



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

Aguonų g. 24, LT-03212 Vilnius, Lithuania

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CONFIRMATION OF RESPONSIBLE PERSONS

31 August 2012 No 4-31-1648

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 2012 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 AB Lietuvos Dujos Consolidated Interim Report for the First Half of 2012 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 2012
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

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 2012
(all amounts are in LTL thousand unless otherwise stated)

Statements of financial position

	Notes	Group		Company	
		As of 30 June 2012 (pre-audited)	As of 31 December 2011 (audited)	As of 30 June 2012 (pre-audited)	As of 31 December 2011 (audited)
ASSETS					
A. Non-current assets		2,294,874	2,318,573	2,300,639	2,320,412
I. Intangible assets		2,712	3,390	2,711	3,382
II. Property, plant and equipment		2,291,460	2,315,167	2,288,045	2,307,833
II.1. Land		223	223	223	223
II.2. Buildings and structures		1,950,744	1,985,438	1,947,566	1,978,499
II.2.1. Buildings		83,220	88,411	80,042	81,472
II.2.2. Transmission networks and related installations		1,179,189	1,201,402	1,179,189	1,201,402
II.2.3. Distribution networks and related installations		664,808	671,304	664,808	671,304
II.2.4. Other buildings and structures		23,527	24,321	23,527	24,321
II.3. Machinery and equipment		246,465	254,843	246,465	254,843
II.4. Vehicles		13,289	15,605	13,220	15,528
II.5. Other equipment, tools and devices		25,880	29,546	25,753	29,294
II.6. Other property, plant and equipment		3,427	3,659	3,427	3,659
II.7. Construction in progress		51,432	25,853	51,391	25,787
III. Non-current financial assets		702	16	9,883	9,197
III.1. Investments into subsidiaries			-	9,181	9,181
III.2. Non-current accounts receivable		702	16	702	16
B. Current assets		216,838	380,058	210,488	377,725
I. Inventories and prepayments		86,823	78,792	86,815	78,765
I.1. Inventories		86,105	78,516	86,105	78,504
I.1.1. Raw materials, spare parts and other inventories		8,339	7,182	8,339	7,181
I.1.2. Goods for resale (including natural gas)		77,766	71,334	77,766	71,323
I.2. Prepayments		718	276	710	261
II. Accounts receivable		71,539	173,393	71,513	173,391
II.1. Trade receivables	5	64,542	168,847	64,518	168,848
II.2. Other receivables		6,997	4,546	6,995	4,543
III. Other current assets	6	5,431	31,989	-	30,000
IV. Cash and cash equivalents		53,045	95,884	52,160	95,569
Total assets		2,511,712	2,698,631	2,511,127	2,698,137

(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 2012
(all amounts are in LTL thousand unless otherwise stated)

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 30 June 2012 (pre-audited)	As of 31 December 2011 (audited)	As of 30 June 2012 (pre-audited)	As of 31 December 2011 (audited)
EQUITY AND LIABILITIES					
C. Equity		2,030,278	2,055,340	2,030,577	2,054,297
I. Share capital		469,068	469,068	469,068	469,068
II. Reserves		1,513,844	1,491,640	1,513,229	1,489,543
II.1. Legal reserve		43,884	39,100	43,692	38,908
II.2. Other reserves		1,469,960	1,452,540	1,469,537	1,450,635
III. Retained earnings		47,366	94,632	48,280	95,686
D. Liabilities		481,434	643,291	480,550	643,840
I. Non-current liabilities		361,962	359,435	361,942	360,035
I.1. Non-current borrowings		1,072	2,144	1,072	2,144
I.2. Grants (deferred revenue)		197,970	191,053	197,970	191,053
I.3. Non-current employee benefits		9,097	9,097	9,097	9,097
I.4. Deferred tax liability		153,823	157,141	153,803	157,741
II. Current liabilities		119,472	283,856	118,608	283,805
II.1. Current portion of non-current borrowings		2,144	2,144	2,144	2,144
II.2. Trade payables	7	76,423	215,569	76,399	215,562
II.3. Prepayments received		11,451	9,445	11,439	9,445
II.4. Income tax payable		9,658	2,413	9,658	2,413
II.5. Payroll related liabilities		12,291	10,403	12,212	10,372
II.6. Other payables and current liabilities	8	7,505	43,882	6,756	43,869
Total equity and liabilities		2,511,712	2,698,631	2,511,127	2,698,137

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

General Manager	Viktoras Valentukevičius		31 August 2012
Chief Accountant	Žydrūnas Augutis		31 August 2012

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 2012
 (all amounts are in LTL thousand unless otherwise stated)

Income statements

	Group		Company		Group		Company	
	Three months period ended	Three months period ended	Three months period ended	Three months period ended	Six months period ended	Six months period ended	Six months period ended	Six months period ended
	30 June 2012 (pre-audited)	30 June 2011 (pre-audited)	30 June 2012 (pre-audited)	30 June 2011 (pre-audited)	30 June 2012 (pre-audited)	30 June 2011 (pre-audited)	30 June 2012 (pre-audited)	30 June 2011 (pre-audited)
I. Revenue	298,334	360,476	298,225	360,264	999,106	927,204	998,959	926,940
I.1. Sales	296,619	359,102	296,510	358,905	995,843	924,435	995,696	924,186
I.2. Other income	1,715	1,374	1,715	1,359	3,263	2,769	3,263	2,754
II. Expenses	(282,245)	(331,492)	(281,598)	(331,203)	(945,001)	(828,512)	(944,111)	(827,981)
II.1. Cost of natural gas	(210,869)	(263,227)	(210,869)	(263,227)	(806,978)	(697,519)	(806,978)	(697,519)
II.2. Other expenses	(71,376)	(68,265)	(70,729)	(67,976)	(138,023)	(130,993)	(137,133)	(130,462)
III. Profit from operations	16,089	28,984	16,627	29,061	54,105	98,692	54,848	98,959
IV. Financial activity	618	661	608	648	1,253	1,124	1,233	1,099
IV.1. Income	668	748	658	735	1,371	1,307	1,351	1,282
IV.2. Expense	(50)	(87)	(50)	(87)	(118)	(183)	(118)	(183)
V. Profit before tax	16,707	29,645	17,235	29,709	55,358	99,816	56,081	100,058
VI. Income tax	(485)	(2,666)	131	(2,662)	(8,420)	(13,805)	(7,801)	(14,032)
VI.1. Current period income tax	(1,763)	(4,360)	(1,763)	(4,360)	(11,740)	(17,734)	(11,740)	(17,734)
VI.2. Deferred income tax	1,278	1,694	1,894	1,698	3,320	3,929	3,939	3,702
VII. Net profit	16,222	26,979	17,366	27,047	46,938	86,011	48,280	86,026
Basic and diluted earnings per share (LTL)	9	0.03	0.03	0.06	0.10	0.18	0.10	0.18

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

General Manager Viktoras Valentukevičius 31 August 2012

Chief Accountant Žydrūnas Augutis 31 August 2012

AB LIETUVOS DUJIOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania
 CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2012
 (all amounts are in LTL thousand unless otherwise stated)

Statements of comprehensive income

	Group		Company		Group		Company	
	Three months period ended 30 June 2012 (pre-audited)	Three months period ended 30 June 2011 (pre-audited)	Three months period ended 30 June 2012 (pre-audited)	Three months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)
I. Net profit	16,222	26,979	17,366	27,047	46,938	86,011	48,280	86,026
II. Total comprehensive income	16,222	26,979	17,366	27,047	46,938	86,011	48,280	86,026

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

General Manager _____ Viktoras Valentukevičius _____ 31 August 2012

Chief Accountant _____ Žydrūnas Augutis _____ 31 August 2012

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>
Balance as of 1 January 2011 (audited)		469,068	31,114	1,421,016	158,380	2,079,578
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		-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	86,011	86,011
<i>Net profit for the year</i>		-	-	-	86,011	86,011
Balance as of 30 June 2011 (pre-audited)		469,068	39,100	1,452,540	84,881	2,045,589
Balance as of 31 December 2011 (audited)		469,068	39,100	1,452,540	94,632	2,055,340
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(1,482)	1,482	-
Dividends declared	10	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	46,938	46,938
<i>Net profit for the year</i>		-	-	-	46,938	46,938
Balance as of 30 June 2012 (pre-audited)		469,068	43,884	1,469,960	47,366	2,030,278

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

General Manager

Viktoras Valentukevičius

31 August 2012

Chief Accountant



Žydrūnas Augutis

31 August 2012

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>
Balance as of 1 January 2011 (audited)		469,068	30,922	1,418,906	159,715	2,078,611
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Dividends declared		-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	86,026	86,026
<i>Net profit for the year</i>		-	-	-	86,026	86,026
Balance as of 30 June 2011 (pre-audited)		469,068	38,908	1,450,635	86,026	2,044,637
Balance as of 31 December 2011 (audited)		469,068	38,908	1,450,635	95,686	2,054,297
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Dividends declared	10	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	48,280	48,280
<i>Net profit for the year</i>		-	-	-	48,280	48,280
Balance as of 30 June 2012 (pre-audited)		469,068	43,692	1,469,537	48,280	2,030,577

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

General Manager	Viktoras Valentukevičius		31 August 2012
Chief Accountant	Žydrūnas Augutis		31 August 2012

Statements of cash flows

	Group		Company	
	Six months period ended 30 June 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)
I. Cash flows from (to) operating activities				
I.1. Net profit	46,938	86,011	48,280	86,026
Adjustments of non-cash items and other corrections:				
I.2. Depreciation and amortisation	57,086	55,826	56,960	55,689
I.3. (Gain) loss on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	130	(42)	(176)	(27)
I.4. Impairment losses for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	647	1,814	647	1,814
I.5. Income tax expenses	8,421	13,806	7,801	14,032
I.6. Interest (income)	(750)	(587)	(730)	(562)
I.7. Interest expenses	117	176	117	176
I.8. (Amortisation) of the grants (deferred revenue)	(2,774)	(2,257)	(2,774)	(2,257)
I.9. Elimination of other non-cash items	(7)	-	(7)	-
	109,808	154,747	110,118	154,891
Changes in working capital:				
I.10. (Increase) in inventories	(7,616)	(14,847)	(7,627)	(14,848)
I.11. Decrease in trade accounts receivable	103,587	9,714	103,611	9,758
I.12. (Increase) in other accounts receivable and prepayments	(442)	(413)	(450)	(429)
I.13. (Decrease) in trade accounts payable	(137,826)	(45,915)	(137,843)	(45,927)
I.14. (Decrease) in other accounts payable and other current liabilities	(30,406)	(475)	(31,202)	(520)
I.15. Income tax (paid)	(4,397)	(3,577)	(4,397)	(3,577)
Total changes in working capital	(77,100)	(55,513)	(77,908)	(55,543)
Net cash flows from operating activities	32,708	99,234	32,210	99,348
II. Cash flows from (to) investing activities				
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(37,953)	(27,951)	(37,946)	(27,938)
II.2. Proceeds from sales of property, plant and equipment	3,802	213	301	198
II.3. Disposal of investment units held for trade	-	307	-	-
II.4. (Increase) in term deposits	(3,442)	(260)	-	-
II.5. Interest received	1,092	524	1,072	500
II.6. Disposal (acquisitions) of other short term investments	30,000	(10,000)	30,000	(10,000)
Net cash flows (to) investing activities	(6,501)	(37,167)	(6,573)	(37,240)



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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 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)	Six months period ended 30 June 2012 (pre-audited)	Six months period ended 30 June 2011 (pre-audited)
III. Cash flows from (to) financing activities				
III.1. Dividends (paid)	(71,994)	(119,782)	(71,994)	(119,782)
III.2. Loans (repaid)	(1,072)	(1,072)	(1,072)	(1,072)
III.3. Grants received	4,150	4,190	4,150	4,190
III.4. Interest (paid)	(130)	(190)	(130)	(190)
Net cash flows (to) financing activities	(69,046)	(116,854)	(69,046)	(116,854)
IV. Net decrease in cash and cash equivalents	(42,839)	(54,787)	(43,409)	(54,746)
V. Cash and cash equivalents at the beginning of the period	95,884	114,536	95,569	114,383
VI. Cash and cash equivalents at the end of the period	53,045	59,749	52,160	59,637

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

General Manager	Viktoras Valentukevičius		31 August 2012
Chief Accountant	Žydrūnas Augutis		31 August 2012

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 2012, income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the six months ended 30 June 2012 and 30 June 2011 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2011 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 2011.

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 passed a new Law on Natural Gas of the Republic of Lithuania transferring the 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 EU Third Energy Package) to the national law. Out of three alternative models for unbundling natural gas activities provided for by the Third Energy Package, the Seimas selected the unbundling of natural gas transmission and supply activities on the basis of ownership. Together with the Law on Natural Gas, the Law on the Implementation of the Law on Natural Gas was adopted. It set forth the methods and terms for the unbundling of activities. These laws came into force on 1 August 2011.

On 28 October 2011, the Government of the Republic of Lithuania passed Resolution No. 1239 Regarding the Approval of the Plan on Performing the Unbundling of Activities and Control of Natural Gas Companies that do not Conform to the Requirements of the Law on Natural Gas of the Republic of Lithuania (amended by Resolution No. 257 of the Government of the Republic of Lithuania of 7 March 2012). In accordance with the above mentioned legal acts the Company by 31 October 2014 shall implement the unbundling of transmission activity and control and legally, functionally and organisationally unbundle its natural gas distribution activity in order to achieve compliance with Paragraph 8 of the Law on Natural Gas.

In accordance with the aforementioned legal acts and with due consideration of the Company's request, the National Control Commission for Prices and Energy (hereinafter referred to as "the NCCPE"), by its Resolution No. O3-70 of 20 March 2012, enacted that AB Lietuvos Dujos should select the method for unbundling the natural gas transmission activity and control and the method for legal, functional and organizational unbundling the natural gas distribution activity and submit to the NCCPE a comprehensive description of the methods selected together with the plan of actions to be performed by 31 May 2012.

The General Meeting of Shareholders of AB Lietuvos Dujos of 28 May 2012 adopted the following resolutions:

1. To perform the unbundling of the transmission activity of AB Lietuvos Dujos following the method provided for by Article 4 of the Law on Implementation of the Law on Natural Gas of the Republic of Lithuania and Paragraph 8 of the plan approved by the Resolution No. 1239 of the Government of the Republic of Lithuania of 28 October 2011 "On Approval of the Plan on Performing the Unbundling of Activities and Control of Natural Gas Companies that do not Conform to the Requirements of the Law on Natural Gas of the Republic of Lithuania" in accordance with the terms provided for by the legal acts by spinning off a part (i.e. the activity of natural gas transmission of the Company) from the Company which continues its activity and establishing a new company on the basis of the assets, rights and obligations attributed to the activity of natural gas transmission of the Company as provided for by Article 71 of the Law on Companies of the Republic of Lithuania.
2. To perform the unbundling of the distribution activity of AB Lietuvos Dujos by establishing a subsidiary of the Company and by transferring the natural gas distribution activity (complex of assets) to the subsidiary together with the assets, rights and obligations attributed to the activity as contribution in kind for the newly issued shares of the subsidiary in accordance with the terms provided for by the legal acts.

On 28 May 2012, the Board of Directors of AB Lietuvos Dujos approved the Description of the methods for the unbundling of the Company's gas transmission activity and control and gas distribution activity together with the unbundling action plans (hereinafter referred to as "the Description"). The Description foresees that the Company's natural gas transmission activity will be legally, functionally, and organizationally unbundled by establishing a new transmission system operator company by 31 July 2013 and that unbundling of control over the transmission activity will be implemented and the Company's natural gas distribution activity will be legally, functionally, and organizationally unbundled by establishing a distribution system operator subsidiary by 31 October 2014. In accordance with the requirements of legal acts of the Republic of Lithuania, the Company submitted the Description to the NCCPE within the time limits established, i.e. by 31 May 2012.

2 Other material information (cont'd)

The NCCPE by its Resolution No. O3-145 of 15 June 2012 "On AB Lietuvos Dujos Transmission and Distribution Activities and Control Unbundling Action Plans" instructed the Company to proceed with the unbundling of the activities and control according to the methods and deadlines as specified in the Description submitted by the Company.

The implementation of the provisions of these laws will have a substantial effect on the activities of the Company.

3 Accounting principles

The Group's and the Company's condensed financial statements as of 30 June 2012 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 2012 were the same as these used for preparing the financial statements for 2011 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 2012 and 30 June 2011 is presented below:

Group					
Six months period ended 30 June 2012 (pre-audited)	Transmission	Distribution	Supply	Other activity	Total
Sales	83,330	98,434	813,251	828	995,843
Profit before tax	15,377	22,649	17,639	(307)	55,358
Six months period ended 30 June 2011 (audited)	Transmission	Distribution	Supply	Other activity	Total
Sales	86,261	99,584	737,661	929	924,435
Profit before tax	28,863	33,595	37,200	158	99,816

In the six months of 2012 and the six months of 2011 the Group and the Company earned over 98 % 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 and stored in Latvia gas storage.

AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania
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(all amounts are in LTL thousand unless otherwise stated)

5 Trade receivables

	Group		Company	
	30 June 2012 (pre-audited)	31 December 2011 (audited)	30 June 2012 (pre-audited)	31 December 2011 (audited)
Receivables for natural gas, Transmission and distribution of natural gas from non-household customers	61,533	159,792	61,534	159,803
Receivables for natural gas, Transmission and distribution of natural gas from household customers	11,529	16,949	11,529	16,949
Other trade receivables	364	523	339	513
Less: allowance for trade receivables	(8,884)	(8,417)	(8,884)	(8,417)
	<u>64,542</u>	<u>168,847</u>	<u>64,518</u>	<u>168,848</u>

The Groups' and the Company's trade receivables for natural gas, Transmission and Distribution of natural gas from customers as of 30 June 2012 decreased significantly due to lower volumes of the natural gas consumed.

6 Other current assets

	Group		Company	
	30 June 2012 (pre-audited)	31 December 2011 (audited)	30 June 2012 (pre-audited)	31 December 2011 (audited)
Debt securities	-	30,000	-	30,000
Short-term deposits with maturity 3-12 months	5,431	1,989	-	-
	<u>5,431</u>	<u>31,989</u>	<u>-</u>	<u>30,000</u>

As of 30 June 2012, the significant decrease in the other current assets owned by the Group and the Company was due to the debt securities sold in 2012.

The maturity of short term investments is 3-12 months period. As of 30 June 2012 weighted average annual interest rate of the short term investments of the Group was 1.66 % (2.24 % as of 31 December 2011).

7 Trade payables

	Group		Company	
	30 June 2012 (pre-audited)	31 December 2011 (audited)	30 June 2012 (pre-audited)	31 December 2011 (audited)
Suppliers of natural gas	57,261	192,122	57,261	192,122
Other	19,162	23,447	19,138	23,440
	<u>76,423</u>	<u>215,569</u>	<u>76,399</u>	<u>215,562</u>

As of 30 June 2012 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.

8 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. VAT payable was equal to LTL 2,733 thousand as of 30 June 2012 (LTL 39,362 thousand as of 31 December 2011).

9 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 2012 (pre-audited)	30 June 2011 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	46,938	86,011
Weighted average number of shares in thousand	469,068	469,068
Basic earnings per share (in LTL)	0.10	0.18

10 Dividends

During the regular general shareholders' meeting on 23 April 2012, when approving the Company's 2011 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2011 in the amount of LTL 72.0 million (LTL 0.153 per ordinary registered share with the par value of LTL 1 per share).

11 Commitments and contingencies

Legal disputes

On 25 March 2011 the Ministry of Energy of the Republic of Lithuania, which holds 17.7 percent of the Company's shares by the right of trust, applied to Vilnius Regional Court with an action for an investigation of activities of a legal person and indicated AB Lietuvos Dujos, the Company's board members delegated by OAO Gazprom and the general manager as defendants. This action requests initiation of an investigation of AB Lietuvos Dujos activities and satisfaction of the respective claims specified in the action, provided that the activities of the company AB Lietuvos Dujos and/or the above board members and/or the general manager are found inadequate.

On 28 October 2011 AB Lietuvos Dujos applied to Vilnius Regional Administrative Court with a request to partially annul the Resolution of the National Control Commission for Prices and Energy No. O3-283 of 30 September 2011 Regarding a Planned Target Inspection of AB Lietuvos Dujos, where violations of AB Lietuvos Dujos licensed activities' regulations were identified and requirements applicable for providing the data for adjusting the upper price margin of transmission and distribution for 2012, for determination of the property, plant and equipment depreciation expenses as well as for the other obligations were imposed for the Company. On 20 February 2012 Vilnius Regional Administrative Court rejected the Company's claim. The Company did not agree with the decision of the first instance court and appealed against it to the Supreme Administrative Court.

On 28 November 2011 AB Lietuvos Dujos applied to Vilnius Regional Administrative Court with a complaint and requested annulment of the Resolution of the National Control Commission for Prices and Energy No. O3-347 of 27 October 2011 Regarding Violation of Regulated Activities of AB Lietuvos Dujos, based on which AB Lietuvos Dujos was imposed a fine of LTL 350 thousand.

The abovementioned legal cases are under ruling in the first instance and / or appealing stage. The outcome of these legal cases is not known and cannot be reliably estimated.

12 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 2012 and 30 June 2011 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);
- UAB Kaunas Heat and Power Plant (same ultimate shareholder);
- OAO Beltransgaz (same ultimate shareholder).

As of 30 June 2012 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	813,423	18,002	2,535	57,261
OAO Beltransgaz	16	-	-	-
UAB Palangos Perlas	40	40	1	3
AS Latvijas Gaze	767	-	-	-
UAB Kaunas Heat and Power Plant	-	7,806	683	-
	<u>814,246</u>	<u>25,848</u>	<u>3,219</u>	<u>57,264</u>

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	-	-	-
UAB Kaunas Heat and Power Plant	-	8,604	1,521	-
	<u>712,026</u>	<u>23,439</u>	<u>3,742</u>	<u>136,788</u>

There were no receivables from related parties and payables to them, for which the guarantees would be provided for or received. As at 30 June 2012 the Group and the Company has not accounted for any allowance for receivables from related parties.



CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF OF 2012

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

Vilnius
2012

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Reporting period for which the report was prepared

The first half of 2012.

Main data about the Company

Name of the Issuer	AB Lietuvos Dujos (hereinafter referred to as "the Company" or "LD")
Legal 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 5 236 0210
Fax number	+370 5 236 0200
E-mail address	ld@lietuvosdujos.lt
Website	www.dujos.lt

Major developments of the reporting period

- On 1 January, new natural gas transmission and distribution service tariffs (set by the Company's Board of Directors on 18 November 2011) came into effect. The natural gas tariffs applicable to household customers were not changed, i.e. it was decided from 1 January 2012 to apply the same tariffs that were applied in Half 2 of 2011. The National Control Commission for Prices and Energy (hereinafter referred to as "the NCCPE") approved the decision on 30 November 2011.
- 10 February marked a public presentation of the findings of the Business Case Analysis Study conducted in preparation for the Poland–Lithuania Gas Interconnector Project. The Gas Interconnector would integrate the Baltic States into the gas markets of the European Union and via the Swinoujscie Liquefied Natural Gas (hereinafter referred to as "the LNG") Terminal Facility, would create access to the global LNG market.
- On 20 March, a public tender was announced for the preparation of a Polish and Lithuanian Natural Gas Systems Integration Feasibility Study.
- On 21 March, the Company was awarded ISO 14001 certificate in the field of environmental protection, which proves that the environmental protection management system, which constitutes an integral part of in the Company's activities, meets the applicable standards.
- On 29 March, LD with other gas transmission system operators of BEMIP region has published the first Gas Regional Investment Plan for 2012–2021. The aim of the Plan is to present the prospects for the development of the regional gas market and infrastructure, including an analysis of the challenges and obstacles that hinder the development of gas infrastructure in the Baltic Sea region.
- On 23 April, at the Annual General Meeting of Shareholders of LD, the Company's shareholders approved the Company's activity results for 2011 and decided for the Year 2011 to pay out dividends totalling LTL 72.0 million, or 15.3 Lithuanian cents per share.
- On 24 May, the NCCPE approved the LD Board of Directors' decision regarding new natural gas tariffs for household customers effective from 1 July 2012.

- On 28 May, at the Extraordinary General Meeting of Shareholders of LD the Company's shareholders decided to perform the unbundling of the transmission activity of the Company in accordance with the terms provided for by the legal acts by spinning off a part (i.e. the activity of natural gas transmission of the Company) from the Company, which continues its activity, and establishing a new company on the basis of the assets, rights and obligations attributed to the activity of natural gas transmission of the Company as provided for by Article 71 of the Law on Companies of the Republic of Lithuania. In addition, the Company's General Meeting of Shareholders decided to perform the unbundling of the distribution activity by establishing a subsidiary of LD and by transferring the natural gas distribution activity (complex of assets) to such subsidiary together with the assets, rights and obligations attributed to such activity as contribution in kind for the newly issued shares of the subsidiary in accordance with the terms provided for by the legal acts.

- In compliance with the resolutions adopted by the General Meeting of Shareholders and the applicable legal acts of the Republic of Lithuania, on 28 May, the Board of Directors of the Company approved the Description of the methods for the unbundling of the Company's gas transmission activity and control and gas distribution activity together with the unbundling action plans.

- On 31 May, the Company, in compliance with the requirements of the legal acts of the Republic of Lithuania and implementing the resolutions of the General Meeting of Shareholders and the Board of Directors of the Company, has submitted to the NCCPE the Description of the selected methods for the unbundling of the Company's gas transmission activity and control and gas distribution activity together with the unbundling action plans, providing for the legal, functional and organizational unbundling of the Company's natural gas transmission activity by 31 July 2013 and for the implementation of the unbundling of control of the transmission activity as well as the legal, functional, and organizational unbundling of the Company's natural gas distribution activity by 31 October 2014.

- On 15 June, the NCCPE adopted Resolution No. O3-145 "On AB Lietuvos Dujos transmission and distribution activities and control unbundling action plans" and acknowledged that LD had submitted the Company's spin-off action plan (hereinafter referred to as the "Transmission Plan") and the Company's activity's transformation action plan (hereinafter referred to as the "Distribution Plan") as adopted by the LD Board of Directors Meeting Minutes of 28 May 2012. The NCCPE instructed the Company to unbundle the natural gas transmission and distribution activities and control in accordance with the methods and deadlines as specified in the Transmission and Distribution Plans: by 31 July 2013 LD shall implement the legal, functional and organizational unbundling of its natural gas transmission activity, and by 31 October 2014 LD shall implement the unbundling of control of its transmission activity and the legal, functional and organizational unbundling of distribution activity.

- On 29 June, LD together with Polish partner GAZ-SYSTEM S.A. concluded a contract with ILF Consulting Engineers Polska Sp. z. o. o regarding the preparation of the Poland-Lithuania Gas Interconnector Feasibility Study. The Feasibility Study is expected to be completed in Quarter 1 of 2013.

- With effect from 30 June Dr Peter Frankenberg resigned from his office as Member and Chairman of the Board of Directors. Dr Achim Saul was elected new Member and Chairman of the Board of Directors of LD.

Natural gas business environment

Legal basis. Pursuant to the Law on Natural Gas and the Law on Implementation of the Law on Natural Gas transposing into the national law provisions of the third energy package of the EU, in

Quarter 4 of 2011, the Government of the Republic of Lithuania (hereinafter referred to as the "GoRL") passed respective resolutions providing for the Company's actions to be taken with regard to the reorganization of the Company: the Resolution No. 1239 "On approval of the plan on performing the unbundling of activities and control of natural gas companies that do not conform to the requirements of the Law on Natural Gas of the Republic of Lithuania" as adopted by the GoRL on 28 October 2011 and the Resolution No. 1417 "On approval of the description of the procedure for unbundling of the activities and control of natural gas undertakings that do not conform to the requirements of the Law on Natural Gas of the Republic of Lithuania" as adopted by the GoRL on 7 December 2011.

Pursuant to the provisions of the aforesaid legal acts, the Company must by 31 October 2014 implement the unbundling of the transmission activity and control and to complete the legal, functional and organizational unbundling of the natural gas distribution activity thus achieving compliance with the requirements of Article 8 of the Law on Natural Gas. In compliance with the provisions of the applicable legal acts of the Republic of Lithuania, the Company submitted to the NCCPE a description of the method selected for the unbundling of the natural gas transmission activity and control and of the method selected for the unbundling of the natural gas distribution activity including the unbundling action plans. On 15 June 2012, the NCCPE adopted Resolution No. O3-145 "On AB Lietuvos Dujos transmission and distribution activities and control unbundling action plans" and acknowledged that LD had submitted the Company's spin-off action plan (Transmission Plan) and the Company's activity's transformation action plan (Distribution Plan) as adopted by the LD Board of Directors Meeting Minutes of 28 May 2012. The NCCPE instructed the Company to unbundle the natural gas transmission and distribution activities and control in accordance with the methods and deadlines as specified in the Transmission and Distribution Plans: by 31 July 2013 LD shall implement the legal, functional and organizational unbundling of its natural gas transmission activity, and by 31 October 2014 LD shall implement the unbundling of control of its transmission activity and the legal, functional and organizational unbundling of distribution activity.

In accordance with applicable provisions of the Law on Natural Gas, from 1 August 2011, natural gas supply activity became unregulated. The Law also created preconditions for the establishment of a natural gas exchange in Lithuania. LD cooperates with the Finnish gas company Gasum Oy with a view to the establishment of a joint venture which would act as a natural gas market operator and would organize trade in the gas exchange set by it. The long term objective of this cooperation consists in the establishment of a regional natural gas exchange comprising Lithuania, Latvia and Estonia and the integration of the regional gas market. On 4 July 2012, the Company's Board of Directors decided in cooperation with the Finnish natural gas company Gasum Oy to set up a joint venture to perform the functions of a natural gas market operator.

On 12 June 2012, the Seimas (Parliament) of the Republic of Lithuania passed the Law on Liquefied Natural Gas Terminal regulating the principles for the installation, operation and maintenance of the Liquefied Natural Gas (hereinafter referred to as the "LNG") Terminal Facility. Even though the LNG Terminal Facility is being developed as a commercial project of a state-controlled company, the provisions of the Law create a possibility of covering the costs of the installation and operation of the LNG Terminal Facility with the funds of all system users irrespective of the fact whether or not such system user will actually use the services of the LNG Terminal Facility. Moreover, this Law imposes a mandatory obligation for gas companies importing gas to Lithuania through gas pipelines to procure gas from the LNG Terminal Facility, which hinders gas market competition and is contrary to the objectives of the EU policies directed at the creation of a competitive and open internal market.

Licensing. The Law on Natural Gas stipulates that the activities of natural gas transmission, distribution and supply carried out by the Company are subject to licensing. Licences are issued and the supervision of the licensed activities is executed by the NCCPE.

Pricing system and natural gas tariffs. Natural gas transmission and distribution service tariffs applicable to all 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 in cases provided for by the Law on Natural Gas. The activity of natural gas supply is not 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. The tariffs are submitted to the NCCPE for approval.

On 1 January 2012, new natural gas transmission and distribution service tariffs (set by the Board of Directors of the Company and verified by the NCCPE) came into effect. As regards natural gas tariffs to household customers, in Half 1 of 2012 they did not change, i.e. from 1 January 2012, regardless of the gas imports price increase, the same tariffs as the ones that were in effect in Half 2 of 2011 were further applied. The Company's Board of Directors decided not to raise tariffs for household customers applicable in Half 1 of 2012 in the hope that the situation on the energy resources market would eventually become favourable, i.e. that the energy resource prices would start decreasing.

As regards natural gas prices for the non-household customers, these prices 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 gasoil prices in international market, the USD and EUR ratio set by the European Central Bank and the actual calorific value of natural gas. Due to the very significant increase in the energy resources prices, and also due to the decline in the value of EUR against USD, in Half 1 of 2012, natural gas prices for the non-household customers have been gradually rising.

In view of the fact that in 2012 for reasons beyond the Company's control gas import prices have been further increasing and having assessed the developments of the currency markets, on 23 April 2012, the Company's Board of Directors adopted its decision on new natural gas tariffs for household customers effective from 1 July 2012. On 24 May 2012 these tariffs were approved by the NCCPE. In Half 1 of 2012 alone, from the natural gas sale to household customers the Company incurred a loss of approx. LTL 20 million, which accrued due to the negative difference between the factual gas import price and the gas import price included into the household customer tariff calculation. In order to mitigate the price increase impact on household customers, compensation of these losses through household tariffs for Half 2 of 2012 was not included into the calculation of the tariffs. Compared to the tariffs that were in effect in Half 1 of 2012, the variable tariff component for all household customers was raised by on average 42-46 ct/m³. The constant tariff component remained unchanged.

More detailed information on the natural gas service tariffs and gas tariffs for household customers is presented on the Company's website www.dujos.lt.

Market. In Half 1 of 2012, 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 2012, the total volume of natural gas imported into Lithuania via system operated by LD amounted to 1.7 billion m³.

Natural gas to household and non-household customers of Lithuania was supplied by the following companies: LD, UAB Fortum Heat Lietuva, UAB Druskininkų Dujos, AB agro firm Josvainiai and UAB Intergas. UAB Dujotekana and UAB Haupas were supplying gas only to non-household customers.

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

Risk management

The Company has implemented a Risk Management System which is a constituent part of LD activities. The Risk Management Process is carried out according to a Methodology that has been prepared by the Company. 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 comprises the following steps:

- Risk identification;
- Risk analysis, assessment and establishing the risk control measures;
- Developing the Risk Management Action Plan and 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:

- Organizational structure-related risk;
- Regulation-related risk;
- Competition-related risk;
- Natural gas import price fluctuation risk;
- Credit risk;
- Technical-related risk;
- Macroeconomic factors-related risk.

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 adopted the Accounting Policies and Procedures Manual, which regulates the principles, methods, and rules of accounting and preparation and presentation of consolidated financial statements.

Financial performance

Group's key performance indicators

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Performance indicators			
Volume of transmitted natural gas, M m ³	1,705.8	1,838.5	3,360.9
Volume of natural gas transit, M m ³	1,101.4	1,012.5	2,043.6
Volume of distributed natural gas, M m ³	557.2	621.6	1,066.1
Volume of natural gas sales, M m ³	611.9	729.3	1,317.8
Number of customers, that have concluded natural gas supply agreements at the end of the period, thousand pcs			
Household customers	549.0	547.9	548.2
Non-household customers	6.0	5.8	5.9

Length of gas pipelines operated, thousand km			
Transmission pipelines	1.9	1.9	1.9
Distribution pipelines	8.1	8.1	8.1
Employees			
Average number of employees	1,707	1,729	1,719

Group's key financial indicators

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Financial results			
Sales, M LTL	995.8	924.4	1,840.0
Earnings before interest, taxes, depreciation and amortization (EBITDA), M LTL	111.2	154.5	213.9
Profit from operations, M LTL	54.1	98.7	122.1
Profit before tax, M LTL	55.4	99.8	104.3
Net profit, M LTL	46.9	86.0	95.8
Net cash flows from core operating activities, M LTL	32.7	99.2	213.6
Investments, M LTL	36.6	13.6	62.3
Assets at the end of the period, M LTL	2,511.7	2,620.8	2,698.6
Equity at the end of the period, M LTL	2,030.3	2,045.6	2,055.3
Net financial debt, M LTL	-55.3	-66.4	-123.6
Profitability ratios			
EBITDA margin, %	11.1	16.7	11.6
Profit from operations margin, %	5.4	10.6	6.6
Profit before tax margin, %	5.5	10.8	5.7
Net profit margin, %	4.7	9.3	5.2
Average return-on-assets ratio (ROA), %	1.8	3.2	3.5
Average return-on-equity ratio (ROE), %	2.3	4.2	4.6
Return on capital employed (ROCE), %	2.7	4.8	5.0
Liquidity			
Overall liquidity	1.8	1.3	1.3
Quick ratio	1.1	1.0	1.1
Leverage			
Equity to asset ratio, %	80.8	78.1	76.2
Financial debt to equity ratio, %	0.2	0.3	0.2
Net financial debt to equity ratio, %	-2.7	-3.2	-6.0
Market value ratios			
Price-earnings ratio (P/E)	19.16	12.61	10.34
Basic earnings per share, LTL	0.10	0.18	0.20
Dividend payment ratio, %	–	–	75.2
Dividends per share for the current year, LTL	–	–	0.15

The Company prepared Consolidated Financial Statements for the six months ended 30 June 2012, 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.

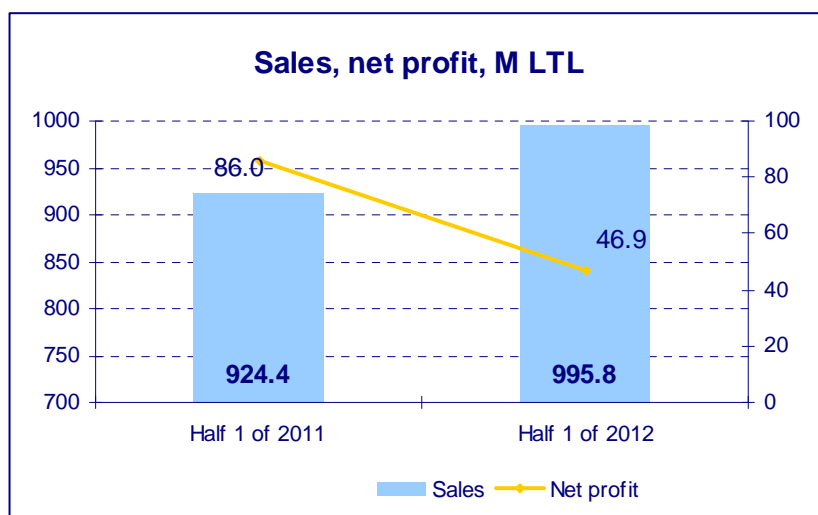
The sales of the Group of Half 1 of 2012, compared with the respective period of the previous year, increased by 7.7% and amounted to LTL 995.8 million (in Half 1 of 2011: LTL 924.4 million respectively). Even though there was a decrease in the gas sales and transportation volumes, as compared with Half 1 of 2011, the sales increased, which mainly came as a result of the changes in the gas import price.

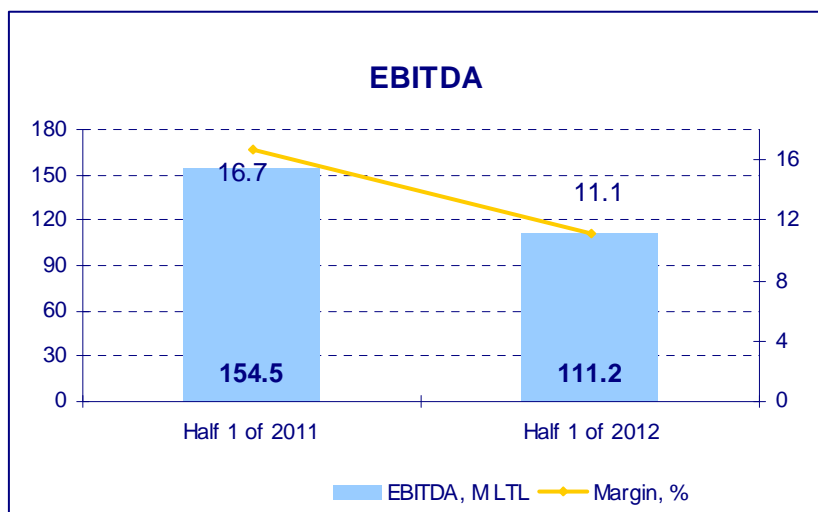
In Half 1 of 2012, gas purchase expenses went up by 15.7% due to the gas import price increase.

In Half 1 of 2012, operating expenses increased mainly due to the major repair works carried out on the gas transmission pipeline.

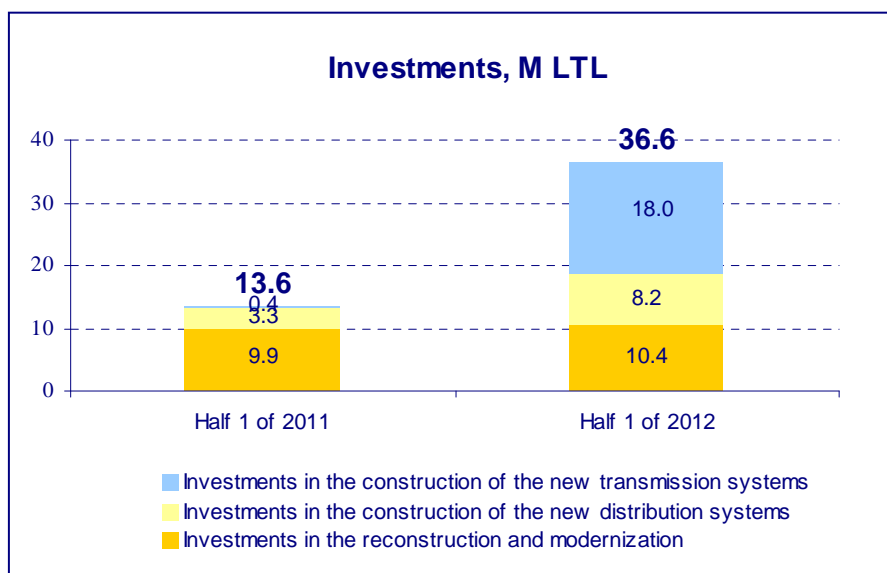
The consolidated unaudited profit before tax of Half 1 of 2012 decreased by 44.5% y/y to LTL 55.4 million (in Half 1 of 2011: LTL 99.8 million), and net profit of the period amounted to LTL 46.9 million (in Half 1 of 2011: LTL 86.0 million). The change in the result was mainly determined by the poorer results of the regulated gas transportation activity. In the activity of gas supply to the household customers, a considerable loss was incurred, which came as a result of the negative difference between the actual gas import price and the gas import price included into the household customers’ tariffs.

The EBITDA (earnings before interest, taxes, depreciation and amortization) of Half 1 of 2012 also decreased. Compared to the same period of 2011, the EBITDA decreased by LTL 43.3 million or by 28.0% and amounted to LTL 111.2 million.





Investments. In Half 1 of 2012, the Group invested LTL 36.6 million (in Half 1 of 2011: LTL 13.6 million). The major part of the investments of Half 1 of 2012 were investments in the construction of the Šakiai–Klaipėda Gas Transmission Pipeline, which is the National Energy Strategy Project.



For more detailed information on the financial results of the Group, see the Consolidated and Parent Company’s Condensed Financial Statements for the six months ended 30 June 2012.

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 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, a Business Case Analysis has been prepared and the preparation of the Feasibility Study of the Poland–Lithuania Gas Interconnector has been started. For these research works the European Commission’s financial assistance has been granted.

Business plans and forecasts

A fair share of attention will be dedicated to a proper and timely implementation of the Company's restructuring-related provisions of the Law on Natural Gas, the Law on the Implementation of the Law on Natural Gas as well as other legislation.

It is planned that in 2012 natural gas transportation volumes to customers of Lithuania via the gas transmission system of LD will amount to approx. 3 billion m³.

In 2012 the Company will work hard at the implementation of its major gas infrastructure-related investment projects. In 2012, the Company's investments in the construction of new gas systems are planned to significantly exceed the ones of 2011, as the year 2012 will see the continuation of works for the construction of the Šakiai–Klaipėda Gas Transmission Pipeline. LD started the implementation of this project a long time ago, back in 2007, when exclusively with its own funds the Company laid the gas transmission pipeline section from Šakiai to Jurbarkas. In 2012, the gas transmission pipeline section from Jurbarkas to the branch to Tauragė is constructed. It is planned that the gas transmission pipeline section from Jurbarkas to the branch to Tauragė will be constructed by the end of 2012, and the section from the branch to Tauragė to Klaipėda will be constructed by the end of 2013.

The Company is also continuing with the works for the enhancement of the gas pipeline link between Lithuania and Latvia, which are scheduled for completion in 2013.

In 2011, in co-operation with the Polish Gas Transmission System Operator GAZ-SYSTEM S.A. the Poland–Lithuania Gas Interconnector Business Case Analysis Study was prepared, which presented comprehensive information about gas markets of Poland and the Baltic States. In continuation of the works that were started earlier, in Quarter 1 of 2013, there are plans to prepare a Feasibility Study of the Poland–Lithuania Gas Interconnector. The results of the Feasibility Study will constitute a basis for further steps with regard to the implementation of this Project.

The Company will also continue with the implementation of its projects aimed at raising the operational efficiency and cost optimization.

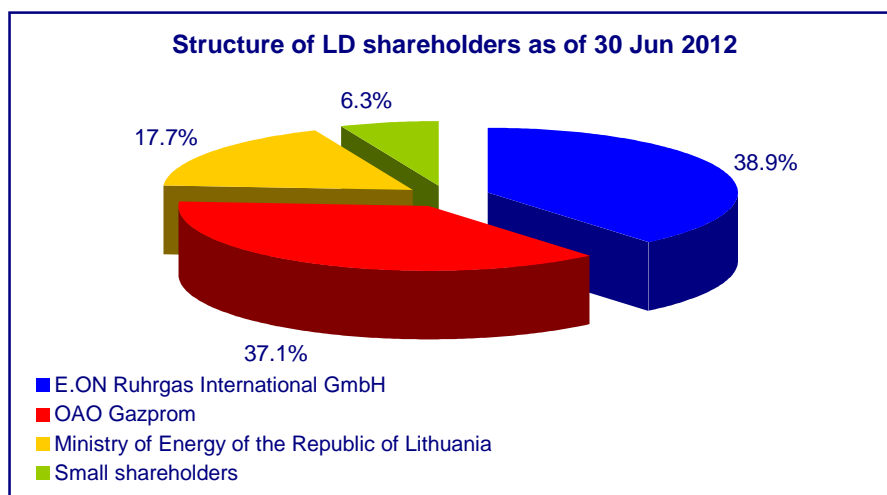
Management of the Company

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 Company website www.dujos.lt and at the Central Database of Regulated Information www.crib.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 2012, the value of the authorized capital did not change, the par value of shares and the structure of shareholders also remained unchanged.

The Company's shares entitle to equal property and non-property rights.

As of 30 June 2012, the total number of shareholders was 2,742.



The shareholders of the Company E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania whose shares are held in trust by the Ministry of Energy of the Republic of Lithuania together control 93.7% of the stock of the Company and have a casting vote when taking decisions at the General Meeting of Shareholders. 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 Republic of Lithuania whose shares are held in trust by 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 provided for by 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.

The Company has not acquired its own shares and in Half 1 of 2012 it did not make any transactions related either to the acquisition or disposal of its own shares.

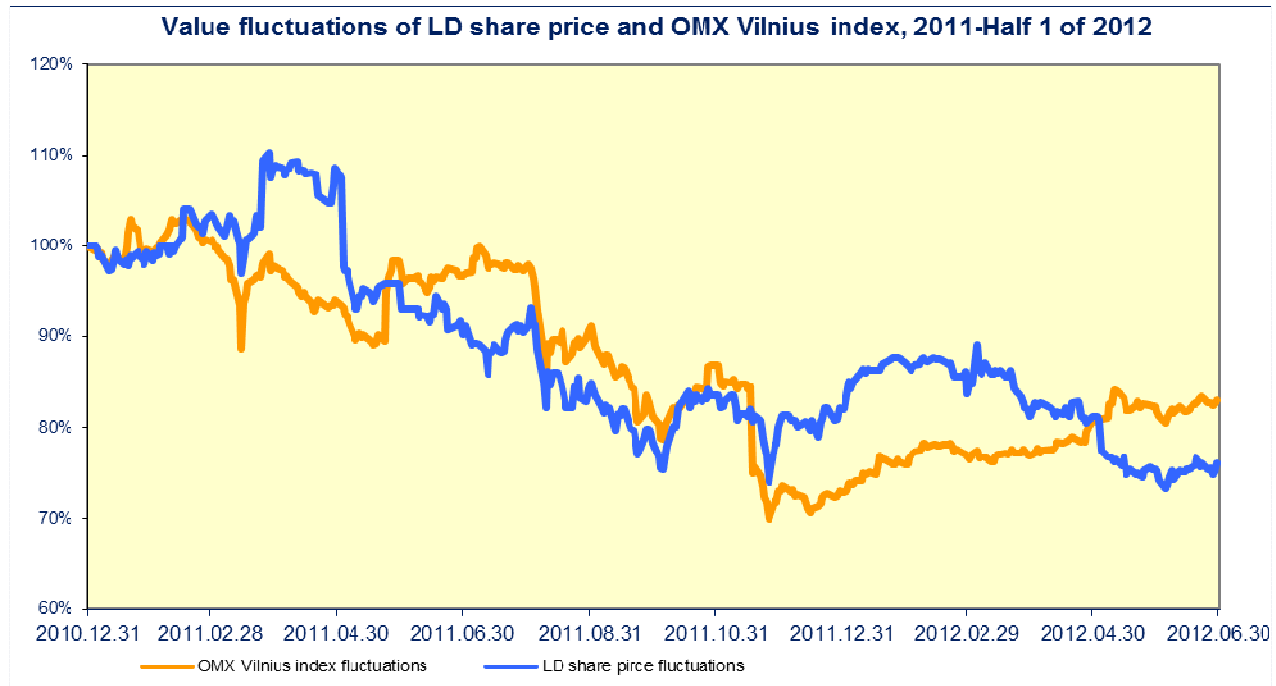
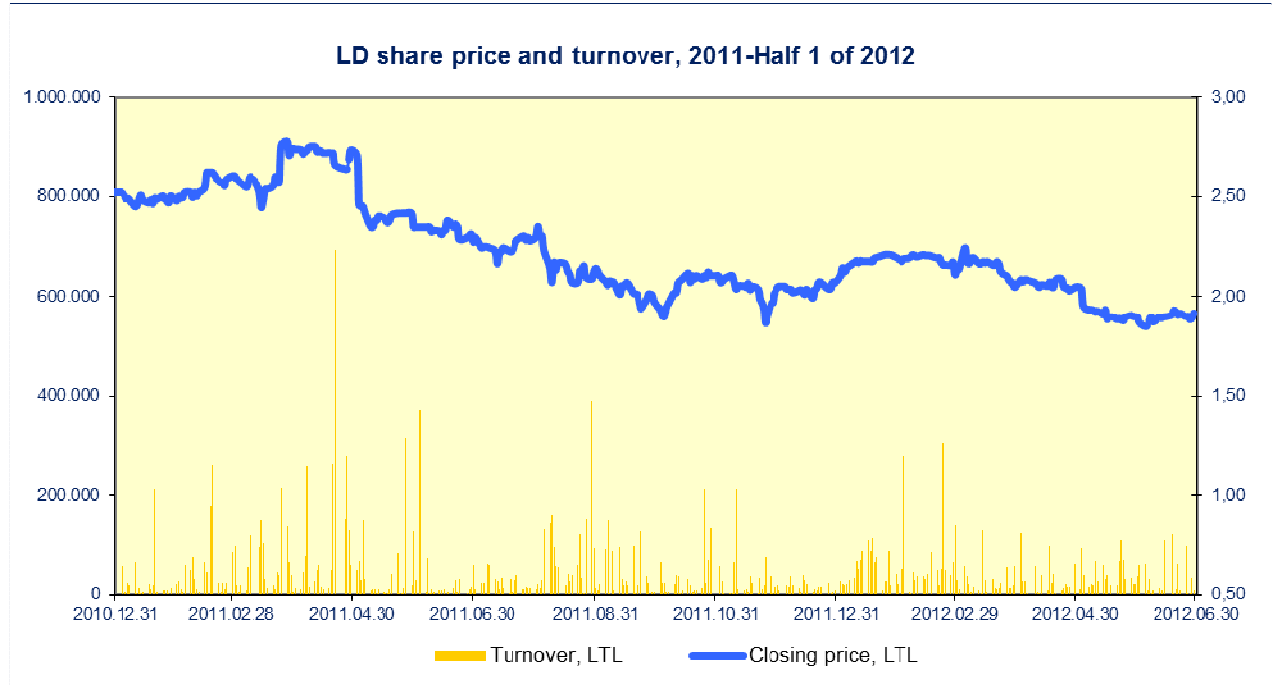
Data about trading in the Company's securities on the regulated markets. The Company's shares are traded on the regulated market, they are quoted on the Main List of the stock exchange NASDAQ OMX Vilnius.

As of 30 June 2012, 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 2012, the capitalization of the Company's shares amounted to LTL 898.7 million. In Half 1 of 2012, the total turnover of the trading in the Company's shares at the NASDAQ OMX Vilnius amounted to LTL 5.2 million, through the transactions that were concluded 2,522,592 shares were disposed of.

Share price dynamics at NASDAQ OMX Vilnius in Half 1 of 2012

Price per share as of 31 Dec 2011	LTL 2.068
Highest price per share in Half 1 of 2012	LTL 2.244
Lowest price per share in Half 1 of 2012	LTL 1.830
Price per share as of 30 Jun 2012	LTL 1.916



Starting from 2002, each year the Company has been appropriating part of its profit to the payout of dividends. For the Year 2011 it is appropriated for dividends a total amount of LTL 72.0 million, or 15.3 Lithuanian cents per share.

Agreements with intermediaries of public trading in securities. On 16 March 2012, LD concluded an agreement with AB SEB bankas regarding the accounting of securities issued by

the Company and provision of services related to the accountancy of securities. The aforesaid services under this contract have been rendered since 1 April 2012. Until 31 March 2012, these services were provided by AB FMJ Finasta.

AB SEB bankas requisites	
Company code	112021238
Banking licence No	2 (issued by the Bank of Lithuania on 29 November 1990, as subsequently amended)
Registered office	Gedimino pr. 12, Vilnius, Lithuania
Telephone numbers	+370 5 268 2800, short telephone number 1518
E-mail address	info@seb.lt
Website	www.seb.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.

Since 1 January 2008, a functional unbundling of the Company's transportation and supply activities has been implemented: the technical functions have been unbundled in the transmission, distribution and supply activities, the commercial functions have been unbundled in the transportation and supply activities, however, the general and auxiliary functions within the Company remained integrated, as well as the planning and the pricing functions in the transmission and distribution 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.

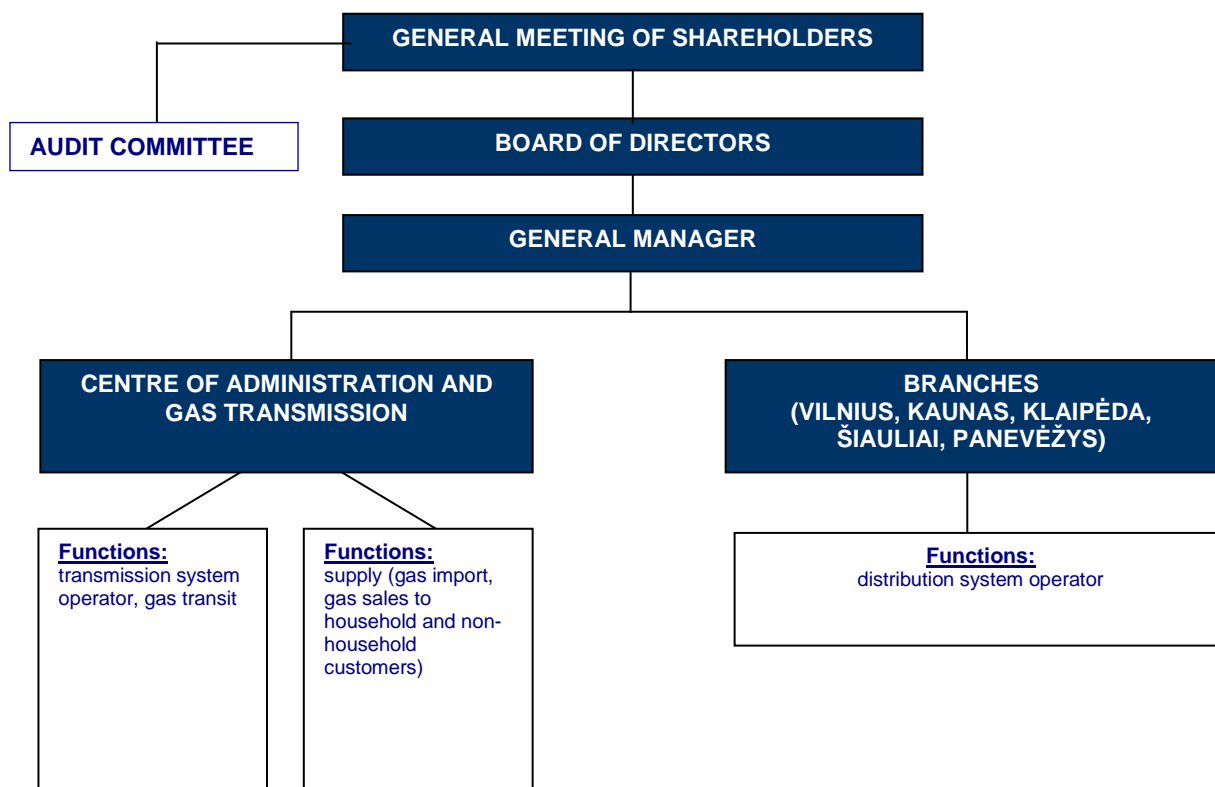
The Bylaws provide for the following governing bodies:

- 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 (approved by the General Meeting of Shareholders) and fully comply with 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 20 April 2011

No	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr Peter Frankenberg ¹	Chairman of the Board of Directors ³	April 2010–June 2012
2.	Dr Achim Saul ²	Chairman of the Board of Directors ³	July 2012–April 2013
3.	Dr Valery Golubev	Deputy Chairman of the Board of Directors ³	April 2010–April 2013
4.	Uwe Fip	Member of the Board of Directors	April 2010–April 2013
5.	Kirill Seleznev	Member of the Board of Directors	April 2010–April 2013
6.	Romas Švedas ⁴	Member of the Board of Directors	April 2010–October 2011
7.	Kęstutis Žilėnas ⁵	Member of the Board of Directors	December 2011–April 2013

¹ Resigned with effect from 30 June 2012.

² Elected Member of the Board of Directors with effect from 1 July 2012, elected Chairman with effect from 4 July 2012.

³ Chairman of the Board of Directors and his Deputy are elected by rotation for a two-year term.

⁴ Resigned with effect from 11 October 2011.

⁵ Elected with effect from 9 December 2011.

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; April 2010–April 2013 ¹
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

¹ For the term in office of the Board of Directors by which he was appointed.

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, %
Board of Directors (as of 30 June 2012)			
Dr Peter Frankenberg ¹	Chairman of the Board of Directors	–	–
Dr Achim Saul ²	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	–	–
Kęstutis Žilėnas	Member of the Board of Directors	–	–
Audit Committee (as of 30 June 2012)			
Juozas Kabašinskas	Independent member	–	–
Agnė Žičiūtė	Member	0.000	0.000
Top executives (as of 30 June 2012)			
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	–	–

¹ Resigned with effect from 30 June 2012.

² Elected Member of the Board of Directors with effect from 1 July 2012, elected Chairman with effect from 4 July 2012.

Subsidiary. As of 30 June 2012, the Company had one 100%-owned subsidiary, UAB Palangos Perlas. The main areas of the subsidiary's activities: hotel and other board and lodging services, organization of seminars and conferences. In Half 1 of 2012 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 2012, the average number of employees of UAB Palangos Perlas was 20.

In Half 1 of 2012, UAB Palangos Perlas incurred a loss due to the sale of its Palanga based hotel that was operating at a loss.

Main data about UAB Palangos Perlas

Date and place of registration	19 January 1998, State Enterprise Centre of Registers
Company code	152681177
Registered office	Birutės g. 8, LT-91203 Klaipėda, Lithuania
Telephone number	+370 698 26101

Transactions of associated parties. The information is presented in the Consolidated and Parent Company's Condensed Financial Statements for the six months ended 30 June 2012.

Core activities of the Company

Core business activity of the Company:

- **Transmission:** transmission of natural gas (except the gas supply) 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.
- **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 2012, natural gas transportation volumes to gas consumers of Lithuania via the transmission system amounted to 1,705.8 MCM, a drop of 7.2% y/y.

Transit to the Russian Federation Kaliningrad Region amounted to 1,101.4 MCM. Compared with the respective period of 2011, transit volumes increased by 8.8%.

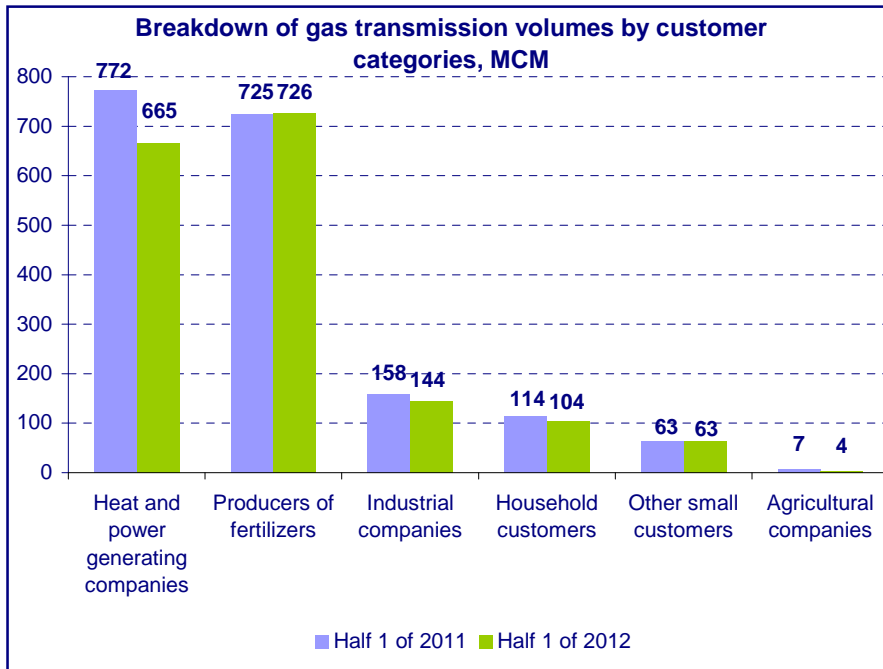
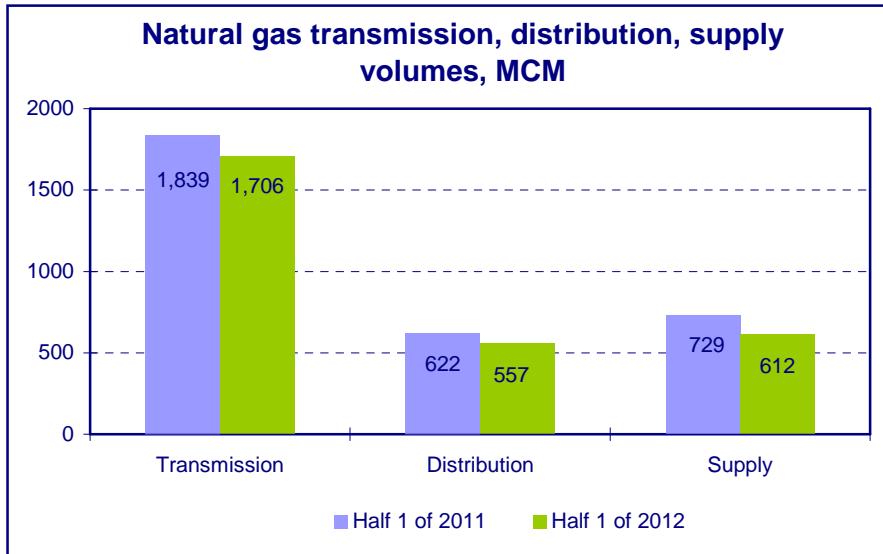
The Company distributed via gas distribution pipelines 557.2 MCM of natural gas, a drop of 10.4% y/y.

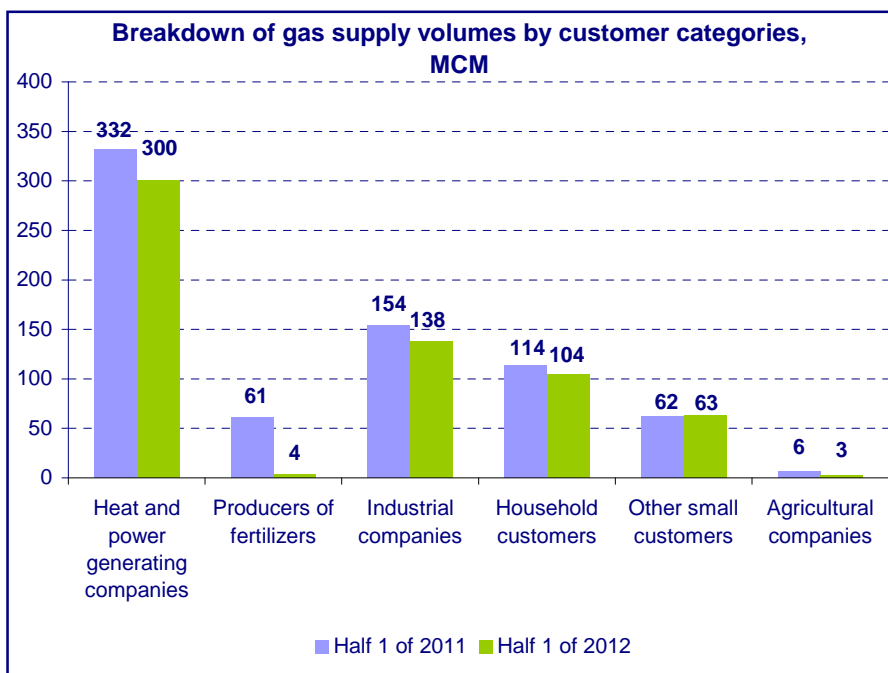
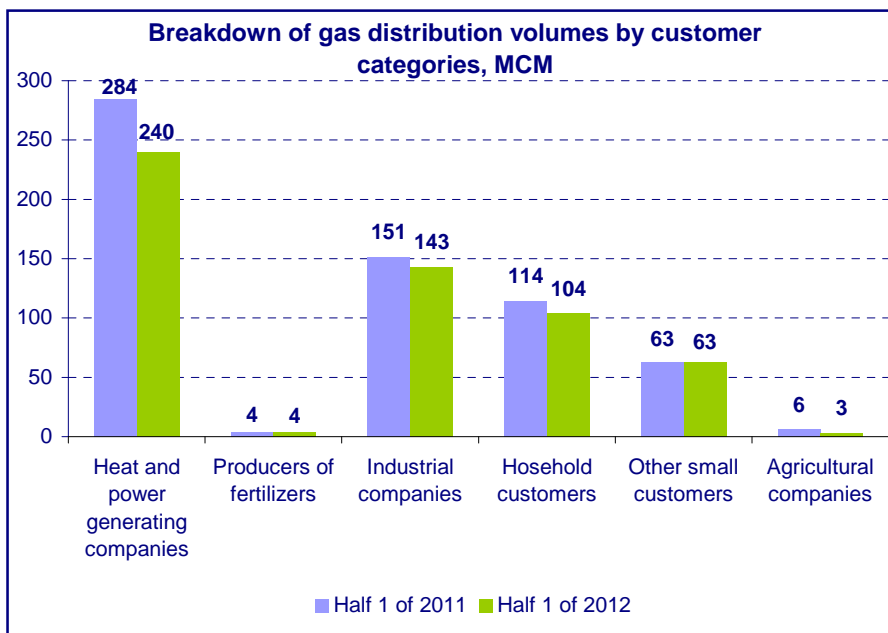
The Company's gas sales volumes of Half 1 of 2012 decreased by 16.1% y/y and amounted to 611.9 MCM. The Company's sales volumes decreased both in the household customers sector (amounted to 103.9 MCM, a drop of 8.6% y/y) and in the non-household customers sector (amounted to 508.0 MCM, a drop of 17.5% y/y).

The gas transmission, distribution and supply volumes declined mainly due to the drop in gas demand by heat and power plants, which came as a result of the rise in the use of alternative fuels, the decrease in the power production quotas and the even better economy in the use of gas. The Company discharged its obligations according to the natural gas purchase and sale and gas transportation service contracts that have been concluded. LD imported and supplied to consumers 35.9% of the total natural gas volumes consumed in Lithuania. In implementation of the EU provisions regarding Third Party Access regime, natural gas transportation volumes for third parties amounted to 1,093.9 MCM, which represents 64.1% of the total volume consumed in Lithuania.

In Half 1 of 2012, the Company imported natural gas from one supplier, OAO Gazprom. In implementation of the requirements of Resolution No. 325 "On Amendment of the Resolution of the Government of the Republic of Lithuania No. 163 of 26 February 2008 "On Approval of the List of the Measures Ensuring the Security of Natural Gas Supply" of 28 March 2012 of the Government of the Republic of Lithuania, the Company stores a certain volume of natural gas for customers in the Incukalns Underground Gas Storage Facility (the Republic of Latvia). In the event of any accidents or emergency situations, from 1 September 2012, this volume of natural gas accumulated in the UGS facility would ensure uninterrupted gas supplies to the vulnerable gas consumers (all household and non-household gas customers with annual natural gas consumption of up to 20,000 cubic meters) for at least 30 days.

As of 30 June 2012, the Company was selling natural gas to over 555 thousand customers including energy and industrial companies, other enterprises and organizations as well as households.





Litigation and arbitration

The information is presented in the Consolidated and Parent Company's Condensed Financial Statements for the six months ended 30 June 2012.

Staff

Average number of the Group's employees

Year	Average number of employees on the roll	Change compared to previous year
2011	1,719	-1.8%*
Half 1 of 2012	1,707	-0.7%**

* Compared to 2010.

** Compared to 2011.

Breakdown of the Group's employees by educational background

Average number of employees on the roll in Half 1 of 2012	Of this total, educational background:			
	Higher (university)	Post-secondary	Secondary	Unfinished secondary
1,707	827	351	506	23
100%	48%	21%	30%	1%

In Half 1 of 2012, the average monthly salary of the employees of the Group was LTL 3,402.

With a view to raising the Company's human resource management efficiency, in 2012, the Company's management processes were subjected to further improvements, and the staff size was subjected to further optimization.

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. In the recruitment and selection of its new staff the Company follows the Description of New Staff Selection Procedures and the Description of New Employees Adaptation Procedures that have been adopted by the Company.

LD devotes special attention to the creation of adequate working conditions for the personnel and to ensuring remuneration and social guarantees in line with the current market situation. LD branches have their trade union subunits that are united into a Lithuanian Gas Sector Employees Trade Union Association. The Company has a Collective Bargaining Agreement (the version as of 23 May 2011 with subsequent amendments) effective until 31 December 2012. 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 that are provided by these documents are the ones usually applied in general practice.

With a view to ensuring a safe, reliable and efficient operation and maintenance of the natural gas system, the Company constantly pays special attention to its staff training, to the raising and improvement of skills and qualifications of its employees.

Membership in associated structures

The Company is a member of the following organizations:

- The Lithuanian Gas Association. Website: www.dua.lt.
- The European Network of Transmission System Operators for Gas ("ENTSOG") (the Company's membership status is an associated partner). Website: www.entsog.eu.
- The Association "Eurogas". Website: www.eurogas.org
- The association of transmission pipeline companies of the Baltic Sea Region "Baltic Gas". Website: www.balticgas.org.
- The Chamber of Commerce of Germany and the Baltic countries ("AHK") in Estonia, Latvia and Lithuania. Website: www.ahk-balt.org.
- The association of the largest and most active investors in the economy of Lithuania "Investors' Forum". Website: 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.

The Company's notices

All notifications that in accordance with law are subject to publication were posted in the e-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 the procedure provided for by the Law on Securities of the Republic of Lithuania on the Central Database of Regulated Information www.crib.lt and the Company website 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.
