)</b>		<b>469,068</b>	<b>30,922</b>	<b>1,418,906</b>	<b>86,941</b>	<b>2,005,837</b>

The accompanying notes are an integral part of these financial statements.

<u>General Manager</u>	<u>Viktoras Valentukevičius</u>		<u>31 August 2010</u>
<u>Chief Accountant</u>	<u>Žydrūnas Augutis</u>		<u>31 August 2010</u>



## Statements of cash flows

	Group		Company	
	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)
<b>I. Cash flows from (to) operating activities</b>				
I.1. Net profit	86,731	53,400	86,941	53,487
<b>Adjustments of non-cash items and other corrections:</b>				
I.2. Depreciation and amortisation	49,285	48,719	49,162	48,593
I.3. (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(54)	(37)	(54)	(37)
I.4. (Reversal of) impairment for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	1,767	(1,106)	1,793	(1,106)
I.5. Income tax expenses	14,983	12,476	14,979	12,470
I.6. Interest (income)	(1,506)	(892)	(1,452)	(711)
I.7. Interest expenses	242	330	242	330
I.8. (Gain) loss on foreign currency exchange	4	(1)	4	(1)
I.9. Amortisation of the grants, deferred revenue and other adjustments of non-cash items	(2,005)	(2,038)	(2,005)	(2,038)
	<b>149,447</b>	<b>110,851</b>	<b>149,610</b>	<b>110,987</b>
<b>Changes in working capital:</b>				
I.10. Decrease (increase) in inventories	(4,156)	34,211	(4,157)	34,207
I.11. Decrease in trade accounts receivable	35,757	81,247	35,783	81,285
I.12. Decrease (increase) in other accounts receivable and prepayments	205	286	(51)	304
I.13. (Decrease) in trade accounts payable	(71,386)	(138,367)	(70,881)	(138,385)
I.14. (Decrease) in other accounts payable and other current liabilities	(15,477)	(23,872)	(15,507)	(23,905)
I.15. Income tax (paid)	(5,272)	(10,221)	(5,272)	(10,221)
<b>Total changes in working capital</b>	<b>(60,329)</b>	<b>(56,716)</b>	<b>(60,085)</b>	<b>(56,715)</b>
<b>Net cash flows from operating activities</b>	<b>89,118</b>	<b>54,135</b>	<b>89,525</b>	<b>54,272</b>
<b>II. Cash flows from (to) investing activities</b>				
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(77,139)	(71,732)	(76,944)	(71,556)
II.2. Proceeds from sales of property, plant and equipment	66	61	66	61
II.3. Disposal of financial assets held for trade	20,617	-	21,017	-
II.4. Recovery of non-current loans and accounts receivable	17	-	17	-
II.5. Decrease in term deposits	464	371	-	-
II.6. Interest received	1,853	872	1,801	691
<b>Net cash flows (to) investing activities</b>	<b>(54,122)</b>	<b>(70,428)</b>	<b>(54,043)</b>	<b>(70,804)</b>


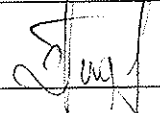
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The accompanying notes are an integral part of these financial statements.

**Statements of cash flows (cont'd)**

	Group		Company	
	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)
<b>III. Cash flows from (to) financing activities</b>				
III.1. Dividends (paid)	(71.026)	(44.993)	(71.026)	(44.993)
III.2. Loans (repaid)	(1.072)	(1.072)	(1.072)	(1.072)
III.3. Grants received	244	46	244	46
III.4. Interest (paid)	(256)	(344)	(256)	(344)
III.5. Other cash flows from financial activities	419	-	394	-
<b>Net cash flows (to) financing activities</b>	<b>(71.691)</b>	<b>(46.363)</b>	<b>(71.716)</b>	<b>(46.363)</b>
<b>IV. Net (decrease) in cash and cash equivalents</b>	<b>(36.695)</b>	<b>(62.655)</b>	<b>(36.234)</b>	<b>(62.894)</b>
<b>V. Cash and cash equivalents at the beginning of the period</b>	<b>64.828</b>	<b>84.226</b>	<b>64.156</b>	<b>83.995</b>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>28.133</b>	<b>21.571</b>	<b>27.922</b>	<b>21.101</b>

The accompanying notes are an integral part of these financial statements.

General Manager	Viktoras Valentukevičius		31 August 2010
Chief Accountant	Žydrūnas Augutis		31 August 2010

## Notes to the financial statements

### 1 General information

AB Lietuvos Dujos (hereinafter "the Company") and consolidated AB Lietuvos Dujos and UAB Palangos Perlas (hereinafter "the Group") condensed financial statements, including the statements of financial position as of 30 June 2010, income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the six months ended 30 June 2010 and 30 June 2009 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2009 are audited and prepared according to International Financial Reporting Standards (IFRS). For better understanding of the information provided in those financial statements, the consolidated and the Company's condensed financial statements must be read together with the consolidated and the Company's annual financial statements of 2009.

The Company's shares are traded on the NASDAQ OMX Vilnius stock exchange on the Main trade list.

### 2 Accounting principles

The Group's and the Company's condensed financial statements as of 30 June 2010 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

Accounting principles adopted in preparing the condensed financial statements for the six months period ended 30 June 2010 were the same as these used for preparing the financial statements for 2009 according to the IFRS, as adopted in the European Union.

### 3 Segment information

The Company's business activities are organised based on the legal requirements for regulated activities. These activities are used to identify operating segments. The accounting principles used for in the segment accounting are the same as for the financial accounting of the Group and the Company.

The Group and the Company have three main operating segments: natural gas transmission, distribution and supply, as well as segment of other activity:

- Transmission of natural gas comprises the transportation of natural gas through the transmission pipelines. The transmission activity also includes transit of natural gas to the district of Kaliningrad of the Russian Federation;
- Distribution of natural gas comprises the transportation of natural gas through the distribution gas pipelines;
- Supply of natural gas comprises the natural gas sales to end users;
- Other activity comprises other activity not related to main business.

Segment information for the periods ended 30 June 2010 and 30 June 2009 is presented below:

<u>Group</u>					
<b>Six months period ended 30 June 2010</b>					
<b>(pre-audited)</b>	<b>Transmission</b>	<b>Distribution</b>	<b>Supply</b>	<b>Other activities</b>	<b>Total</b>
<b>Sales</b>	77,110	107,014	774,208	850	959,182
<b>Profit before tax</b>	25,925	39,838	34,656	1,295	101,714
<b>Six months period ended 30 June 2009</b>					
<b>(pre-audited)</b>	<b>Transmission</b>	<b>Distribution</b>	<b>Supply</b>	<b>Other activities</b>	<b>Total</b>
<b>Sales</b>	67,999	91,219	553,048	1,750	714,016
<b>Profit before tax</b>	20,424	19,547	24,021	1,884	65,876

In the 1<sup>st</sup> half of 2010 as well as in the 1<sup>st</sup> half of 2009 The Group and the Company earned over 99 % of its revenue from Lithuanian customers.

All the assets of the Group and the Company are allocated in the territory of Lithuania where the Group and the Company are operating, except for a part of natural gas accounted for in inventories.

AB LIETUVOS DUJOS, company code 120059523, Aiguonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(all amounts are in LTL thousand unless otherwise stated)

**4 Trade receivables**

	<b>Group</b>		<b>Company</b>	
	30 June 2010 (pre-audited)	31 December 2009 (audited)	30 June 2010 (pre-audited)	31 December 2009 (audited)
Receivables for natural gas, Transmission and Distribution of natural gas from non-household customers	87,472	124,926	87,475	124,934
Receivables for natural gas, Transmission and Distribution of natural gas from household customers	9,120	7,467	9,120	7,467
Other trade receivables	991	1,466	927	1,423
Less: allowance for trade receivables	(8,669)	(7,102)	(8,669)	(7,102)
	<u>88,914</u>	<u>126,757</u>	<u>88,853</u>	<u>126,722</u>

The Group's and the Company's receivables for natural gas, Transmission and Distribution of natural gas from non-household customers in the 1<sup>st</sup> half of 2010 decreased significantly due to the lower volumes of the natural gas consumed.

**5 Other current assets**

	<b>Group</b>		<b>Company</b>	
	30 June 2010 (pre-audited)	31 December 2009 (audited)	30 June 2010 (pre-audited)	31 December 2009 (audited)
Investment units	400	21.016	-	21.016
Short-term deposits with maturity 3-12 months	1.479	1.942	-	-
	<u>1.879</u>	<u>22.958</u>	<u>-</u>	<u>21.016</u>

As of 30 June 2010, the decrease in the other current assets owned by the Group and the Company was due to the investment units held for trade sold in 2010.  
The maturity of short term deposits is 3-12 months period. As of 30 June 2010 weighted average annual interest rate of the short term deposits of the Group was 4.16 % (7.69% as of 31 December 2009).

**6 Income tax**

The income tax rate applied on the profit for the year 2010 is 15 % (in 2009: 20%) according to the Law on Corporate Income Tax of the Republic of Lithuania.

**7 Borrowings**

In the calculations, official currency exchange rates as of 30 June 2010 set by the Bank of Lithuania are applied: EUR/LTL 3.4528.

The borrowings outstanding as of 30 June 2010 were denominated in EUR (100 %).

The Company's borrowings as of 30 June 2010:

<b>Borrowings</b>	<b>Borrowings and their portions</b>			
	<b>Current borrowings</b>	<b>Payable after one year but not later than in five years</b>	<b>Payable after five years</b>	<b>Total</b>
Borrowings from Lithuanian credit institutions	2,144	5,360	-	7,504

As of 30 June 2010, the weighted average annual interest rate of borrowings outstanding was 5.65 % (5.65% as of 31 December 2009).

AB LIETUVOS DUJOS, company code 120059523, Aiguonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**  
(all amounts are in LTL thousand unless otherwise stated)

**8 Trade payables**

	<b>Group</b>		<b>Company</b>	
	30 June 2010 (pre-audited)	31 December 2009 (audited)	30 June 2010 (pre-audited)	31 December 2009 (audited)
Suppliers of natural gas	57,229	129,047	57,229	129,047
Other	22,588	16,065	22,563	15,545
	<u>79,817</u>	<u>145,112</u>	<u>79,792</u>	<u>144,592</u>

As of 30 June 2010 the Group's and the Company's trade payables to the gas suppliers decreased due to the decrease in import of natural gas.

**9 Other payables and current liabilities**

Other payables and current liabilities mainly consist of VAT payable. The other payables and current liabilities of the Group and the Company decreased due to the decrease of VAT payable. The VAT payable was equal to LTL 12,229 thousand as of 30 June 2010 (LTL 30,858 thousand as of 31 December 2009).

**10 Earnings per share**

Basic earnings per share reflect the Group's net income, divided by the weighted average number of shares. There are no diluting instruments, therefore basic and diluted earnings per share are equal. Calculations of the basic earnings per share are presented below:

	<b>Group</b>	
	30 June 2010 (pre-audited)	30 June 2009 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	86,731	53,400
Weighted average number of shares in thousand	469,068	469,068
Basic earnings per share (in LTL)	<u>0.18</u>	<u>0.11</u>

**11 Dividends**

During the regular general shareholders' meeting on 23 April 2010, when approving the Company's 2009 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2009 in the amount of LTL 71.1 million (LTL 0.152 per ordinary registered share with the par value of LTL 1 per share).

**12 Commitments and contingencies**

Legal disputes

1. On 29 December 2008 the National Control Commission for Prices and Energy (hereinafter the NCCPE) adopted the Resolution No O3-219 "On the Public Limited Company Lietuvos Dujos Natural Gas Transmission and Distribution Prices and Natural Gas Prices for Household Customers" (hereinafter the Resolution), with which the NCCPE unilaterally set natural gas transmission and distribution prices and natural gas prices for household customers to be applied from 1 January 2009. On 28 January 2009 AB Lietuvos Dujos applied to Vilnius County Administrative Court for annulment off the above Resolution of the NCCPE.

2. AB Lietuvos Dujos is taking part as third interested party in the case in Vilnius County Administrative Court according to the complaint of 16 January 2009 of the National Gas, Electricity and Heat Consumers' Protection League regarding the NCCPE's Resolution of 29 December 2008 No O3-219 "On the Public Limited Company Lietuvos Dujos' Natural Gas Transmission and Distribution Prices and Natural Gas Prices for Household Customers".

## 12 Commitments and contingencies (cont'd)

The lawsuits referred to in Item 1 and Item 2 were merged into one. On 30 September 2009 the Court issued a ruling to disallow the claims of the claimants AB Lietuvos Dujos and the National Gas, Electricity and Heat Consumers' Protection League as untenable. Both claimants filed appeals.

The outcome of above mentioned claim is uncertain and can not be estimated with reasonable efforts. In addition, based on the management estimates, there is no need to accrue any amounts for any potential future losses in relation to the above – mentioned case. The Company is applying tariffs approved by the NCCPE.

## 13 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group and the Company, transaction amounts and debts as of 30 June 2010 and 30 June 2009 were as follows:

- E.ON Ruhrgas International GmbH (one of the major shareholders of the Company);
- OAO Gazprom (one of the major shareholders of the Company);
- Ministry of Energy of the Republic of Lithuania (one of the major shareholders of the Company). On 2 June 2010, state company State property fund based on Order No 584 of the Government of the Republic of Lithuania of 19 May 2010, transferred shares of AB "Lietuvos dujos" held by the state for handling to the Ministry of Energy;
- UAB Palangos Perlas (subsidiary of the Company);
- AS Latvijas Gaze (the same shareholders);
- E.ON IS GmbH (same ultimate shareholder);
- OAO Beltransgaz (the same shareholders).

As of 30 June 2010 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	742,620	7,880	990	57,229
UAB Palangos Perlas	36	32	3	-
AS Latvijas Gaze	997	-	-	-
E.ON IS GmbH	5	-	-	-
OAO Beltransgaz	109	-	-	13
	<u>743,767</u>	<u>7,912</u>	<u>993</u>	<u>57,242</u>

As of 30 June 2009 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	498,435	5,132	579	35,813
UAB Palangos Perlas	23	24	2	-
AS Latvijas Gaze	1,416	-	-	435
E.ON IS GmbH	92	-	-	92
	<u>499,966</u>	<u>5,156</u>	<u>581</u>	<u>36,340</u>



# **CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF OF 2010**

**(PREPARED ACCORDING TO THE RULES ON THE PREPARATION AND  
SUBMISSION OF PERIODIC AND SUPPLEMENTARY INFORMATION AS  
ADOPTED BY THE LITHUANIAN SECURITIES COMMISSION)**

Vilnius  
2010

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## 1. Reporting period for which the report was prepared

The first half of 2010.

## 2. Main data about the Company

Name of the Issuer	AB Lietuvos Dujos (hereinafter referred to as "the Company" or "LD")
Legal & organizational form	public company
Date and place of registration	23 November 1990, State Enterprise Centre of Registers
Company code	120059523
Administrator of Register of Legal Persons	State Enterprise Centre of Registers
Authorized capital	LTL 469,068,254
Registered office	Aguonų g. 24, LT-03212 Vilnius, Lithuania
Telephone number	+370 5 2360210
Fax number	+370 5 2360200
E-mail address	ld@lietuvosdujos.lt
Website	www.dujos.lt

## 3. Major developments of the reporting period

- On 1 January, the new natural gas transmission and distribution service tariffs as well as new natural gas tariffs for household customers came into effect. The Board of Directors of the Company approved them on 20 November 2009, and the National Control Commission for Prices and Energy (hereinafter referred to as "the NCCPE") approved the tariffs on 26 November 2009.
- On 23 April, a regular general meeting of shareholders of the Company took place at which the shareholders approved the proposal of the Board of Directors for the Year 2009 to pay out dividends in amount of 15.2 Lithuanian cents per share with par value of one litas. The share of the profit appropriated to the payout of dividends amounted to LTL 71.1 million.
- On 23 April, the shareholders approved the new wording of the Bylaws of LD. The new Bylaws were registered with the Register of Legal Persons on 7 May 2010.
- Upon expiry of the term in office of the Board of Directors elected by the shareholders on 18 April 2007, on 23 April 2010, the Board of Directors was recalled (the members: Dr Valery Golubev, Dr Achim Saul, Kirill Seleznev and Joerg Tumat) and a new Board of Directors was elected: Uwe Fip, Dr Peter Frankenberg, Dr Valery Golubev, Kirill Seleznev and Romas Švedas. Dr V. Golubev became Chairman of the Board of Directors and Dr P. Frankenberg became Deputy Chairman of the Board of Directors.
- On 19 May, the Government of the Republic of Lithuania approved a new document, i.e. the Concept of the Law Amending the Law on Natural Gas of the Republic of Lithuania. The Concept was prepared by the Ministry of Energy of the Republic of Lithuania through adapting Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, the so-called third energy package of the EU.
- On 20 May, the Board of Directors of the Company approved new natural gas tariffs for household customers. On 27 May 2010, the new tariffs were approved by the NCCPE. The new tariffs took effect on 1 July 2010.

All notifications that in accordance with law are subject to publication in daily newspapers are published in the Lietuvos Rytas daily newspaper. Notifications on convening a general meeting of shareholders of the Company as well as other material events are posted in accordance with procedure established by the Law on Securities of the Republic of Lithuania on the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt) and the Company website [www.dujos.lt](http://www.dujos.lt). Where shareholders' holdings entitle them to at least 10% of the total voting rights, notifications to such shareholders on convening a general meeting of shareholders are dispatched in accordance with procedure established by the Bylaws of the Company.

## 4. Business environment

**Legal basis.** On 19 May 2010, the Government of the Republic of Lithuania approved the Concept of the Law Amending the Law on Natural Gas of the Republic of Lithuania aimed at establishing guidelines for the transposition into the legal basis of the Republic of Lithuania of Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas, the so-called third energy package of the EU. The Concept was drafted by the Ministry of Energy of the Republic of Lithuania. The third energy package of the EU provides for three models of the separation of the natural gas transmission and supply activities: Ownership Unbundling, Independent System Operator and Independent Transmission Operator. In accordance with the EU principles, the model of the implementation of any of the EU directives must be selected exclusively upon making a comprehensive analysis of the current situation. The drafters of the Concept did not take into account the provisions on Lawmaking Rules of the Government of the Republic of Lithuania, nor did they take into consideration the situation of Lithuania as an isolated gas market or make any study of assessment of the possible effects and selected Ownership Unbundling as the model of the implementation of the Directive. The major shareholders of the Company disagree with this position and have on numerous occasions publicly voiced their arguments regarding the reform of the Company provided for by the Concept and regarding the non-transparent organization of this process and invited the state authorities to have a dialogue, but all such addresses and invitations were ignored.

**Licensing.** The Law on Natural Gas of the Republic of Lithuania stipulates that the activities of natural gas transmission, distribution and supply are subject to licensing. The licences are issued and the supervision of the licensed activities is executed by the National Control Commission for Prices and Energy. The Company was granted a licence to engage in the natural gas transmission activities in all the administrative units of Lithuania. By the natural gas distribution licence the Company is granted the right to engage in the gas distribution activities in the territory of 41 municipalities. The natural gas supply licence grants the Company the right to engage in the natural gas supply business in the territory of the Republic of Lithuania.

**Pricing system and natural gas tariffs.** Natural gas transmission and distribution service tariffs as well as natural gas supply tariffs applicable to customers are subject to regulation. Price caps of the regulated tariffs are set for a five-year regulation period and by the NCCPE decision may be adjusted, however not more often than once a year and exclusively in cases provided for by the Law on Natural Gas of the Republic of Lithuania.

Specific natural gas transmission and distribution services tariffs are set by the Company on an annual basis. Natural gas tariffs for household customers are set once in every six months.

On 1 January 2010, new natural gas transmission and distribution service tariffs as well as natural gas supply tariffs for household customers, set by the Board of Directors of the Company and approved by the NCCPE, came into effect.

For the non-household customers, natural gas tariffs are subject to monthly recalculations. Natural gas import price depends on oil and gasoline prices in international market, the USD and EUR ratio set by the European Central Bank and actual calorific value of natural gas. Due to the developments on the energy resources markets and the currency markets in Half 1 of 2010, and in particular due to the significant drop in the value of the euro, since January of 2010, the natural gas tariffs for the non-household customers have been gradually rising.

Having taken into consideration the energy resource price dynamics on the global markets and having assessed the developments of the currency markets, on 20 May 2010, the Company's Board of Directors approved the natural gas tariffs for household customers applicable from 1 July 2010. For all household customers the variable tariff component was raised by on average 28 ct/m<sup>3</sup>. The standing charge (constant tariff component) remained unchanged. The NCCPE approved the tariffs presented by the Company.

For more detailed information on the natural gas service tariffs and gas tariffs for household customers see the Company website [www.dujos.lt](http://www.dujos.lt).

**Market.** In Half 1 of 2010, there were five companies importing natural gas into Lithuania: LD, AB Achema, UAB Dujotekana, UAB Kauno Termofikacijos Elektrinė and UAB Haupas. In Half 1 of 2010, the total volume of natural gas imported into Lithuania via system operated by LD amounted to 1.7 billion m<sup>3</sup>.

In Half 1 of 2010, the following companies supplied natural gas to household and non-household customers of Lithuania: LD, UAB Fortum Heat Lietuva, UAB Druskininkų Dujos, AB agro firm Josvainiai and UAB Intergas. UAB Dujotekana and UAB Haupas supplied gas only to non-household customers.

AB Achema and UAB Kauno Termofikacijos Elektrinė imported natural gas for their own needs.

## 5. Core activities of the Company

Core business activity of the Company:

- **Transmission:** transmission of natural gas via gas transmission system mostly comprised of high-pressure pipelines, except for the production process pipeline network and part of the high-pressure gas pipelines mainly used for the local distribution of natural gas, designed for the delivery of natural gas to consumers, except for gas supply.
- **Distribution:** distribution of natural gas via gas distribution pipelines except for the supply.
- **Supply:** gas selling and/or reselling to customers and gas delivery to the system.

In Half 1 of 2010, the Company's natural gas transmission, distribution and sales volumes have been increasing due to the higher energy demand following the decommissioning of the Ignalina Nuclear Power Plant and due to the cold weather prevailing in the beginning of the year.

In Half 1 of 2010, natural gas transmission volumes via the transmission system amounted to 1.7 billion m<sup>3</sup>, a rise of 18.6% y/y.

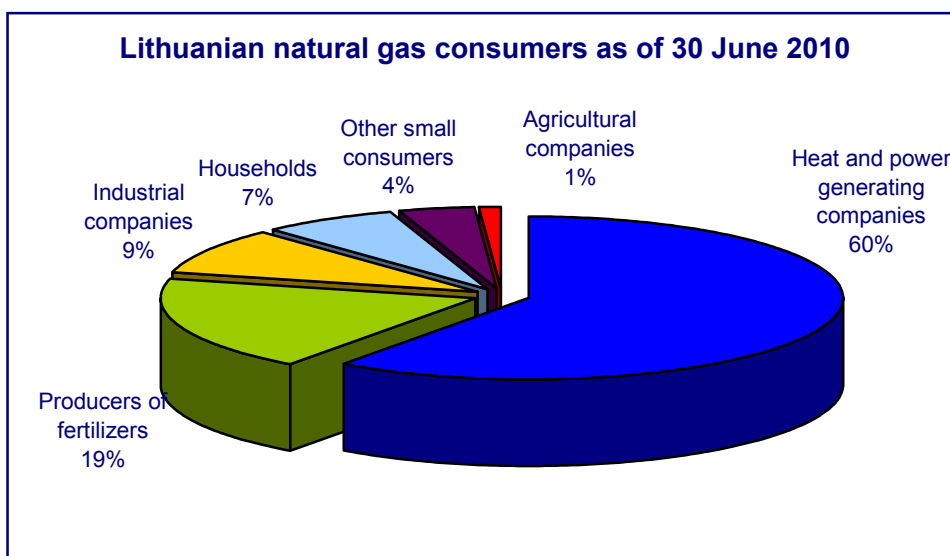
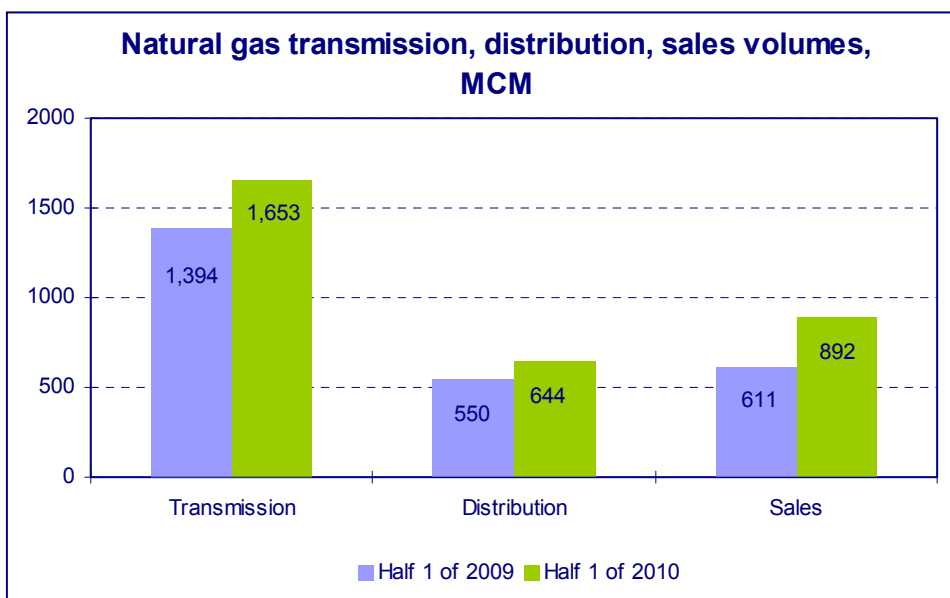
In Half 1 of 2010, natural gas transit volumes to the Kaliningrad Region of the Russian Federation amounted to 714.5 million m<sup>3</sup>, a rise of 22.7% y/y.

In Half 1 of 2010, the Company distributed 643.8 million m<sup>3</sup> of natural gas, a rise of 17.2% y/y.

In Half 1 of 2010, the Company's gas sales volumes increased by 46.1% y/y and amounted to 892.1 million m<sup>3</sup>. The Company's sales volumes increased both in the household customer sector (amounted to 116.4 million m<sup>3</sup>, a rise of 8.7% y/y) and in the non-household customers sector (amounted to 775.7 million m<sup>3</sup>, a rise of 54.1% y/y).

In Half 1 of 2010, the Company purchased natural gas from one supplier, OAO Gazprom. Within the framework of the implementation of the requirements of Resolution No 163 "On the Approval of the List of the Measures Ensuring the Security of Natural Gas Supply" of 26 February 2008 of the Government of the Republic of Lithuania, since 2008, the Company has been keeping a certain volume of natural gas for household customers in the Incukalns Underground Gas Storage Facility (the Republic of Latvia). In the event of breakdowns or emergency situations, in 2010, this accumulated volume of natural gas would ensure uninterrupted gas supplies to household customers for 30 days.

As of 30 June 2010, the Company sold natural gas to over 550 thousand customers. They were energy and industrial companies, other companies and organizations as well as households.



## 6. Financial performance

### Group's key performance indicators

	30 Jun 2010	30 Jun 2009	31 Dec 2009
<b>Performance indicators</b>			
Volume of transmitted natural gas, M m <sup>3</sup>	1,653.1	1,394.4	2,681.4
Volume of natural gas transit, M m <sup>3</sup>	714.5	582.1	1,197.3
Volume of distributed natural gas, M m <sup>3</sup>	643.8	549.5	1,030.9
Volume of natural gas sales, M m <sup>3</sup>	892.1	610.5	1,150.9
<b>Number of customers that have concluded natural gas supply agreements at the end of the period, thousand pcs</b>			
Household customers	544.8	542.1	544.2
Non-household customers	5.6	5.6	5.7
<b>Length of gas pipelines operated, thousand km</b>			
Transmission pipelines	1.9	1.8	1.9
Distribution pipelines	8.1	8.0	8.1
<b>Employees</b>			
Average number of employees	1,754	1,806	1,787

### Group's key financial indicators

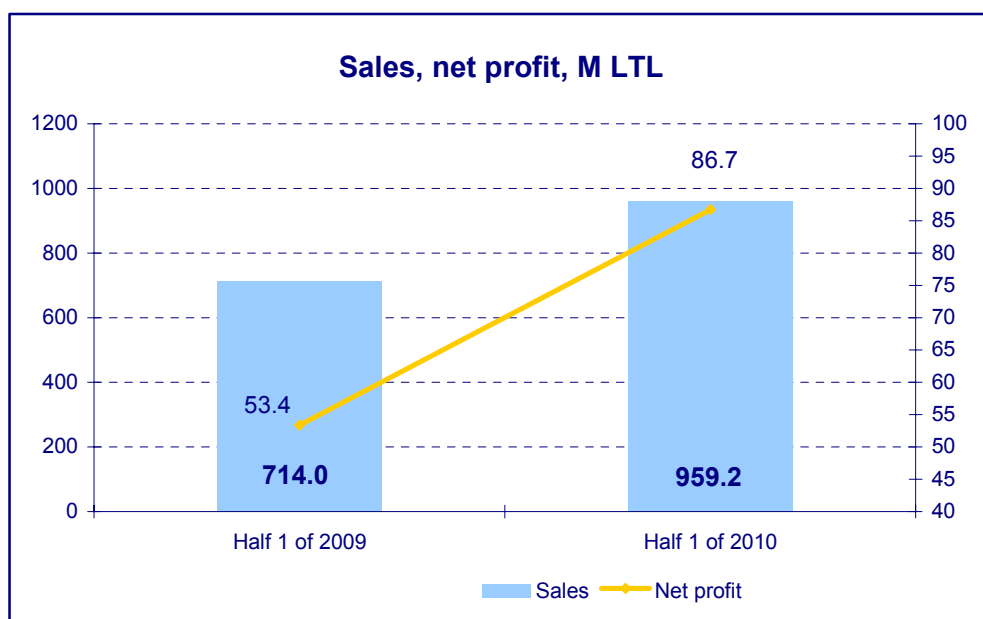
	30 Jun 2010	30 Jun 2009	31 Dec 2009
<b>Financial results</b>			
Sales, M LTL	959.2	714.0	1,264.3
Earnings before interest, taxes, depreciation and amortization (EBITDA), M LTL	148.9	112.9	214.8
Profit from operations, M LTL	99.2	64.2	117.1
Profit before tax, M LTL	101.7	65.9	120.1
Net profit, M LTL	86.7	53.4	94.8
<b>Investments, M LTL</b>			
Investments, M LTL	83.2	78.2	139.8
<b>Assets at the end of the period, M LTL</b>			
Assets at the end of the period, M LTL	2,492.4	2,379.1	2,551.2
<b>Equity at the end of the period, M LTL</b>			
Equity at the end of the period, M LTL	2,006.8	1,890.7	1,991.2
<b>Profitability ratios</b>			
EBITDA margin, %	15.5	15.7	16.9
Profit from operations margin, %	10.3	9.0	9.2
Profit before tax margin, %	10.6	9.2	9.5
Net profit margin, %	9.0	7.4	7.5
Average return-on-assets ratio (ROA), %	3.4	2.2	3.7
Average return-on-equity ratio (ROE), %	4.3	2.8	4.9
<b>Liquidity</b>			
Overall liquidity	1.3	1.3	1.3
Quick ratio	0.9	1.0	1.1
<b>Leverage</b>			
Debt to equity ratio, %	24.2	25.8	28.1

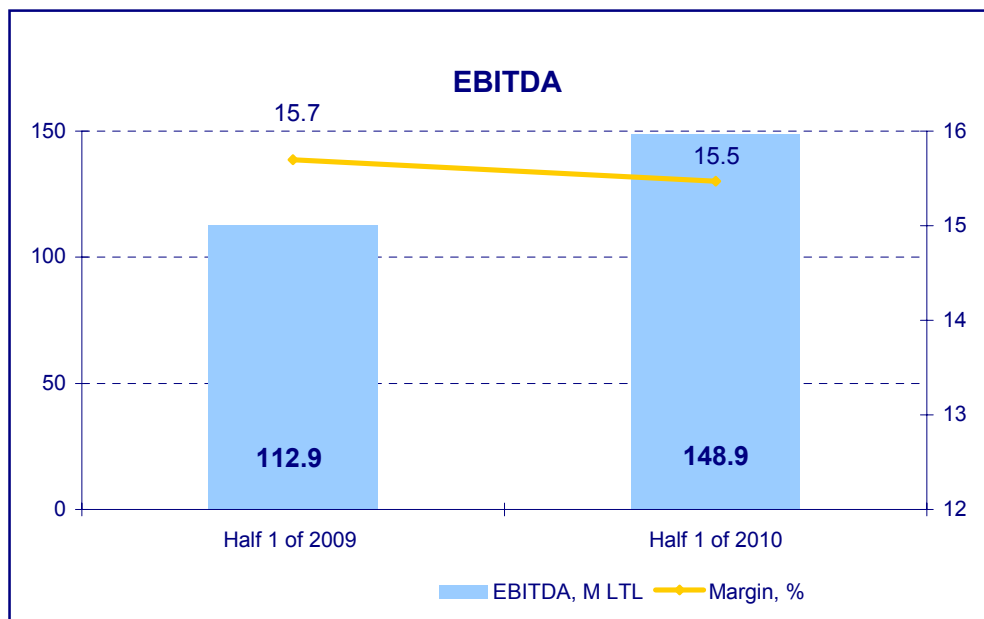
Debt ratio, %	19.5	20.5	22.0
<b>Market value ratios</b>			
Price-earnings ratio (P/E)	12.06	10.82	10.50
Dividend payment ratio, %	–	–	75.0
Basic earnings per share, LTL	0.18	0.11	0.20
Dividends per share for the current year, LTL	–	–	0.15

The Company prepared Consolidated Financial Statements for the six months ended 30 June 2010, where the financial results of its subsidiary UAB Palangos Perlas were also reflected. The overview of the financial results of AB Lietuvos Dujos Group (hereinafter referred to as “the Group”) is presented below.

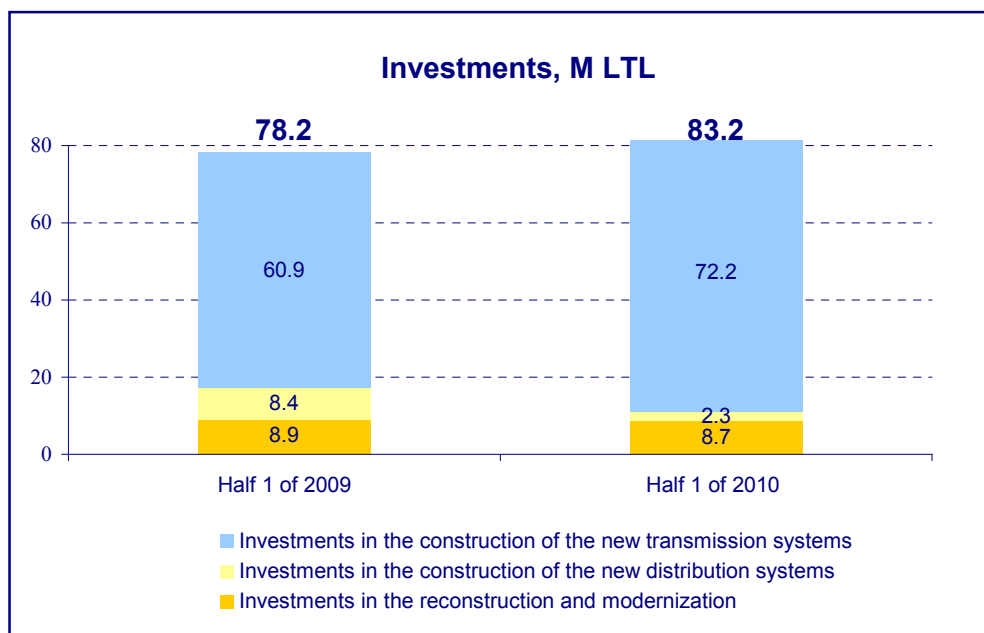
In Half 1 of 2010, the sales of the Group increased by 34.3% y/y and amounted to LTL 959.2 million (Half 1 of 2009: LTL 714.0 million).

In Half 1 of 2010, the consolidated pre-audited profit before tax amounted to LTL 101.7 million (Half 1 of 2009: LTL 65.9 million), and the net profit amounted to LTL 86.7 million (Half 1 of 2009: LTL 53.4 million). The exceptionally cold weather prevailing in the beginning of 2010 and the increase in gas demand for electrical power production, following the decommissioning of the Ignalina Nuclear Power Plant, determined that the Company’s gas transportation volume of Half 1 of 2010, compared with Half 1 of 2009, increased by almost one-fifth and the Company’s natural gas sales volume increased by almost one-half. This had a respective effect on the revenue and profit growth. However, the result of Quarter 2 of 2010, compared with the respective result of the previous year, was significantly worse (net profit of Quarter 2 of 2010 stands at LTL 15.1 million, whereas in the respective period of the previous year, it stood at LTL 24.1 million). In the activity of natural gas supply to the household customers, in Half 1 of 2010, the Company incurred a loss (the actual natural gas import price was higher than the price included in the tariff for the household customers). The result of Half 1 of 2010 was favorably impacted by the lower profit tax rate, as compared with the respective rate of the previous year, and by the continuation of the implementation of the strict cost-saving and efficiency-raising policy.





**Investments.** In Half 1 of 2010, the Group invested LTL 83.2 million (Half 1 of 2009: LTL 78.2 million). The major part of the investment amount was allocated to the construction of the Gas Compressor Station in Jauniūnai, Širvintos District (LTL 72.2 million). Because of the difficult economic situation of the country, the Company’s investments into development of gas distribution systems were significantly lower compared with those of Half 1 of 2009.



For more detailed information on the financial results of the Group, see the Consolidated and Parent Company’s Financial Statements for the six months ended 30 June 2010.

## 7. Research and development activities

Due to the nature and specificity of the Company’s business activities, a great deal of attention is being paid to the research into diagnostics of natural gas pipelines, technical condition of the infrastructure, environment protection, market development, as well as research into other



activities and processes in which the Company is engaged. The recommendations presented in the research reports are assessed and analyzed, whereupon, in accordance with the results, the reconstruction and modernization of the Company's natural gas systems is carried out and investment projects for market development are drafted and implemented.

## **8. Risk management**

The Company has implemented a Risk Management System which is a constituent part of LD activities. The risk management activities are aimed at maintaining a sufficient business process control level, at minimizing the probability of occurrence of events that may cause risks and minimizing their possible negative effects, at ensuring that risks would not exceed the levels acceptable to LD and at implementing the Company's goals.

The LD Risk Management Process is carried out in accordance with a Methodology that has been developed and comprises the following steps:

- Risk identification;
- Risk analysis, assessment and establishing the risk control measures;
- Developing the Risk Management Action Plan;
- Implementation of measures of the Risk Management Action Plan;
- Monitoring and supervision of the Risk Management Process.

Main risks having the greatest impact on the Company's activities:

- Legal regulation-related risk;
- Competition risk;
- Credit risk;
- Natural gas import price fluctuation risk;
- Technical risk;
- Macro-economic factors risk.

## **9. Litigation and arbitration**

The information on litigation and arbitration is presented in the Consolidated and Parent Company's Financial Statements for the six months ended 30 June 2010.

## **10. Main features of the Group's internal control and risk management systems related to the preparation of consolidated financial statements**

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). To ensure that consolidated financial statements are prepared correctly and timely, the Company has approved the Instruction for Accounting Procedures and Policies, which regulates the principles, methods, and rules of accounting and preparation and presentation of consolidated financial statements.



## 11. Business plans and forecasts

It is projected that in 2010, compared with 2009, the natural gas transmission volume to the customers of Lithuania via the Gas Transmission System of LD will increase due to the growth in demand for energy and due to the colder weather conditions that prevailed in the beginning of the year.

In 2010, the Company is continuing with the implementation and plans the completion of the significant National Energy Strategy Project, namely the Gas Compressor Station Construction Project in Jauniūnai, Širvintos District. The purpose of the Jauniūnai Gas Compressor Station is to secure adequate natural gas supplies to customers of Lithuania, following the decommissioning of the Ignalina Nuclear Power Plant, to cater for the increasing demand for gas transit capacities to the Kaliningrad Region of the Russian Federation, and to take into account the prospective infrastructure projects and gas pipeline connections. The construction of the new Gas Compressor Station is financed exclusively with own funds of the Company. The value of the Compressor Station is estimated to exceed LTL 200 million. By the middle of the year 2010, the Company had already invested into this Project almost LTL 150 million.

The Company's investments into the construction of new gas systems in 2010 are projected to exceed those of 2009.

The Company will continue with the implementation of projects started at an earlier date aimed at raising the efficiency of operations, cost optimization, customer settlement control and procedure for recovery of debts.

## 12. Management of the Company

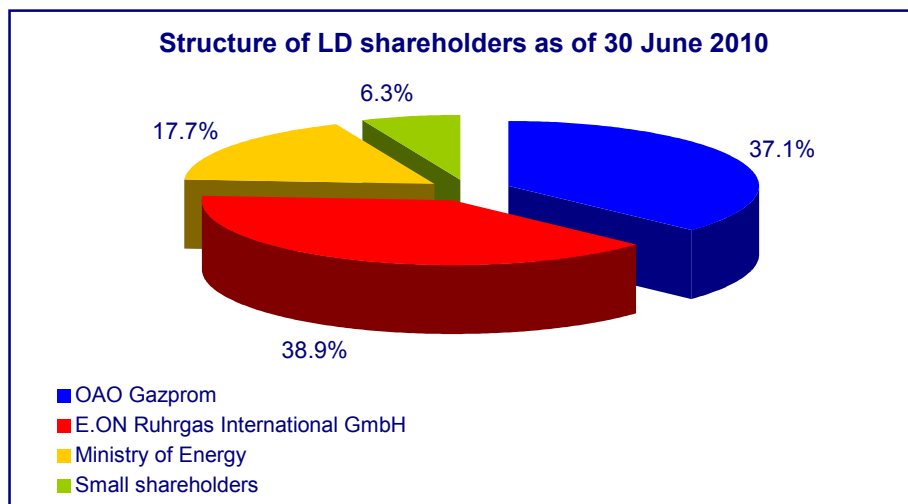
**Information on the observance of the Code of Governance.** The Company has disclosed the information regarding the observance of the provisions of the Code of Governance. All the information is available at the Central Database of Regulated Information [www.crib.lt](http://www.crib.lt) and at the Company website [www.dujos.lt](http://www.dujos.lt).

**Shareholders and shares.** The authorized capital of the Company consists of 469,068,254 fully paid ordinary registered shares with par value of LTL 1 each. In Half 1 of 2010, the value of the authorized capital did not change, the par value of shares and the structure of shareholders also remained unchanged.

In accordance with the Resolution of the Government of the Republic of Lithuania No 584 as of 19 May 2010, on 2 June 2010, the function of holding the state-owned stake of LD was transferred from the State Property Fund to the Ministry of Energy of the Republic of Lithuania.

In January of 2010, the legal form of one of the shareholders of the Company E.ON Ruhrgas International AG changed to E.ON Ruhrgas International GmbH.

As of 30 June 2010, the total number of shareholders was 2,565.



The shareholders of the Company E.ON Ruhrgas International GmbH, OAO Gazprom and the Ministry of Energy of the Republic of Lithuania have the controlling interest and have a casting vote when taking decisions at the general meeting of shareholders. There are no other shareholders with holdings in excess of 5% of the total share capital of LD. The aforesaid major shareholders have concluded a shareholders' agreement setting out the shareholders' common aims related to the Company's activities. The agreement is confidential.

The Company's shareholders E.ON Ruhrgas International GmbH, OAO Gazprom and the Ministry of Energy of the Republic of Lithuania are not subject to any securities disposal restrictions except the ones provided for in the shares purchase-sale (privatization) agreements.

To the best of the Company's knowledge, there exist no shareholders arrangements that might serve as grounds for the securities disposal restrictions and/or voting right restrictions except the arrangements made in the shares purchase-sale (privatization) agreements and the shareholders' agreement.

There exists one important agreement in which the Company is involved as a party and that would be changed or discontinued should there occur a change in the Company's control. The agreement is confidential.

Property and non-property rights granted by the Company's shares are equal.

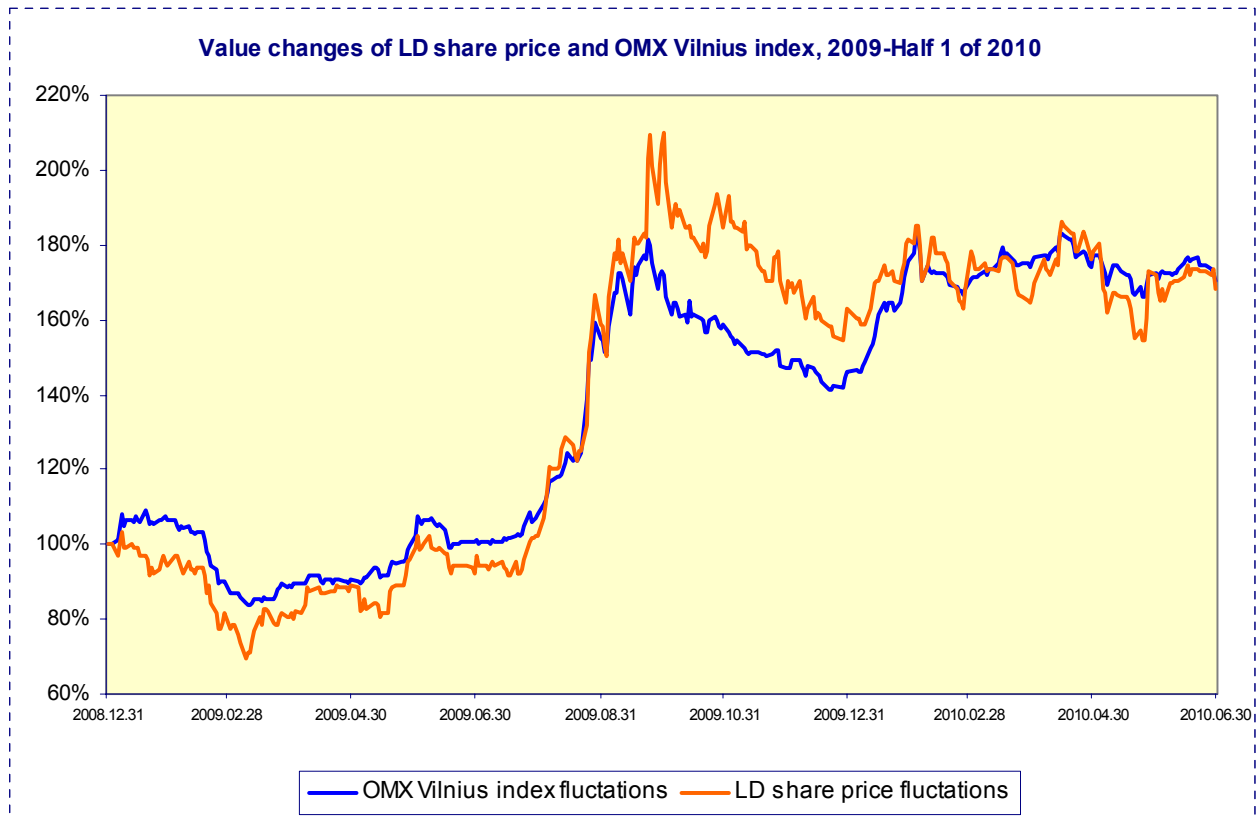
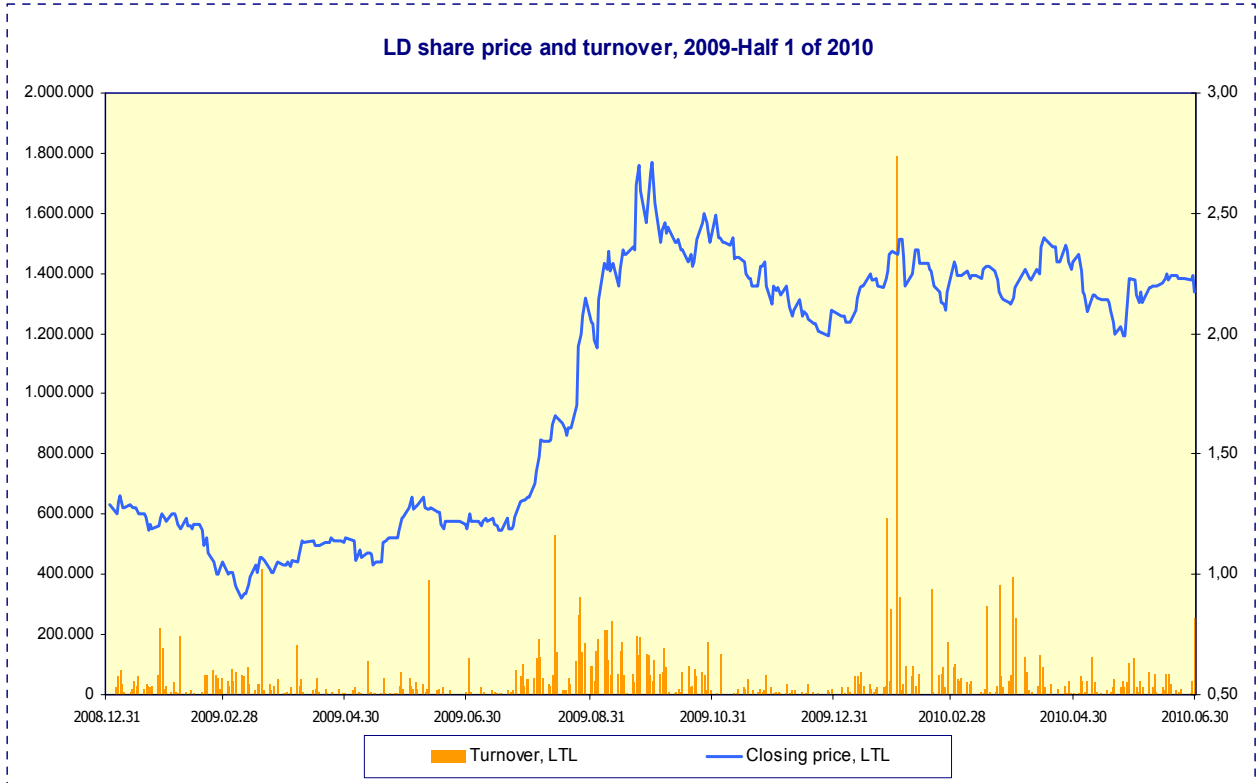
The Company has not acquired its own shares and in Half 1 of 2010 it did not conclude any transactions associated with the acquisition or disposal of its own shares.

**Data about trading in the Company's securities on the regulated markets.** The Company's shares are traded on the regulated market, they are listed on the Main List at the stock exchange NASDAQ OMX Vilnius.

As of 30 June 2010, on the NASDAQ OMX Vilnius Main List, there were 469,068,254 ordinary registered shares of the Company with par value of LTL 1 (one) each (ISIN code LT0000116220); the total par value of the shares amounted to LTL 469,068,254.

As of 30 June 2010, the capitalization of the Company's ordinary registered shares amounted to LTL 1,017.9 million. In Half 1 of 2010, the total turnover trade in the Company's shares at the NASDAQ OMX Vilnius amounted to LTL 9.1 million, and the number of shares traded based on the transactions concluded totaled 4,079,238 units.

Share price dynamics at NASDAQ OMX Vilnius in Half 1 of 2010	
Price per share as of 31 December 2009	LTL 2.10
Highest price per share in Half 1 of 2010	LTL 2.41
Lowest price per share in Half 1 of 2010	LTL 1.97
Price per share as of 30 June 2010	LTL 2.17



Starting from 2002, each year, the Company has been appropriating part of its profit to the payout of dividends. For the Year 2009, dividends in amount of LTL 71.1 million were paid out, which amounts to 15.2 Lithuanian cents per share.

**Agreements with intermediaries of public trading in securities.** On 26 November 2003, the Company concluded an agreement with the financial brokerage company AB FMĮ Finasta regarding the accounting of securities issued by the Company as well as other services related to securities accounts.

<b>Company Particulars of AB FMĮ Finasta</b>	
Company code	122570630
Financial brokerage enterprise licence No	A087 (issued by the Securities Commission)
Registered office	Maironio g. 11, Vilnius, Lithuania
Telephone number	+370 5 2786833, +370 5 2786844
E-mail address	info@finasta.lt
Website	www.finasta.lt

**Management structure.** The Company is a vertically integrated enterprise. The Company's business practices are governed by the Law on Companies of the Republic of Lithuania, the Law on Securities of the Republic of Lithuania, the Bylaws of the Company as well as other applicable legal acts of the Republic of Lithuania. The competence of the general meeting of shareholders of the Company, the shareholders rights and their implementation procedure are as prescribed by the Law on Companies and the Bylaws of the Company.

The Company has five natural gas distribution branches in different regions of Lithuania: Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys.

On 23 April 2010 the shareholders approved the new wording of the Bylaws of LD. The new Bylaws were registered with the Register of Legal Persons on 7 May 2010. The Bylaws of the Company provide for a possibility of amending the Bylaws by a decision of a general meeting of shareholders taken by a majority vote that has to be no less than 2/3 of all the votes carried by the shares held by the shareholders attending the general meeting of shareholders.

According to the Bylaws the Company has the following governing bodies:

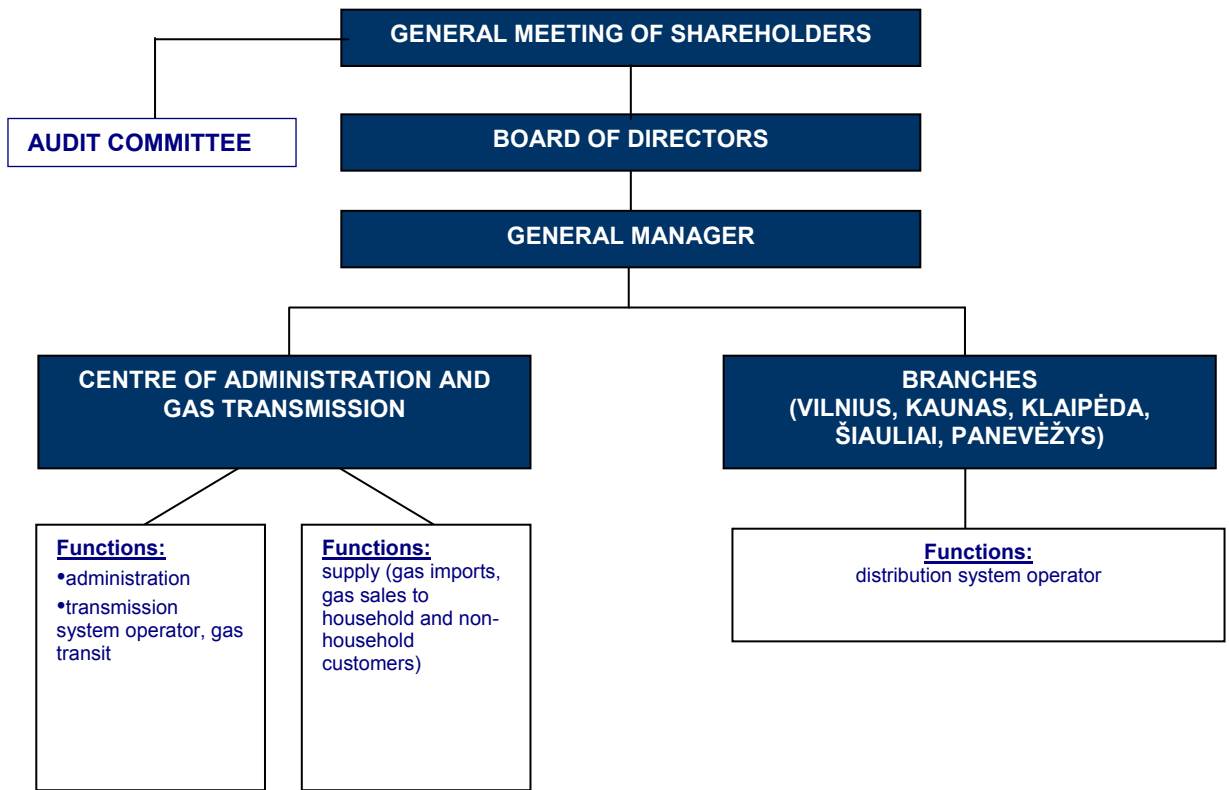
- The Board of Directors,
- The Chief Executive Officer – General Manager.

According to the Bylaws, the Company's Board of Directors consists of 5 (five) members elected for a period of three years in accordance with procedure provided for in the Law on Companies of the Republic of Lithuania. Members of the Board of Directors elect the Chairman of the Board of Directors. The Chairman of the Board of Directors and his Deputy are elected for a period of two years by rotation. Members of the Board of Directors may be re-elected for another term. The powers of the Members of the Board of Directors and the fields of activity of the Chief Executive Officer of the Company are as prescribed by the Law on Companies and the Bylaws of the Company, there are no exceptions with regard to any powers of the Members of the Board of Directors or the Chief Executive Office subject to additional notification.

In accordance with the Law on Audit, since 2009 an Audit Committee was set up at the Company. The rights and duties of the Audit Committee are set out in the regulations of the formation and activities of this supervisory body of the Company. The term of office of the Audit

Committee coincides with the term of office of the Board of Directors by which the members of the Audit Committee were nominated.

**Organization Chart**



**Composition of the Board of Directors from 22 April 2009 to 23 April 2010**

No	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr Valery Golubev	Chairman of the Board of Directors	April 2007 – April 2010
2.	Dr Achim Saul	Deputy Chairman of the Board of Directors	April 2008 – April 2010
3.	Vladas Kazimieras Gagilas*	Member of the Board of Directors	April 2007 – April 2010
4.	Kirill Seleznev	Member of the Board of Directors	April 2007 – April 2010
5.	Joerg Tumat	Member of the Board of Directors	April 2009 – April 2010

\* Resigned with effect from 1 July 2009.

**Composition of the Board of Directors from 23 April 2010**

No	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr Valery Golubev	Chairman of the Board of Directors	April 2010 – April 2013
2.	Dr Peter Frankenberg	Deputy Chairman of the Board of Directors	April 2010 – April 2013
3.	Uwe Fip	Member of the Board of Directors	April 2010 – April 2013
4.	Kirill Seleznev	Member of the Board of Directors	April 2010 – April 2013
5.	Romas Švedas	Member of the Board of Directors	April 2010 – April 2013

**Information on the start and end of the term of the Audit Committee**

No	Full name	Position title	Place of employment	Start and end of term
Audit Committee:				
1.	Juozas Kabašinskas	Independent member	UAB JK GĖRIMŲ NAMAI, UAB JKP Namai, J. Kabašinskas Consultancy	April 2009 – April 2010; April 2010 – April 2013
2.	Daiva Petrovienė	Member	AB Lietuvos Dujos	April 2009 – April 2010
3.	Agnė Žičiūtė	Member	AB Lietuvos Dujos	April 2010 – April 2013

**Information on the start and end of the term of the top executives**

No	Full name	Position title	Start and end of term
Top executives:			
1.	Viktoras Valentukevičius	General Manager	April 2007 – April 2010; April 2010 – April 2013
2.	Dr Joachim Hockertz	Deputy General Manager – Director of Commerce	From 1 July 2002
3.	Jonas Janiulionis	Deputy General Manager – Technical Director	From 13 September 2002
4.	Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase	From 3 May 2004
5.	Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	April 2007 – April 2010; April 2010 – May 2010; From 7 May 2010 (open- ended contract)

**Participation of members of the governing bodies in the authorized share capital**

Full name	Position title	Participation in the capital of the Issuer	
		Share of the authorized capital held, %	Share of the voting rights held, %
<b>Board of Directors (as of 30 June 2010)</b>			
Dr Valery Golubev	Chairman of the Board of Directors	–	–
Dr Peter Frankenberg	Deputy Chairman of the Board of Directors	–	–
Uwe Fip	Member of the Board of Directors	–	–
Kirill Seleznev	Member of the Board of Directors	–	–
Romas Švedas	Member of the Board of Directors	–	–

<b>Audit Committee (as of 30 June 2010)</b>			
Juozas Kabašinskas	Independent member	–	–
Agnė Žičiūtė	Member	0.000	0.000
<b>Top executives (as of 30 June 2010)</b>			
Viktoras Valentukevičius	CEO – General Manager	0.013	0.013
Dr Joachim Hockertz	Deputy General Manager – Director of Commerce	–	–
Jonas Janiulionis	Deputy General Manager – Technical Director	0.001	0.001
Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase	–	–
Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	–	–

**Subsidiary.** As of 30 June 2010, the Company had one subsidiary, UAB Palangos Perlas. The main areas of the company activities: hotel and other board and lodging services, organization of seminars and conferences. 100% of UAB Palangos Perlas shares are held by LD. In Half 1 of 2010, the authorized capital of UAB Palangos Perlas did not change, it is divided into 9,703,763 ordinary registered shares with par value of LTL 1 (one) each. In Half 1 of 2010, the average number of employees of UAB Palangos Perlas was 22.

In Half 1 of 2010, UAB Palangos Perlas incurred a loss of LTL 201.6 thousand (Half 1 of 2009: loss of LTL 87.7 thousand).

### Main data about UAB Palangos Perlas

Date and place of registration	19 January 1998, State Enterprise Centre of Registers
Company code	152681177
Registered office	Gintaro g. 36, LT-00133 Palanga, Lithuania
Telephone number	+370 460 52441
E-mail address	info@zydrojiliepsna.lt
Website	www.zydrojiliepsna.lt

**Transactions of associated parties.** The information is presented in the Consolidated and Parent Company's Financial Statements for the six months ended 30 June 2010.

## 13. Staff

### Average number of the Group's employees on the roll

Year	Average number of employees on the roll	Change compared to previous year
2009	1,787	-1.9%*
Half 1 of 2010	1,754	-1.85%**

\* compared to 2008

\*\* compared to 2009



**Breakdown of the Group's employees by educational background**

Average number of employees on the roll in Half 1 of 2010	Of this total, educational background:			
	Higher (university)	Post-secondary	Secondary	Unfinished secondary
1,754	784	398	543	29
100%	45%	22%	31%	2%

**Average monthly salary by employee groups (of the Group), in LTL**

Employees	Average number of employees on the roll in Half 1 of 2010	Average monthly salary, LTL
Managing staff	136	7,511
Specialists	998	3,104
Workers	620	2,407
Total:	1,754	3,199

With a view to raising the Company's resource management efficiency, in 2010, we continue the optimization of the Company's Organization Chart.

The version of the Collective Bargaining Agreement of the Company (with subsequent amendments) signed on 6 December 2006 will be in effect until 28 May 2011. Neither the labor contracts, nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees. The rights and duties usually applied in general practice have been established.

With the aim of raising the efficiency of the implementation of the Company Strategy and its main goals, improving the Company's employees' motivation and career planning, the Company has implemented a Human Resource Management System, which is being improved on an ongoing basis. The staff selection process is based on a new Staff Selection Procedures Manual, and in 2010, a new Staff Adaptation Procedures Manual has been compiled. The purpose of the preparation of the aforesaid Procedures Manuals is to establish uniform staff selection and adaptation processes with a company-wide coverage, developing and improving the Company's personnel management policy.

LD devotes special attention to the creation of adequate working conditions for the personnel and to ensuring remuneration and social guarantees conforming to the market situation. Special attention is paid to the training of employees and improvement of their qualifications.

**14. Membership in associated structures**

The Company is a member of the following organizations:

- The Lithuanian Gas Association. Website: [www.dua.lt](http://www.dua.lt).
- The Association "Eurogas". Website: [www.eurogas.org](http://www.eurogas.org)
- The association of transmission pipeline companies of the Baltic Sea Region "Baltic Gas". Website: [www.balticgas.org](http://www.balticgas.org).
- The Chamber of Commerce of Germany and the Baltic countries ("AHK") in Estonia, Latvia and Lithuania. Website: [www.ahk-balt.org](http://www.ahk-balt.org).
- The association of the largest and most active investors in the economy of Lithuania "Investors' Forum". Website: [www.investorsforum.lt](http://www.investorsforum.lt).

The Company does not participate in the capital of any of the aforesaid associated structures.



The member of the associations “Eurogas”, “Baltic Gas” and The Chamber of Commerce of Germany and the Baltic countries (“AHK”) E.ON Ruhrgas International GmbH and the member of the association “Baltic Gas” OAO Gazprom each hold over 5% of shares of the Company.

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