



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

Aguonų g. 24, LT-03212 Vilnius, Lithuania

Tel. + 370 5 236 0210 Fax + 370 5 236 0200 E-mail [ld@lietuvosdujos.lt](mailto:ld@lietuvosdujos.lt) Home page <http://www.dujos.lt>

---

To: The Securities Commission  
of the Republic of Lithuania

2011-08-26

**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 2011 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 and cash flows of AB Lietuvos Dujos and the Group and the Interim Consolidated Report for the Six Months of 2011 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 2011  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

## Statements of financial position

	Notes	Group		Company	
		As of 30 June 2011 (pre-audited)	As of 31 December 2010 (audited)	As of 30 June 2011 (pre-audited)	As of 31 December 2010 (audited)
<b>ASSETS</b>					
<b>A. Non-current assets</b>		<b>2,326,197</b>	<b>2,368,608</b>	<b>2,327,908</b>	<b>2,370,194</b>
I. Intangible assets		3,134	3,867	3,123	3,852
II. Property, plant and equipment		2,323,040	2,364,718	2,315,581	2,357,138
II.1. Land		223	183	223	183
II.2. Buildings and structures		2,001,249	2,034,892	1,994,237	2,027,808
II.2.1. Buildings		88,806	89,492	81,794	82,408
II.2.2. Transmission networks and related installations		1,216,247	1,239,810	1,216,247	1,239,810
II.2.3. Distribution networks and related installations		671,513	680,072	671,513	680,072
II.2.4. Other buildings and structures		24,683	25,518	24,683	25,518
II.3. Machinery and equipment		251,968	260,264	251,968	260,264
II.4. Vehicles		13,719	15,562	13,635	15,467
II.5. Other equipment, tools and devices		29,867	33,062	29,570	32,726
II.6. Other property, plant and equipment		3,283	3,519	3,283	3,519
II.7. Construction in progress		22,731	17,236	22,665	17,171
III. Non-current financial assets		23	23	9,204	9,204
III.1. Investments into subsidiaries		-	-	9,181	9,181
III.2. Non-current accounts receivable		23	23	23	23
<b>B. Current assets</b>		<b>294,554</b>	<b>340,977</b>	<b>292,380</b>	<b>338,742</b>
I. Inventories and prepayments		62,565	47,623	62,544	47,600
I.1. Inventories	5	62,165	47,307	62,154	47,294
I.1.1. Raw materials, spare parts and other inventories		6,680	5,422	6,680	5,421
I.1.2. Goods for resale (including natural gas)		55,485	41,885	55,474	41,873
I.2. Prepayments		400	316	390	306
II. Accounts receivable		160,251	174,288	160,199	174,265
II.1. Trade receivables	6	157,674	170,283	157,627	170,281
II.2. Other receivables		2,577	4,005	2,572	3,984
III. Prepaid income tax		-	2,494	-	2,494
IV. Other current assets	7	11,989	2,036	10,000	-
V. Cash and cash equivalents		59,749	114,536	59,637	114,383
<b>Total assets</b>		<b>2,620,751</b>	<b>2,709,585</b>	<b>2,620,288</b>	<b>2,708,936</b>

(cont'd on the next page)



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

AB LIETUVOS DUJOS, company code 120059523, Aaguonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(all amounts are in LTL thousand unless otherwise stated)

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

	Notes	Group		Company	
		As of 30 June 2011	As of 31 December 2010	As of 30 June 2011	As of 31 December 2010
		(pre-audited)	(audited)	(pre-audited)	(audited)
<b>EQUITY AND LIABILITIES</b>					
<b>C. Equity</b>		<b>2,045,589</b>	<b>2,079,578</b>	<b>2,044,637</b>	<b>2,078,611</b>
I. Share capital		469,068	469,068	469,068	469,068
II. Reserves		1,491,640	1,452,130	1,489,543	1,449,828
II.1. Legal reserve		39,100	31,114	38,908	30,922
II.2. Other reserves		1,452,540	1,421,016	1,450,635	1,418,906
III. Retained earnings		84,881	158,380	86,026	159,715
<b>D. Liabilities</b>		<b>575,162</b>	<b>630,007</b>	<b>575,651</b>	<b>630,325</b>
I. Non-current liabilities		352,419	356,189	353,026	356,569
I.1. Non-current borrowings		3,216	4,288	3,216	4,288
I.2. Grants (deferred revenue)		179,073	177,842	179,073	177,842
I.3. Non-current employee benefits		9,097	9,097	9,097	9,097
I.4. Deferred tax liability		161,033	164,962	161,640	165,342
II. Current liabilities		222,743	273,818	222,625	273,756
II.1. Current portion of non-current borrowings		2,144	2,144	2,144	2,144
II.2. Trade payables	8	145,728	206,006	145,702	205,992
II.3. Prepayments received		19,731	12,203	19,714	12,199
II.4. Income tax payable		10,946	-	10,946	-
II.5. Payroll related liabilities		10,202	10,227	10,135	10,193
II.6. Other payables and current liabilities	9	33,992	43,238	33,984	43,228
<b>Total equity and liabilities</b>		<b>2,620,751</b>	<b>2,709,585</b>	<b>2,620,288</b>	<b>2,708,936</b>

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

General Manager	Viktoras Valentukevičius		26 August 2011
Chief Accountant	Žydrūnas Augutis		26 August 2011

AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania  
 CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2011  
 (all amounts are in LTL thousand unless otherwise stated)

**Income statements**

Notes	Group		Company		Group		Company		
	Three months period ended 30 June 2011	Three months period ended 30 June 2010	Three months period ended 30 June 2011	Three months period ended 30 June 2010	Six months period ended 30 June 2011	Six months period ended 30 June 2010	Six months period ended 30 June 2011	Six months period ended 30 June 2010	
	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	
I.	Revenue	360,476	275,983	360,264	275,807	927,204	962,933	926,940	962,693
I.1.	Sales	359,102	274,264	358,905	274,088	924,435	959,182	924,186	958,942
I.2.	Other income	1,374	1,719	1,359	1,719	2,769	3,751	2,754	3,751
II.	Expenses	(331,492)	(260,269)	(331,203)	(259,968)	(828,512)	(863,706)	(827,981)	(863,180)
II.1.	Cost of natural gas	(263,227)	(192,778)	(263,227)	(192,778)	(697,519)	(739,245)	(697,519)	(739,245)
II.2.	Other expenses	(68,265)	(67,491)	(67,976)	(67,190)	(130,993)	(124,461)	(130,462)	(123,935)
III.	Profit from operations	28,984	15,714	29,061	15,839	98,692	99,227	98,959	99,513
IV.	Financial activity	661	807	648	788	1,124	2,487	1,099	2,407
IV.1.	Income	748	920	735	901	1,307	2,313	1,282	2,259
IV.2.	Expense	(87)	(113)	(87)	(113)	(183)	174	(183)	148
V.	Profit before tax	29,645	16,521	29,709	16,627	99,816	101,714	100,058	101,920
VI.	Income tax	(2,666)	(1,401)	(2,662)	(1,399)	(13,805)	(14,983)	(14,032)	(14,979)
VI.1.	Current period income tax	(4,360)	(3,164)	(4,360)	(3,164)	(17,734)	(18,798)	(17,734)	(18,798)
VI.2.	Deferred income tax	1,694	1,763	1,698	1,765	3,929	3,815	3,702	3,819
VII.	Net profit	26,979	15,120	27,047	15,228	86,011	86,731	86,026	86,941
	Basic and diluted earnings per share (LTL)	10	0.06	10	0.03	0.18	0.18	0.18	0.18

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

General Manager Viktoras Valentukevičius 26 August 2011

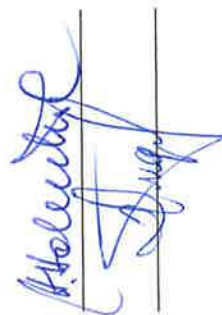
Chief Accountant Žydrūnas Augutis 26 August 2011

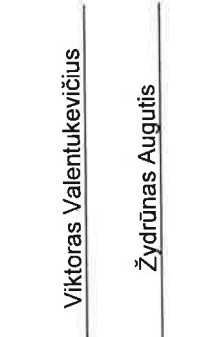
AB LIETUVOS DUJOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania  
 CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS  
 FOR THE SIX MONTHS ENDED 30 JUNE 2011  
 (all amounts are in LTL thousand unless otherwise stated)

**Statements of comprehensive income**

	Group		Company		Group		Company	
	Three months period ended 30 June 2011 (pre-audited)	Three months period ended 30 June 2010 (pre-audited)	Three months period ended 30 June 2011 (pre-audited)	Three months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)
I. Net profit	26,979	15,120	27,047	15,228	86,011	86,731	86,026	86,941
II. Total comprehensive income	26,979	15,120	27,047	15,228	86,011	86,731	86,026	86,941

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



General Manager Viktoras Valentukevičius  26 August 2011

Chief Accountant Žydrūnas Augutis  26 August 2011

## Statements of changes in equity

<u>Group</u>	<u>Notes</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as of 1 January 2010 (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 cover the losses of subsidiary		-	-	(91)	91	-
Dividends declared		-	-	-	(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>
<b>Balance as of 31 December 2010 (audited)</b>		<b>469,068</b>	<b>31,114</b>	<b>1,421,016</b>	<b>158,380</b>	<b>2,079,578</b>
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(205)	205	-
Dividends declared	11	-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	86,011	86,011
<b>Balance as of 30 June 2011 (pre-audited)</b>		<b>469,068</b>	<b>39,100</b>	<b>1,452,540</b>	<b>84,881</b>	<b>2,045,589</b>

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

General Manager	Viktoras Valentukevičius		26 August 2011
Chief Accountant	Žydrūnas Augutis		26 August 2011

AB LIETUVOS DUJOS, company code 120059523, Abugonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(all amounts are in LTL thousand unless otherwise stated)

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

<u>Company</u>	<u>Notes</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as of 1 January 2010 (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		-	-	-	(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>
<b>Balance as of 31 December 2010 (audited)</b>		<b>469,068</b>	<b>30,922</b>	<b>1,418,906</b>	<b>159,715</b>	<b>2,078,611</b>
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Dividends declared	11	-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	86,026	86,026
<b>Balance as of 30 June 2011 (pre-audited)</b>		<b>469,068</b>	<b>38,908</b>	<b>1,450,635</b>	<b>86,026</b>	<b>2,044,637</b>

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

<u>General Manager</u>	<u>Viktoras Valentukevičius</u>		<u>26 August 2011</u>
<u>Chief Accountant</u>	<u>Žydrūnas Augutis</u>		<u>26 August 2011</u>



AB LIETUVOS DUJOS, company code 120059523, Aaguonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(all amounts are in LTL thousand unless otherwise stated)

**Statements of cash flows**

	<b>Group</b>		<b>Company</b>	
	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)
<b>I. Cash flows from (to) operating activities</b>				
I.1. Net profit	86,011	86,731	86,026	86,941
<b>Adjustments of non-cash items and other corrections:</b>				
I.2. Depreciation and amortisation	55,826	49,285	55,689	49,162
I.3. (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(42)	(54)	(27)	(54)
I.4. Impairment losses for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	1,814	1,767	1,814	1,793
I.5. Income tax expenses	13,806	14,983	14,032	14,979
I.6. Interest (income)	(587)	(1,506)	(562)	(1,452)
I.7. Interest expenses	176	242	176	242
I.8. Loss (gain) on foreign currency exchange	-	4	-	4
I.9. (Amortisation) of the grants (deferred revenue)	(2,257)	(2,005)	(2,257)	(2,005)
	<b>154,747</b>	<b>149,447</b>	<b>154,891</b>	<b>149,610</b>
<b>Changes in working capital:</b>				
I.10. (Increase) in inventories	(14,847)	(4,156)	(14,848)	(4,157)
I.11. Decrease in trade accounts receivable	9,714	35,757	9,758	35,783
I.12. (Increase) decrease in other accounts receivable and prepayments	(413)	205	(429)	(51)
I.13. (Decrease) in trade accounts payable	(45,915)	(71,386)	(45,927)	(70,881)
I.14. (Decrease) in other accounts payable and other current liabilities	(475)	(15,477)	(520)	(15,507)
I.15. Income tax (paid)	(3,577)	(5,272)	(3,577)	(5,272)
<b>Total changes in working capital</b>	<b>(55,513)</b>	<b>(60,329)</b>	<b>(55,543)</b>	<b>(60,085)</b>
<b>Net cash flows from operating activities</b>	<b>99,234</b>	<b>89,118</b>	<b>99,348</b>	<b>89,525</b>
<b>II. Cash flows from (to) investing activities</b>				
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(27,951)	(77,139)	(27,938)	(76,944)
II.2. Proceeds from sales of property, plant and equipment	213	66	198	66
II.3. Disposal of financial assets held for trade	307	20,617	-	21,017
II.4. Receipt of non-current receivables and loans granted	-	17	-	17
II.5. (Increase) decrease in term deposits	(260)	464	-	-
II.6. Interest received	524	1,853	500	1,801
II.7. Other (decreases) of cash flows to investing activities	(10,000)	-	(10,000)	-
<b>Net cash flows (to) investing activities</b>	<b>(37,167)</b>	<b>(54,122)</b>	<b>(37,240)</b>	<b>(54,043)</b>



(cont'd on the next page)

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 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2010 (pre-audited)
<b>III. Cash flows from (to) financing activities</b>				
III.1. Dividends (paid)	(119,782)	(71,026)	(119,782)	(71,026)
III.2. Loans (repaid)	(1,072)	(1,072)	(1,072)	(1,072)
III.3. Grants received	4,190	244	4,190	244
III.4. Interest (paid)	(190)	(256)	(190)	(256)
III.5. Other increases of cash flows from financing activities	-	419	-	394
<b>Net cash flows (to) financing activities</b>	<b>(116,854)</b>	<b>(71,691)</b>	<b>(116,854)</b>	<b>(71,716)</b>
<b>IV. Net (decrease) in cash and cash equivalents</b>	<b>(54,787)</b>	<b>(36,695)</b>	<b>(54,746)</b>	<b>(36,234)</b>
<b>V. Cash and cash equivalents at the beginning of the period</b>	<b>114,536</b>	<b>64,828</b>	<b>114,383</b>	<b>64,156</b>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>59,749</b>	<b>28,133</b>	<b>59,637</b>	<b>27,922</b>

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

General Manager	Viktoras Valentukevičius		26 August 2011
Chief Accountant	Žydrūnas Augutis		26 August 2011

## 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 2011, income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the six months ended 30 June 2011 and 30 June 2010 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2010 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 2010.

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

### 2 Other material information

On 30 June 2011, the Seimas of the Republic of Lithuania adopted a new Law on Natural Gas transposing into the national law of Lithuania provisions 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"). Of the three models of the unbundling of the natural gas transmission and supply activities provided for by the third energy package of the EU, the Seimas of the Republic of Lithuania opted for the most radical one, i.e. the unbundling of the natural gas transmission and supply activities through Ownership Unbundling. Together with the new Law on Natural Gas, the Seimas also passed the Law on Implementation of the Law on Natural Gas providing for the methods and terms of the unbundling of activities. The aforesaid laws came into effect on 1 August 2011. The implementation of the provisions of the Law will have a material impact on the Company's activities.

### 3 Accounting principles

The Group's and the Company's condensed financial statements as of 30 June 2011 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 2011 were the same as these used for preparing the financial statements for 2010 according to the IFRS, as adopted in the European Union.

### 4 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 2011 and 30 June 2010 is presented below:

<b>Group</b>					
<b>Six months period ended 30 June 2011</b>	<b>Transmission</b>	<b>Distribution</b>	<b>Supply</b>	<b>Other activities</b>	<b>Total</b>
<b>(pre-audited)</b>					
<b>Sales</b>	86,261	99,584	737,661	929	924,435
<b>Profit before tax</b>	28,863	33,595	37,200	158	99,816
<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

**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 2011**  
(all amounts are in LTL thousand unless otherwise stated)

#### 4 Segment information (cont'd)

In the six months of 2011 the Group and the Company earned over 98 % of its revenue from Lithuanian customers (in the six months of 2010 - over 99 %).

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.

#### 5 Inventories

	Group		Company	
	30 June 2011 (pre-audited)	31 December 2010 (audited)	30 June 2011 (pre-audited)	31 December 2010 (audited)
Raw materials, spare parts and other inventories	6,842	5,594	6,842	5,593
Goods for resale (including natural gas)	55,485	41,885	55,474	41,873
Inventories, gross	62,327	47,479	62,316	47,466
Less: allowance for inventories	(162)	(172)	(162)	(172)
	<u>62,165</u>	<u>47,307</u>	<u>62,154</u>	<u>47,294</u>

As of 30 June 2011, the Group's and the Company's balances of goods for resale increased significantly due to the increase in the natural gas purchase price and higher quantities of natural gas stored in Latvia gas storage.

The cost of inventories accounted for at net realizable value amounted to LTL 2,096 thousand as of 30 June 2011 (LTL 1,667 thousand as of 31 December 2010). Changes in the allowance for inventories in the year 2011 and 2010 were included into Other expenses.

#### 6 Trade receivables

	Group		Company	
	30 June 2011 (pre-audited)	31 December 2010 (audited)	30 June 2011 (pre-audited)	31 December 2010 (audited)
Receivables for natural gas, Transmission and Distribution of natural gas from non-household customers	155,363	161,092	155,366	161,103
Receivables for natural gas, Transmission and Distribution of natural gas from household customers	10,466	15,142	10,466	15,142
Other trade receivables	1,416	1,874	1,366	1,856
Less: allowance for trade receivables	(9,571)	(7,825)	(9,571)	(7,820)
	<u>157,674</u>	<u>170,283</u>	<u>157,627</u>	<u>170,281</u>

The Group's and the Company's trade receivables for natural gas, Transmission and Distribution of natural gas in the six months of 2011 decreased significantly due to lower volumes of the natural gas consumed.

AB LIETUVOS DUJOS, company code 120059523, Aaguonų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(all amounts are in LTL thousand unless otherwise stated)

## 7 Other current assets

	Group		Company	
	30 June 2011 (pre-audited)	31 December 2010 (audited)	30 June 2011 (pre-audited)	31 December 2010 (audited)
Investment units	-	306	-	-
Debt securities	10,000	-	10,000	-
Short-term deposits with maturity 3-12 months	1,989	1,730	-	-
	<u>11,989</u>	<u>2,036</u>	<u>10,000</u>	<u>-</u>

As of 30 June 2011, the increase in the other current assets owned by the Group and the Company was due to the debt securities bought in the 1<sup>st</sup> quarter 2011.

The maturity of short term investments is 3-12 months period. As of 30 June 2011 weighted average annual interest rate of the short term investments of the Group was 2.35 % (3.41 % as of 31 December 2010).

## 8 Trade payables

	Group		Company	
	30 June 2011 (pre-audited)	31 December 2010 (audited)	30 June 2011 (pre-audited)	31 December 2010 (audited)
Suppliers of natural gas	136,787	180,025	136,787	180,025
Other	8,941	25,981	8,915	25,967
	<u>145,728</u>	<u>206,006</u>	<u>145,702</u>	<u>205,992</u>

As of 30 June 2011 the Group's and the Company's trade payables to the gas suppliers significantly decreased due to the lower volumes of the import of natural gas.

As of 30 June 2011 the Group's and the Company's other trade payables significantly decreased due to decreased payables for construction and reconstruction works.

## 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 32,856 thousand as of 30 June 2011 (LTL 39,619 thousand as of 31 December 2010).

## 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:

	Group	
	30 June 2011 (pre-audited)	30 June 2010 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	86,011	86,731
Weighted average number of shares in thousand	469,068	469,068
Basic earnings per share (in LTL)	<u>0.18</u>	<u>0.18</u>

**AB LIETUVOS DUJOS, company code 120059523, Aaguonų Str. 24, Vilnius, Lithuania**  
**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2011**  
(all amounts are in LTL thousand unless otherwise stated)

## 11 Dividends

During the regular general shareholders' meeting on 20 April 2011, when approving the Company's 2010 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2010 in the amount of LTL 120.0 million (LTL 0.256 per ordinary registered share with the par value of LTL 1 per share).

## 12 Commitments and contingencies

### Legal disputes

On 25 March 2011, the Ministry of Energy of the Republic of Lithuania (which holds in trust 17.7% of the Company's shares) lodged a claim with the Vilnius Regional Court Regarding an investigation into the activities of the legal entity, specifying as defendants AB Lietuvos Dujos, the members of the Board of Directors of AB Lietuvos Dujos delegated by OAO Gazprom, and the General Manager of the Company. In the claim, the claimant requires commencement of an investigation into the activities of AB Lietuvos Dujos and, should it be established that the activities of AB Lietuvos Dujos and/or the aforesaid members of the Board of Directors and/or the General Manager of the Company are inappropriate, application of respective requirements as specified in the claim.

On 4 May 2011, AB Lietuvos Dujos submitted to the court its Statement of Defence.

## 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 2011 and 30 June 2010 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);
- UAB Palangos Perlas (subsidiary of the Company);
- AS Latvijas Gaze (the same shareholders);
- OAO Beltransgaz (same ultimate shareholder);
- E.ON IS GmbH (same ultimate shareholder);

As of 30 June 2011 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	711,121	14,802	2,218	136,787
OAO Beltransgaz	4	-	-	-
UAB Palangos Perlas	28	33	3	1
AS Latvijas Gaze	873	-	-	-
	712,026	14,835	2,221	136,788
	712,026	14,835	2,221	136,788
As of 30 June 2010 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	742,620	7,880	990	57,229
OAO Beltransgaz	109	-	-	13
UAB Palangos Perlas	36	32	3	-
AS Latvijas Gaze	997	-	-	-
E. ON IS GmbH	5	-	-	-
	743,767	7,912	993	57,242
	743,767	7,912	993	57,242



# **CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF OF 2011**

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

Vilnius  
2011

---

## CONTENTS

1. Reporting period for which the report was prepared .....	3
2. Main data about the Company .....	3
3. Major developments of the reporting period .....	3
4. Natural gas business environment.....	4
5. Risk management.....	5
6. Main features of the Group's internal control and risk management systems related to the preparation of consolidated financial statements .....	6
7. Financial performance .....	6
8. Research and development activities .....	9
9. Business plans and forecasts .....	9
10. Management of the Company .....	9
11. Management structure.....	12
12. Core activities of the Company .....	16
13. Litigation and arbitration .....	17
14. Staff .....	17
15. Membership in associated structures .....	18
16. Company notices .....	19



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

The first half of 2011.

## 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 sreet 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 19 November 2010, and the National Control Commission for Prices and Energy (hereinafter referred to as “the NCCPE”) approved the tariffs on 29 November 2010.
- On 28 January, an official ceremony of the opening of the new Gas Compressor Station in Jauniūnai was held. The ceremony was attended by representatives of Lithuanian state authorities, the Municipality of the Širvintos District, the contractors of the construction and the Company. The new Jauniūnai Gas Compressor Station is the largest investment made by LD over the course of the past decade.
- On 5 April, an agreement on the Business Case Analysis Study of the Poland-Lithuania gas interconnection was concluded. The agreement was signed by the gas companies AB Lietuvos Dujos and GAZ-SYSTEM S.A. and the winner of the tender - Ernst & Young Business Advisory LLC & PLP.
- On 20 April, the Annual General Meeting of Shareholders of the Company took place at which the shareholders approved the Board of Directors’ proposal for the Company’s good activity results of the Year 2010 to pay out dividends in amount of 25.6 Lithuanian cents per share with par value of one litas. The share of the profit appropriated to the payout of dividends amounted to LTL 120 million.
- On 20 April, at the Board of Directors Meeting, according to the principle of rotation as provided for by the Shareholders’ Agreement, the Chairman of the Board of Directors was elected (Dr Peter Frankenberg) as well as the Deputy Chairman of the Board of Directors (Dr Valery Golubev).
- On 27 May, the NCCPE unilaterally set new natural gas tariffs for household customers. The new tariffs took effect on 1 July 2011.
- On 15 June, the European Commission approved the special decision regarding the granting of financial assistance (according to the Trans-European Networks for Energy (TEN-E) Programme)

to AB Lietuvos Dujos and GAZ-SYSTEM S.A. for the performance of the Lithuania-Poland Gas Interconnector Business Case Analysis and Feasibility Study.

- On 22 June 2011, at the General Assembly of the European Network of Transmission System Operators for Gas (ENTSOG) held in Edinburgh (UK) AB Lietuvos Dujos was admitted to this organization as an Associated Partner.

#### **4. Natural gas business environment**

**Legal basis.** On 30 June 2011, a new Law on Natural Gas was adopted, transposing into the national law provisions 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”). Of the three available models of the unbundling of the natural gas activities offered by the third energy package of the EU, the most radical option was chosen, i.e. the unbundling of the natural gas transmission and supply activities based on the ownership unbundling. Together with the new Law on Natural Gas, a Law on Implementation of the Law on Natural Gas was also passed, providing for the methods and terms of the unbundling of the activities. The Laws came into effect on 1 August 2011. The newly adopted Law on Natural Gas as well as the Law on Implementation of the Law on Natural Gas will have a material impact on the Company’s activities.

By 1 November 2011, the Government of the Republic of Lithuania is due to agree with the major shareholders of the Company E.ON Ruhrgas International GmbH and OAO Gazprom on an Action Plan for the unbundling of activities of LD and to approve it.

**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.

**Pricing system and natural gas tariffs.** In Half 1 of 2011, the natural gas transmission and distribution service tariffs as well as natural gas supply tariffs to all consumers were 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. From 1 August 2011 the supply activity is no longer subject to regulation.

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 2011, 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 subsequently approved by the NCCPE) came into effect.

For the non-household customers, natural gas tariffs are subject to monthly recalculations and depend on the changes in the gas imports prices. Natural gas import price, in turn, depends on oil and gas oil 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 especially significant and steep surge in the energy resources prices of Half 1 of 2011, since January of 2011, the natural gas tariffs for the non-household customers have been gradually increasing. If in Half 2 of 2011 the current oil product market trends of price decline still persist and if there are no significant changes in the EUR and USD ratio, starting with October 2011, gas import prices should start falling.

Having taken into consideration the fact that in Half 1 of 2011 the oil product prices have been on the rise and having assessed the developments of the currency markets, on 16 May 2011, the Company's Board of Directors took its decision on the natural gas tariffs for household customers effective from 1 July 2011. The NCCPE, at its meeting of 27 May 2011 unilaterally set natural gas tariffs for household customers effective from 1 July 2011. For all household customers the variable tariff component was raised by on average 30 ct/m<sup>3</sup>. The standing charge (constant tariff component) remained unchanged.

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 2011, 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 2011, the total volume of natural gas imported into Lithuania via system operated by LD amounted to 1.8 BCM.

In Half 1 of 2011, 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. Risk management

The Company has implemented a Risk Management System which is a constituent part of LD activities. The Risk Management working group has been set up by the Company to coordinate, monitor and supervise the risk management process. The risk management activities are aimed at maintaining an adequate 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 objectives.

The LD Risk Management Process is carried out in accordance with a methodology that has been prepared 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 are as follows:

- Regulation-related risk;
- Natural gas import price fluctuation risk;
- Credit risk;
- Competition-related risk;
- Technical-related risk.

## 6. 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.

## 7. Financial performance

### Group's key performance indicators

	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Performance indicators</b>			
Volume of transmitted natural gas, M m <sup>3</sup>	1,838.5	1,653.1	3,068.8
Volume of natural gas transit, M m <sup>3</sup>	1,012.5	714.5	1,387.2
Volume of distributed natural gas, M m <sup>3</sup>	621.6	643.8	1,167.9
Volume of natural gas sales, M m <sup>3</sup>	729.3	892.1	1,546.0
<b>Number of customers that have concluded natural gas supply agreements at the end of the period, thousand pcs</b>			
Household customers	547.9	544.8	546.2
Non-household customers	5.8	5.6	5.8
<b>Length of operating gas pipelines, thousand km</b>			
Transmission pipelines	1.9	1.9	1.9
Distribution pipelines	8.1	8.1	8.1
<b>Employees</b>			
Average number of employees	1,729	1,754	1,750

### Group's key financial indicators

	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Financial results</b>			
Sales, M LTL	924.4	959.2	1,746.8
Earnings before interest, taxes, depreciation and amortization (EBITDA), M LTL	154.5	148.9	245.2
Profit from operations, M LTL	98.7	99.2	146.2
Profit before tax, M LTL	99.8	101.7	148.9
Net profit, M LTL	86.0	86.7	159.5
Net cash flows from operating activities, M LTL	99.2	89.1	265.6
Investments, M LTL	13.6	83.2	178.5
Assets at the end of the period, M LTL	2,620.8	2,492.4	2,709.6
Equity at the end of the period, M LTL	2,045.6	2,006.8	2,079.6
Net financial debt, M LTL	-66.4	-22.5	-110.1
<b>Profitability ratios</b>			
EBITDA margin, %	16.7	15.5	14.0

Profit from operations margin, %	10.6	10.3	8.4
Profit before tax margin, %	10.8	10.6	8.5
Net profit margin, %	9.3	9.0	9.1
Average return-on-assets ratio (ROA), %	3.2	3.4	6.1
Average return-on-equity ratio (ROE), %	4.2	4.3	7.8
Return on capital employed (ROCE), %	4.8	5.0	7.0
<b>Liquidity</b>			
Overall liquidity	1.3	1.3	1.3
Quick ratio	1.0	0.9	1.1
<b>Leverage</b>			
Equity to asset ratio, %	78.1	80.5	76.8
Financial debt to equity ratio, %	0.3	0.4	0.3
Net financial debt to equity ratio, %	-3.2	-1.1	-5.3
<b>Market value ratios</b>			
Price-earnings ratio (P/E)	12.61	12.06	7.41
Basic earnings per share, LTL	0.18	0.18	0.34
Dividend payment ratio, %	–	–	75.2
Dividends per share for the current year, LTL	–	–	0.26

The Company prepared Consolidated Financial Statements for the six months ended 30 June 2011, where the financial results of its subsidiary UAB Palangos Perlas were also reflected. An overview of the financial results of AB Lietuvos Dujos Group (hereinafter referred to as “the Group”) is presented below.

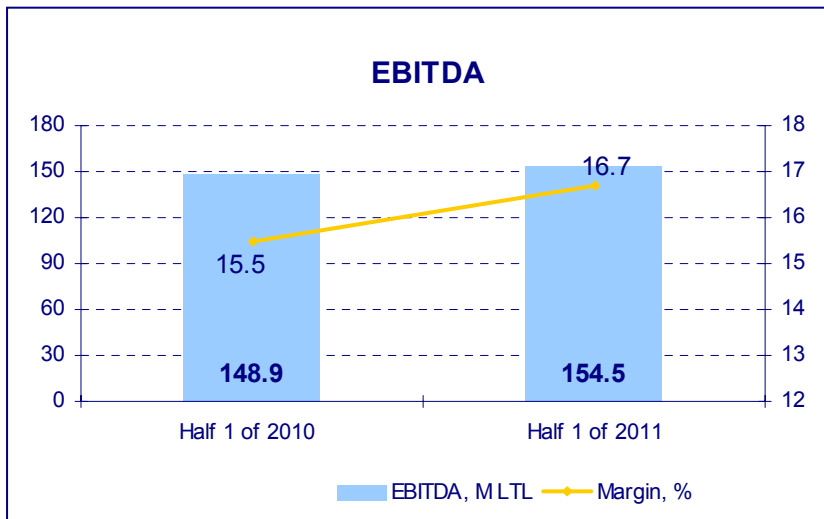
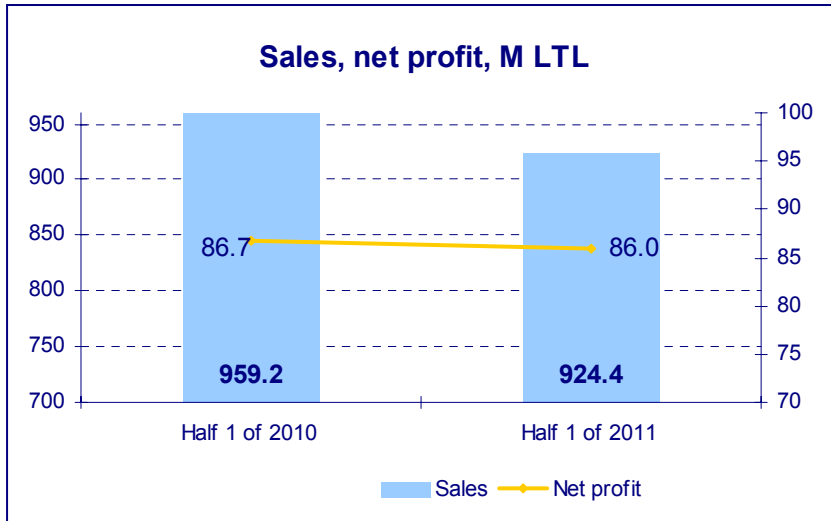
In Half 1 of 2011, sales of the Group decreased by 3.6% y/y and amounted to LTL 924.4 million (Half 1 of 2010: LTL 959.2 million). The decrease in sales was mainly impacted by the significant decrease in gas sales volumes. In particular, AB Lietuvos Elektrinė markedly reduced its natural gas consumption. The revenue from gas transit increased due to the higher transit tariff after the implementation of investments into the enhancement of the gas transit capacities and a respective increase in the gas transit volumes.

In Half 1 of 2011, natural gas procurement expenses decreased by 5.6% due to the lower volumes of natural gas sold and used for technological needs.

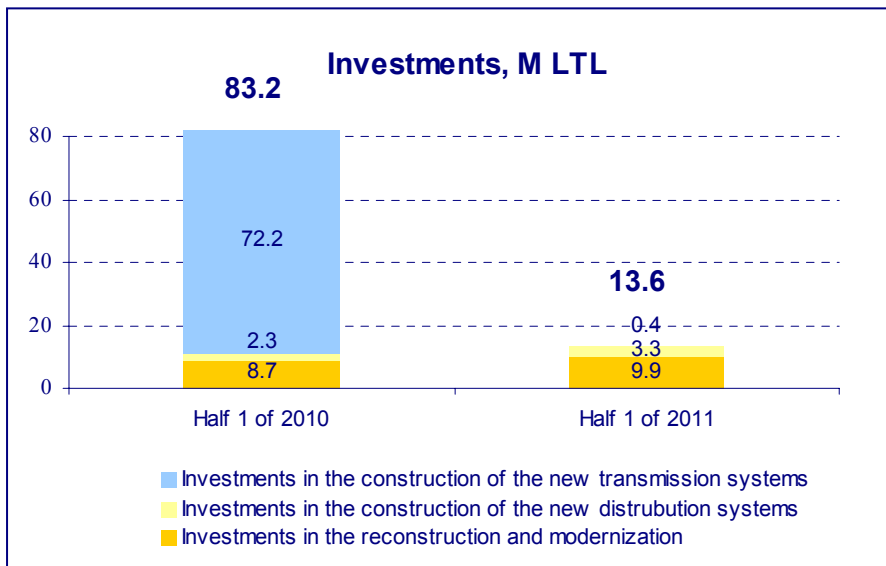
In Half 1 of 2011, operating expenses increased due to the putting into operation of the new Jauniūnai Gas Compressor Station at the end of 2010.

The consolidated unaudited profit before tax of Half 1 of 2011 decreased by LTL 1.9 million y/y and amounted to LTL 99.8 million (Half 1 of 2010: LTL 101.7 million), and the net profit of the period amounted to LTL 86.0 million (Half 1 of 2010: LTL 86.7 million).

The EBITDA (earnings before interest, taxes, depreciation and amortization) of Half 1 of 2011, compared with the respective period of the previous year, increased by LTL 5.6 million and amounted to LTL 154.5 million. The increase in the EBITDA was determined by the rise in the depreciation expenses.



**Investments.** In Half 1 of 2011, the Group invested LTL 13.6 million (in Half 1 of 2010: LTL 83.2 million). The significant investment amounts of Half 1 of 2010 were determined by the construction of the Jauniūnai Gas Compressor Station (LTL 72.2 million), whereas in Half 1 of 2011, the LD did not implement any major gas transmission system investment projects.



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 2011.

## 8. Research and development activities

Due to the nature and specificity of the Company's business activities, a lot of attention has been devoted to the research into diagnostics (intelligent pigging) of natural gas pipelines, technical condition of gas facilities, environment protection, market development, and other activities in which LD is engaged.

In co-operation with the Polish Gas Transmission System Operator GAZ-SYSTEM S.A. the possibilities of interconnection of the gas transmission systems of the two countries are being explored, the European Commission's financial assistance has already been granted for the Interconnector's pre-project research: analysis of the business environment and preparation of a feasibility study. In co-operation with the Latvian gas company Latvijas Gaze A/S works have been started for the intelligent pigging procedures aimed at checking the condition of the gas pipeline links between Lithuania and Latvia.

## 9. Business plans and forecasts

It is forecasted that in 2011 the natural gas volume transmission to the customers of Lithuania via the Gas Transmission System of LD will be not lower than the one of 2010.

In 2011, the Company will continue with the implementation of a project included into the National Energy Strategy plans - the construction of the Jurbarkas–Klaipėda section of the Šakiai–Klaipėda Gas Transmission System. This project will only be implemented with the financial assistance of the European Union structural funds. Planned value of the project Jurbarkas–Klaipėda section will amount to approximately LTL 168 million. Preliminary completion of the gas pipeline construction: Half 2 of 2013. The implementation of the Šakiai–Klaipėda Gas Transmission System Construction Project was started by the Company on its own initiative and LD has already invested into it approximately LTL 40 million of its own funds. The first section - to the town of Jurbarkas of this nationally important Transmission Pipeline was constructed already back in 2007, and via it natural gas is already being supplied to the gas consumers.

In 2011, the Company's investments in the construction of new gas systems are planned to be lower than the ones of 2010, since due to the aforesaid reasons the start of the construction of the Jurbarkas–Klaipėda Gas Transmission Pipeline has been rescheduled for Quarter 4 of 2011.

The Company will continue with the implementation of the projects directed towards raising the efficiency of operations and cost optimization. It will be necessary to complete a large-scale analysis and impact assessment study in order to make proper preparations for the implementation of the Law on Natural Gas (adopted on 30 June 2011) and for the respective reorganization of the Company.

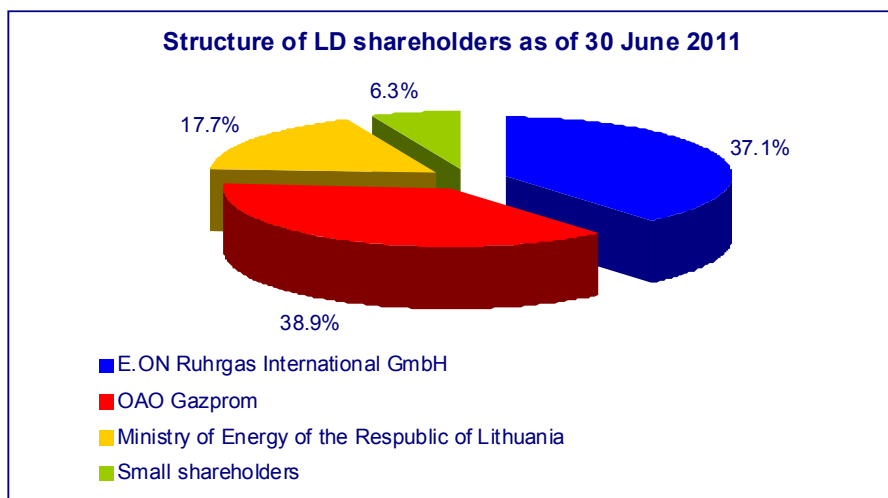
## 10. Management of the Company

**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 2011, the value of the

authorized capital did not change, the par value of shares and the structure of shareholders also remained unchanged.

As of 30 June 2011, the total number of shareholders was 2,767.



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 2011 it did not conclude any transactions associated with the acquisition or disposal of its own shares.

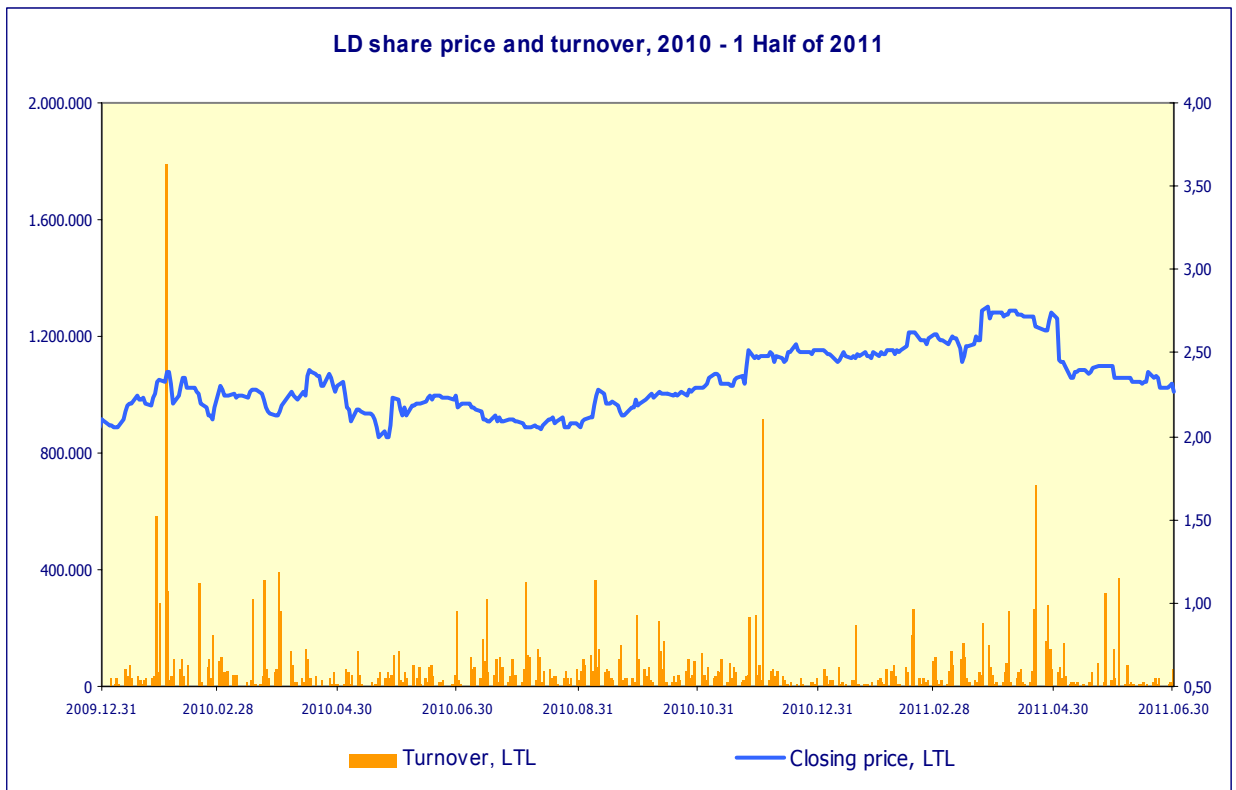
**Data about trading in the Company's securities on the regulated markets.** The Company's shares are traded on the regulated market, they are listed on the Main List at the stock exchange NASDAQ OMX Vilnius.

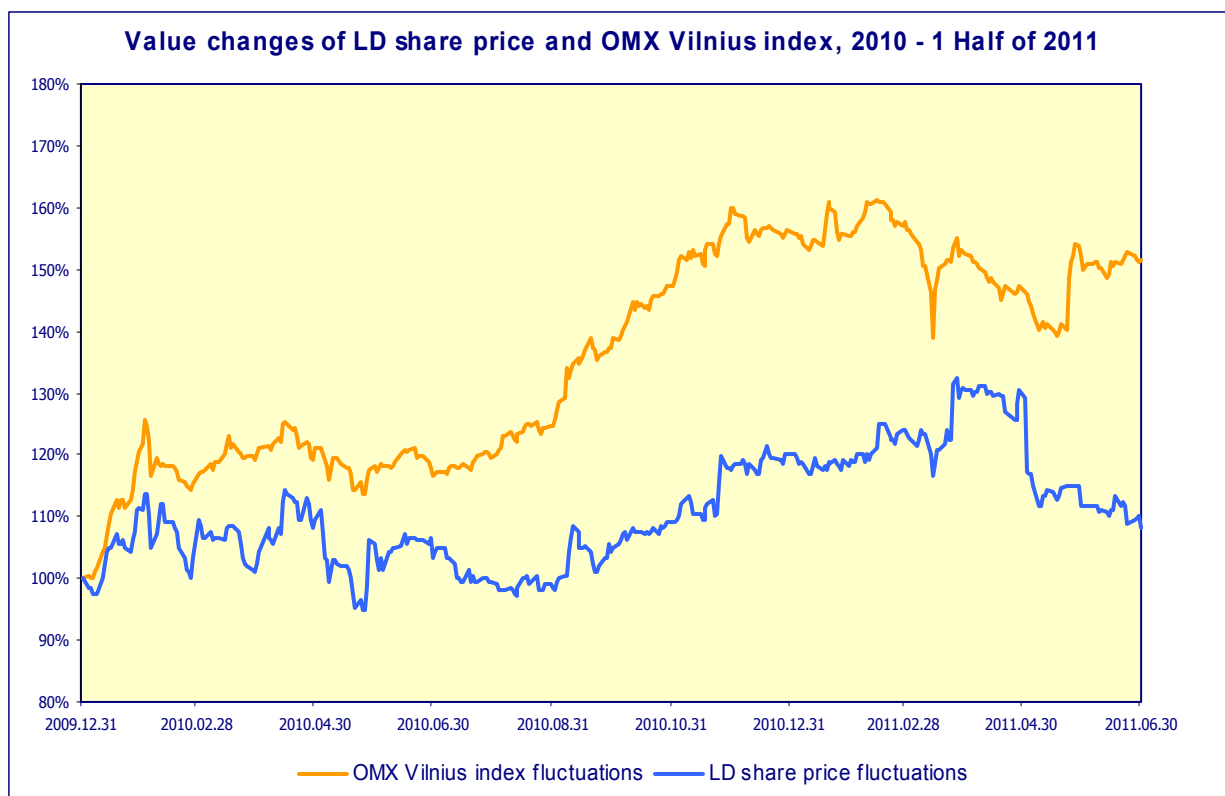
As of 30 June 2011, on the NASDAQ OMX Vilnius Main List, there were 469,068,254 ordinary registered shares of the Company with par value of LTL 1 (one) each (ISIN code LT0000116220); the total par value of the shares amounted to LTL 469,068,254.



As of 30 June 2011, the capitalization of the Company’s ordinary registered shares amounted to LTL 1,064.8 million. In Half 1 of 2011, the total turnover trade in the Company’s shares at the NASDAQ OMX Vilnius amounted to LTL 6.9 million, and the number of shares traded based on the transactions concluded totaled 2,690,425 units.

<b>Share price dynamics at NASDAQ OMX Vilnius in Half 1 of 2011</b>	
Price per share as of 31 December 2010	LTL 2.52
Highest price per share in Half 1 of 2011	LTL 2.83
Lowest price per share in Half 1 of 2011	LTL 2.27
Price per share as of 30 June 2011	LTL 2.27





Starting from 2002, each year, the Company has been appropriating part of its profit to the payout of dividends. The amount appropriated to dividend for the Year 2010 totaled LTL 120.0 million, which amounts to 25.6 Lithuanian cents per share.

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

<b>Company Particulars of AB Bankas Finasta</b>	
Company code	122570630
Financial brokerage enterprise licence No	A087 (issued by the Securities Commission of the Republic of Lithuania)
Registered office	Maironio street 11, Vilnius, Lithuania
Telephone number	1813
E-mail address	info@finasta.lt
Website	www.finasta.lt

## 11. 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.

From 1 January 2008, the Company implemented the functional separation of the gas transportation and supply activities.

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

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.

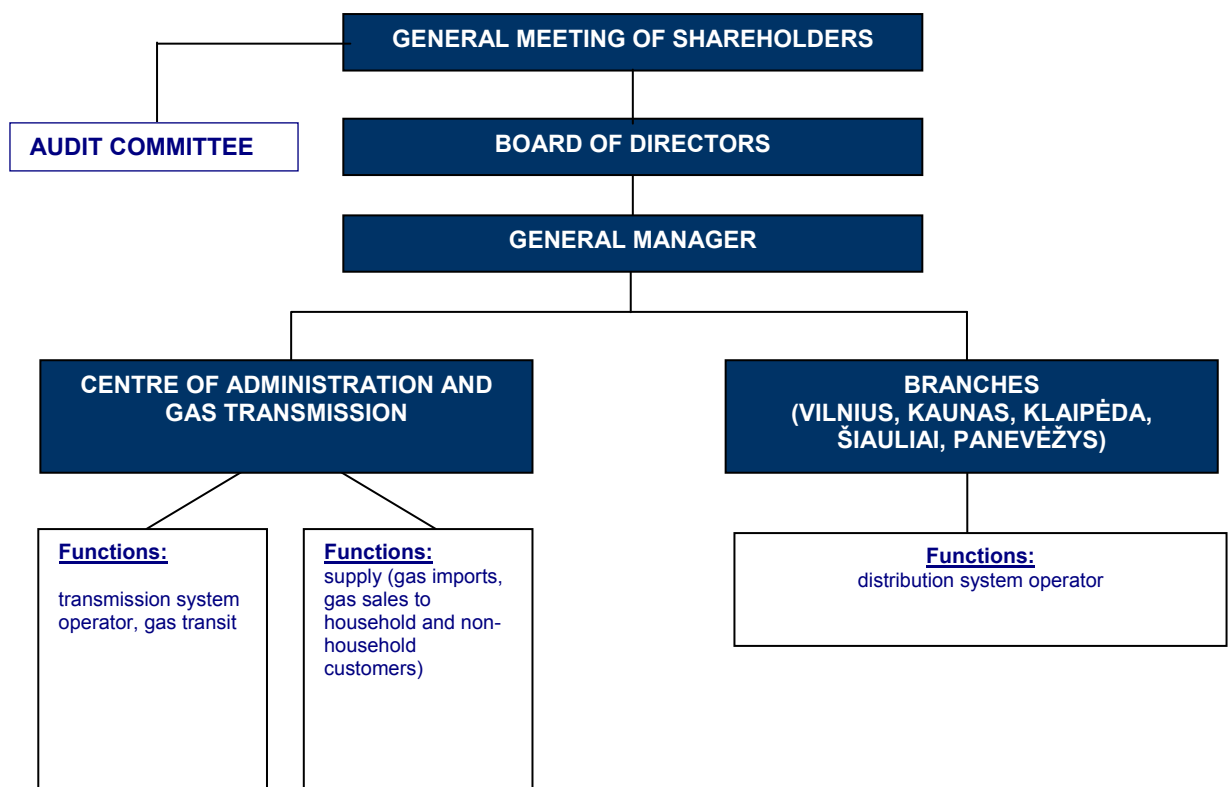
The Bylaws provide for the following governing bodies:

- 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 the Company has an Audit Committee. The rights and duties of the Audit Committee are set out in the regulations on the formation and activities of this supervisory body of the Company and fully comply with the applicable legal provisions. 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. The main functions of the Audit Committee consist in the analysis of the adequacy of the accounting methods applied by the Company, in the monitoring of the independence of the external audit company and the audit process, in the analysis of the efficiency of the internal control, internal audit and the risk management systems.

### Organization Chart



**Composition of the Board of Directors from 23 April 2010 to 20 April 2011**

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

**Composition of the Board of Directors from 20 April 2011**

No	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr Peter Frankenberg	Chairman of the Board of Directors*	April 2010 – April 2013
2.	Dr Valery Golubev	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

\* Chairman of the Board of Directors and his Deputy are elected by rotation for a two-year term.

**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 2010 – April 2013
2.	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	From 28 June 2002
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	(1 January 2004 – 1 January 2008: Chief Financial Officer) From 1 January 2008
----	-------------------	--	---

#### 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 2011)</b>			
Dr Peter Frankenberg	Chairman of the Board of Directors	–	–
Dr Valery Golubev	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 2011)</b>			
Juozas Kabašinskas	Independent member	–	–
Agnė Žičiūtė	Member	0.000	0.000
<b>Top executives (as of 30 June 2011)</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 2011, the Company had one 100%-owned subsidiary, UAB Palangos Perlas. The main areas of the company activities: hotel and other board and lodging services, organization of seminars and conferences. In Half 1 of 2011, 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 2011, the average number of employees of UAB Palangos Perlas was 24.

In Half 1 of 2011, UAB Palangos Perlas incurred a loss of LTL 259.9 thousand (Half 1 of 2010: loss of LTL 201.6 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 sreet 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 2011.

## 12. 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 2011, natural gas volume transportation to gas consumers of Lithuania via the transmission system amounted to 1.8 BCM, a rise of 11.2% y/y. The increase in gas volume transmission was determined by AB Achema's increased gas consumption for fertilizer production.

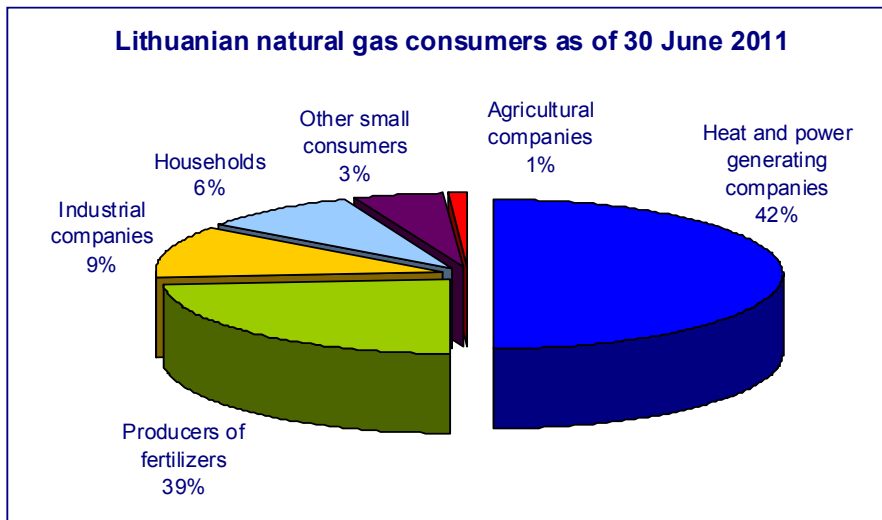
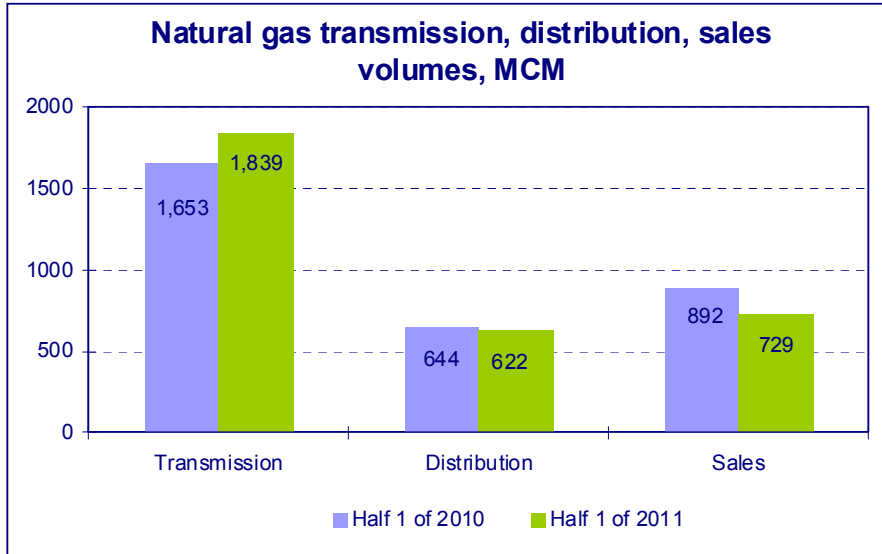
In Half 1 of 2011, transit to the Russian Federation Kaliningrad Region amounted to 1,012.5 MCM. Compared with the respective period of 2010, transit volumes increased by 41.7%.

In Half 1 of 2011, the Company distributed via gas distribution pipelines 621.6 MCM of natural gas, a drop of 3.4% y/y.

In Half 1 of 2011, the Company's gas sales volumes decreased by 18.2% y/y and amounted to 729.3 MCM. The Company's sales volumes decreased both in the household customer sector (amounted to 113.7 MCM, a drop of 2.3% y/y) and in the non-household customer sector (amounted to 615.6 MCM, a drop of 20.6% y/y). The drop in the volume sales was mainly due to the markedly lower volumes procured by AB Lietuvos Elektrinë.

In Half 1 of 2011, the Company imported 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 2011, this quantity of natural gas accumulated in the UGS facility would ensure uninterrupted gas supplies to household customers for 40 days.

As of 30 June 2011, the Company sold natural gas to over 554 thousand customers. They were energy and industrial companies, other companies and organizations as well as households.



### 13. 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 2011.

### 14. Staff

**Average number of the Group’s employees on the roll**

Year	Average number of employees on the roll	Change compared to previous year
2010	1,750	-2.1%*
Half 1 of 2011	1,729	-1.2%**

\* compared to 2009

\*\* compared to 2010

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

Average number of employees on the roll in Half 1 of 2011	Of this total, educational background:			
	Higher (university)	Post-secondary	Secondary	Unfinished secondary
1,729	796	384	523	26
100%	46%	22%	30%	2%

In Half 1 of 2011, average monthly salary of the Group's employees stood at LTL 3,359.

With a view to raising the Company's human resource management efficiency, in 2011, the Company's Organization Chart was subjected to further optimization and its management processes were subjected to further improvements.

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 2012. Neither the labor contracts, nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees, they provide for the rights and duties usually applied in general practice.

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 Staff Adaptation Procedures Manual. The purpose 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.

**15. 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 European Network of Transmission System Operators for Gas ("ENTSO") (the Company's membership status: associated partner). Website: [www.entsog.eu](http://www.entsog.eu).
- 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 and the member of the association "Baltic Gas" OAO Gazprom each hold over 5% of shares of the Company.



## **16. Company notices**

All notices that in accordance with law are subject to publication were posted in the electronic publication of the Administrator of Register of Legal Persons. 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, notices to such shareholders on convening a general meeting of shareholders are dispatched in accordance with procedure established by the Bylaws of the Company.

---