



2014 INTERIM REPORT
for the six-month period ended
30 June 2014
(audited)



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Reporting period for which the report was prepared

The first half of 2014.

Main data about the Company

Name	Public Company Lietuvos Dujos (hereinafter – “the Company” or “LD”)
Legal form	Public company
Date and place of registration	23 November 1990, Register of Legal Entities
Legal entity code	120059523
Registrar of the Register of Legal Entities	PC Centre of Registers
Authorized capital	LTL 290,685,740
Registered office address	Aguonu str. 24, LT-03212 Vilnius, Lithuania
Tel.	+370 5 236 0210
Fax	+370 5 236 0200
E-mail address	ld@lietuvosdujos.lt
Website	www.dujos.lt

Major developments of the reporting period

- On 1 January, natural gas tariffs for household customers of AB Lietuvos Dujos, set by the decision of the National Commission for Energy Control and Prices (hereinafter – “the NCC”) on 28 November 2013, came into effect. Effective natural gas tariffs are higher than tariffs earlier set by the Company.

- On 30 January, the Extraordinary General Meeting of Shareholders decided to initiate arbitration proceedings against OAO Gazprom in order to reduce the price of the gas supplied. General Manager of the Company was obligated to carry out all actions necessary for the initiation of the arbitration proceedings and proper execution thereof, and was authorized to negotiate with OAO Gazprom in order to improve natural gas supply conditions. The decision of shareholders provided for a suspension of arbitration proceedings in case of reaching a commercial agreement with OAO Gazprom, which would be favourable to the Company and approved by the Board of Directors.

- On 20 February, in the implementation of Resolution No. 120 of the Government of the Republic of Lithuania On Investing the State Property and Increasing Authorized Capital of Companies of 12 February 2014, the Ministry of Energy transferred by the transfer-acceptance deed to the Ministry of Finance 51,454,638 state-owned ordinary registered shares of AB Lietuvos Dujos with a par value of LTL 1 each granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos to manage, use and dispose of them by the right of trust.

- On 21 February, in the implementation of Resolution No. 120 of the Government of the Republic of Lithuania On Investing the State Property and Increasing Authorized Capital of Companies of 12 February 2014, the Ministry of Finance transferred to Lietuvos Energija, UAB 51,454,638 state-owned ordinary registered shares of AB Lietuvos Dujos with LTL 1 par value each and granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos as a non-monetary contribution for paying for the newly issued shares of Lietuvos Energija, UAB.

- On 30 April, decisions to approve financial results of AB Lietuvos Dujos, elect an audit company, recall the member of the Board of Directors, representative of the Ministry of Energy Valdas Lastauskas and to elect Dr. Dalius Misiūnas, the Chairman of the Board, CEO of Energija, UAB as a member of the Board of Directors were adopted in the General Meeting of Shareholders of the Company. No decision on the distribution of profits was made.

- On 7 May, in the implementation of decisions of the General Meeting of Shareholders and having

received the powers of the Board of Directors, AB Lietuvos Dujos signed an agreement with a natural gas supplier OAO Gazprom on a significant reduction of the price of natural gas imported by AB Lietuvos Dujos.

- On May 19, the Competition Council of the Republic of Lithuania adopted a resolution whereby it allowed a concentration by Lietuvos Energija, UAB acquiring up to 100% of shares of AB Lietuvos Dujos and gaining a sole control of AB Lietuvos Dujos in accordance with a presented concentration notice. It stated in the said resolutions that the dominant position will not be created or enhanced, and competition in respective markets will not be significantly restricted due to the planned concentration.

- On 21 May, Lietuvos Energija, UAB and E.ON Ruhrgas International GmbH concluded the agreement of purchase and sale of shares of AB Lietuvos Dujos in accordance with which Lietuvos Energija, UAB purchased from E.ON Ruhrgas International GmbH 113,118,140 shares of AB Lietuvos Dujos, which accounted for 38.9% of the authorized capital of AB Lietuvos Dujos.

- On 22 May, the Company received a notice of Lietuvos Energija, UAB on its intention to submit a mandatory take-over bid for the redemption of the remaining 126,112,962 ordinary registered shares of the issuer with the par value of LTL 1 each. Bank of Lithuania approved the decision of the mandatory take-over bid circular for the redemption of the remaining ordinary registered voting shares of the issuer.

- On 29 May, the NCC approved the natural gas tariffs for household customers set by the Board of Directors of AB Lietuvos Dujos on 22 May 2014 to take effect from 1 July 2014.

- On 16 June, was completed the implementation of the mandatory take-over bid on the redemption of the issuer's shares of the Company's shareholder Lietuvos Energija, UAB. During the mandatory take-over bid, one of the major shareholders of the Company OAO Gazprom also submitted an application for the redemption of shares of the Company. Lietuvos Energija, UAB acquired from OAO Gazprom 107,734,925 ordinary registered shares, which accounts for 37.1% of the Company's authorized capital. After the mandatory take-over bid, Lietuvos Energija, UAB owns 96.6% and minority shareholders – 3.4% of shares of the issuer.

- On 30 June, in the Extraordinary General Meeting of Shareholders were made decisions to approve the resignation of members of the Board delegated by E.ON Ruhrgas International GmbH Dr. Achim Saul and Uwe Fip, to recall the members of the Board of Directors delegated by OAO Gazprom Dr. Valery Golubev and Kirill Seleznev and to elect for the remaining term of office of the Board of Directors of AB Lietuvos Dujos candidates Ieva Lauraitytė, Ilona Daugėlaitė and Mindaugas Keizeris nominated by Lietuvos Energija, UAB as members of the Board of Directors of the Company.

- On 30 June, a resolution to elect Dr. Dalius Misiūnas as the Chairman of the Board of Directors was adopted in the meeting of the Board of Directors of AB Lietuvos Dujos.

Major developments after the reporting period

- On 21 July, in the implementation of the requirements of the Law on Natural Gas of the Republic of Lithuania and other legislation on the unbundling of natural gas distribution activity and the resolution of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos of 30 June 2014, the Board of Directors of the Company approved that the distribution and supply activities of the Company will be unbundled by selling the Company's complex of assets (part of enterprise), i.e. the natural gas supply activity with the assets, rights and obligations attributed thereto, to a company controlled by the main shareholder of the Company Lietuvos Energija, UAB under the purchase-sale agreement of a part of the Company, not establishing a subsidiary for the performance of the gas distribution activity as provided for in the resolutions of the Extraordinary General Meeting of Shareholders of the Company of 28 May 2012.

- On 22 July, during the Extraordinary General Meeting of Shareholder of AB Lietuvos Dujos, a

decision was made to pay LTL 53.3 million, or 18.3 cents per share, in dividends. Also, a decision was made at the Meeting of Shareholders to transfer other reserves in the amount of LTL 328 million, which had been formed previously within several years by AB Lietuvos Dujos, to the Company's retained earnings.

- On 24 July, the NCC adopted a resolution regarding the amendment to AB Lietuvos Dujos action plan for the unbundling of its distribution activity no later than by 31 October 2014. Upon the implementation of the action plan agreed upon with the NCC, AB Lietuvos Dujos will remain a natural gas distribution company, while the supply activity will be transferred to a natural gas supply company established by the main shareholder of LD Lietuvos Energija, UAB.

For other subsequent events please refer to interim condensed financial statements.

Natural gas business environment

Implementation of the Third Energy Package

In accordance with the Law on Natural Gas and the Law on the Implementation of the Law on Natural Gas, which are transposing the provisions of the EU Third Energy Package to national law, in 2011, the Government of the Republic of Lithuania adopted the following resolutions setting forth the Company's actions for the transformation of the Company: Resolution No. 1239 of 28 October 2011 On the Approval of the Plan on Performing the Unbundling of Activities and Control of Natural Gas Companies Noncompliant with the Requirements of the Law on Natural Gas of the Republic of Lithuania and Resolution No. 1417 of 7 December 2011 On the Approval of the Description of the Procedure for the Unbundling of Activities and Control of Natural Gas Companies Noncompliant with the Requirements of the Law on Natural Gas of the Republic of Lithuania.

On 27 March 2014, in the implementation of the requirements of laws on the unbundling of the natural gas distribution activity, the Board of Directors of the Company approved a draft incorporation act and Bylaws of the established subsidiary and authorized the General Manager of the Company to adopt all decisions and carry out all the actions necessary for the establishment of the subsidiary and its registration in the procedure prescribed by laws no later than by 1 August 2014.

On 30 June 2014, the General Meeting of Shareholders decided to delegate the Board of Directors of the Company to assess alternative ways for the method of the unbundling of the Company's supply and distribution activities approved by decision of the General Meeting of Shareholders of LD held on 28 May 2012 and, upon the identification of a more efficient method by the Board of Directors of AB Lietuvos Dujos, to adopt at its own discretion all decisions necessary for changing the method of the unbundling of natural gas distribution activity and implementing the method selected by the Board of Directors of AB Lietuvos Dujos, including, but not limited to, decisions on the unbundled activity, its market value, method of unbundling ,etc.

In the implementation of the requirements of laws on the unbundling of natural gas distribution activity and the resolution of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos of 30 June 2014, on 21 July 2014, the Board of Directors of the Company approved the description of the method of unbundling of the distribution activity together with the action plan, which provided for the fact that the Company's distribution and supply activities will be unbundled by selling the Company's complex of assets (part of enterprise), i.e. the natural gas supply activity with the assets, rights and obligations attributed thereto, to a company controlled by the main shareholder of the Company Lietuvos Energija, UAB under the purchase - sale agreement of a part of the Company. On 21 July 2014, the Company submitted the description of the method of unbundling of the distribution activity together with the action plan for the NCC's approval.

In its meeting held on 24 July 2014, the NCC adopted a resolution regarding the amendment to the Company's action plan by 31 October 2014. In accordance with the plan approved by the NCC, the main shareholder of the Company Lietuvos Energija, UAB shall establish a new private limited liability company, the main aim of operations whereof will be the natural gas supply activity. The

Company will sell to the supply company its complex of assets (part of enterprise), i.e. the natural gas supply activity with the assets, rights and obligations attributed thereto. The transfer of the supply activity to a supply company will be carried out in accordance with the Civil Code, other legislation, also the Bylaws of the Company, Lietuvos Energija, UAB and the newly established company as well as other applicable documents. The supply company is expected to obtain a license to engage in the supply activity, take over by a deed on acceptance - hand-over from the Company its supply activity along with assets, rights and obligations attributed thereto in accordance with an agreement concluded with the Company by 31 October 2014 and continue the supply activity carried out by the Company starting from 1 November 2014. The Company will continue its natural gas distribution activity, retain the natural gas distribution license, held ownership and other rights to assets necessary for the performance of the distribution activity, also other rights, obligations and employees, and will carry out the natural gas guarantee supply activity, as stipulated by the Law on Natural Gas.

Natural gas supply market research

Pursuant to paragraph 19 of Article 8(9) of the Law on Energy of the Republic of Lithuania, the NCC conducts market research aimed at the ensurance of efficient competition in the energy sector and preventing the abuse of power of highly influential persons in a certain market. By its Resolution No. O3-114 of 29 April 2014, the NCC approved the Natural Gas Supply Market Research Report. The Report stated that the greatest share of the natural gas supply market is occupied by AB Lietuvos Dujos; also, the natural gas supply market research did not show that the economic entity AB Lietuvos Dujos was applying excessive prices or using price pressure due to a lack of effective competition, thus causing damage to market participants.

Description of the Natural Gas Accounting Procedure

Description of the Natural Gas Accounting Procedure approved by Order No. 1-245 of the Minister of Energy of the Republic of Lithuania of 27 December 2013 and subsequent amendments thereto establish a new essential requirements for gas companies, biogas production companies, system users and gas consumers to have gas volume in the natural gas transmission system accounted for in units of volume (m³) and units of energy (kWh) and gas volume in the natural gas distribution system accounted for in units of volume (m³) and/or units of energy (kWh) calculated using gas upper calorific value starting from 1 January 2015. When paying for gas and provided gas transportation services, non-household customers and system users shall account for the gas volume consumed in units of energy (kWh), while household customers shall account for the gas volume consumed in units of volume (m³), just like it was done before.

Licensing

The Law on Natural Gas stipulates that the activities of natural gas 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 NCC. The natural gas distribution licence grants the Company the right to engage in the gas distribution activities in the territory of 41 municipalities (out of 60). The natural gas supply licence grants the Company the right to engage in the natural gas supply business in the territory of the Republic of Lithuania.

Pricing system and natural gas prices

Natural gas distribution service prices applicable to all customers are subject to regulation. Regulated price caps are set for a five-year regulatory period and may be adjusted by a decision of the NCC, but no more often than once per year and in cases provided for in the Law on Natural Gas.

The activity of natural gas supply is not subject to regulation.

The Company sets concrete natural gas distribution prices once per year. Natural gas tariffs for household customers are set once every six months. Concrete natural gas distribution prices and

tariffs for household customers are submitted for the NCC's approval.

On 30 October 2013, the Board of Directors of the Company set concrete natural gas distribution prices effective starting from 1 January 2014, which were approved by the NCC's Resolution No. O3-686 of 14 November 2013.

Natural gas tariffs for household customers of AB Lietuvos Dujos unilaterally set by Resolution No. O3-720 of the NCC of 28 November 2013 took effect from 1 January 2014. Compared to tariffs valid in Half 2 of 2013, the set variable tariff component decreased for different subgroups of household customers from LTL cent 4 to 24/m³ (inclusive of VAT). The fixed tariff component remained unchanged.

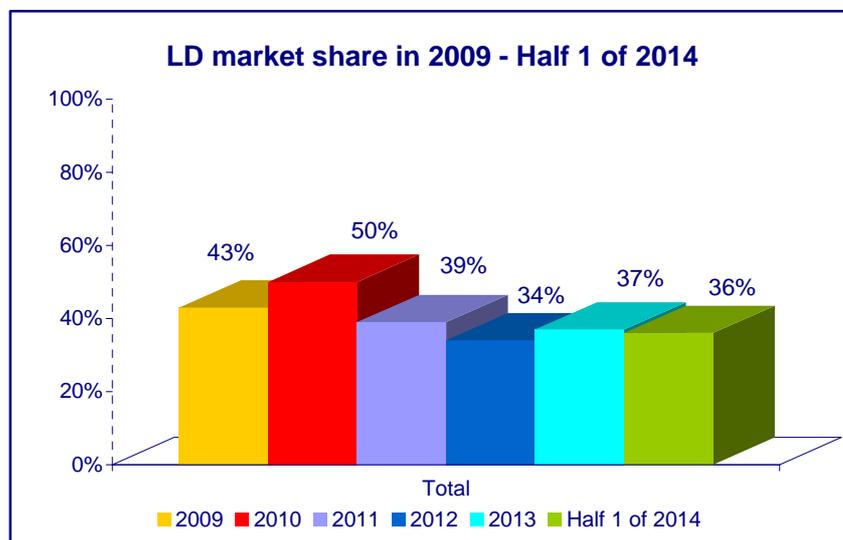
On 22 May 2014, the Board of Directors of the Company approved significantly lower natural gas tariffs for household customers to take effect from 1 July 2014. The variable tariff component approved by the Board of Directors of the Company for different household customer subgroups decreased from LTL cent 39 to 42/m³ (inclusive of VAT). The variable component of the natural gas tariff for household customers decreased for all customer subgroups due to the decreased gas purchase price and applied compensation for 2013. The fixed gas tariff component remained unchanged. The NCC approved these tariffs by its Resolution No. O3-146 of 30 May 2014.

Natural gas price for non-household customers is recalculated each month. The natural gas import price depends on oil and gasoil prices in international market, the USD/EUR exchange rate set by the European Central Bank and the actual calorific value of natural gas. In 2013-2014, the prices of oil and oil products in international markets and the value of EUR against USD stabilised, thus natural gas prices for non-household customers were gradually declining in January – April 2014. When the Company reached an agreement with the gas supplier OAO Gazprom on the reduction of the price of natural gas imported by the Company in May 2014, the Company made offers to all its 6.5 thousand non-household customers to amend conditions of their natural gas purchase-sale contracts, which resulted in a significantly lower natural gas price for non-household customers as from May 2014.

For more detailed information on the prices of services provided by LD and gas tariffs for household customers, see the Company's website www.dujos.lt.

Market

Besides LD, there also are other natural gas market participants importing natural gas into Lithuania. The market share of AB Lietuvos Dujos in the overall natural gas market of Lithuania accounted for 36% in Half 1 of 2014.



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, supervise and assure the risk management process. The risk management activities aim 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 Risk Management Process comprises the following steps:

- Risk identification;
- Risk analysis, assessment and establishment of control measures;
- Development of the Risk Management Action Plan and implementation of measures thereof;
- Monitoring and supervision of the Risk Management Process.

Main risks that the Company faces in its activities include the following: competition-related risk, regulation-related risk, organizational structure-related risk, gas import price fluctuation risk, credit risk and technical risk.

Financial performance

Key performance indicators

	30 June 2014	30 June 2013	31 Dec 2013
Performance indicators			
Volume of distributed natural gas, MCM	408.2	520.7	856.3
Volume of natural gas sales, MCM	485.3	573.8	1,035.3
Number of customers that have concluded natural gas supply agreements as of the end of the period, thousand			
Household customers	553.5	550.8	552.5
Non-household customers	6.5	6.3	6.5
Length of operated gas pipelines, thousand km			
Distribution pipelines	8.4	8.2	8.3
Employees			
Number of employees at the end of the period (30 June 2013 - including transmission activity)	1,330	1,699	1,364

Key financial indicators

	30 June 2014	30 June 2013 continued operations	31 Dec 2013 continued operations
Financial results			
Sales, M LTL	699.0	870.8	1,532.6
Earnings before interest, taxes, depreciation and amortization (EBITDA), M LTL*	366.6	62.3	97.2
Profit from operations, M LTL	149.2	42.6	56.3
Profit before tax, M LTL	149.8	43.0	57.1
Net profit, M LTL	126.2	38.0	53.3
Investments, M LTL	9.6	15.8	48.9
Assets at the end of the period, M LTL	1,071.2	957.4	1,050.5
Equity at the end of the period, M LTL	827.2	685.8	701.0
Financial debt, M LTL	0.0	0.0	0.0
Profitability ratios			
EBITDA margin, %	52.3	7.1	6.3
Profit from operations margin, %	21.3	4.9	3.7
Profit before tax margin, %	21.4	4.9	3.7
Net profit margin, %	18	4.4	3.5
Average return-on-assets ratio (ROA), %	11.9	3.4	4.6
Average return-on-equity ratio (ROE), %	16.5	5	6.9
Return on capital employed (ROCE), %	18.0	6.1	7.9
Liquidity ratios			
Overall liquidity	4.8	1.7	1.4
Quick ratio	4.4	1.2	1.2
Leverage ratios			
Equity to asset ratio, %	77.2	71.6	66.7
Financial debt to equity ratio, %	0.0	0.0	0.0
Market value ratios			
Price to earnings ratio (P/E), times **	5.23	15.96	11.95
Basic earnings per share, LTL **	0.43	0.13	0.18

* Calculation of indicators does not assess impact of impairment of non-current assets and includes temporary positive result related with agreement with OAO Gazprom regarding imported gas price reduction; this impact will be levelled during other reporting periods upon assessment of the impact of price reduction for consumers on company's results.

** The indicator was calculated as at 30 06 2013 and 31 12 2013 having evaluated the profit of continued operations and authorized capital of continued operations, which remained unchanged in 2013-2014 and amounted to LTL 290,686 thousand.

In accordance with the provisions of the Third Energy Package of the European Union and pursuant to the Unbundling conditions, on 31 July 2013, AB Lietuvos Dujos transferred to AB Amber Grid the natural gas transmission activity. For comparison purposes of the results of AB Lietuvos Dujos in Half 1 of 2014 and Half 1 of 2013, the profit (loss) statement of Half 1 of 2013 was rearranged presenting the transmission activity as discontinued.

The sales of the Company in Half 1 of 2014, compared with the respective period of the previous year, decreased by 20% and amounted to LTL 699.0 million (in Half 1 of 2013: LTL 870.8 million, respectively). Decrease in sales was caused by lower supply activity revenues due to lower gas sales volumes and lower gas sales price for customers due to lower gas import price.

Expenses of the Company decreased by 33% in Half 1 of 2014 and accounted for LTL 552.4 million (for the same period of the previous year: LTL 830.5 million). Decrease in operating expenses was caused by the reduction of natural gas purchase expenses by 65% (from LTL 750.4 million to LTL 258.9 million). The biggest impact for such significant purchase cost reduction was LD agreement signed in May this year with natural gas supplier OAO Gazprom regarding significant price reduction for gas imported by AB Lietuvos Dujos; according this agreement imported gas price calculation formula was retrospectively adjusted for the Company. The decrease in gas purchase expenses was also determined by lower gas sales volumes to customers and lower volumes of gas used for technological needs.

After the conducted calculation of the value of non-current tangible assets of the distribution activity on the basis of discounted cash flows, impairment of non-current assets was formed and reflected under other expenses.

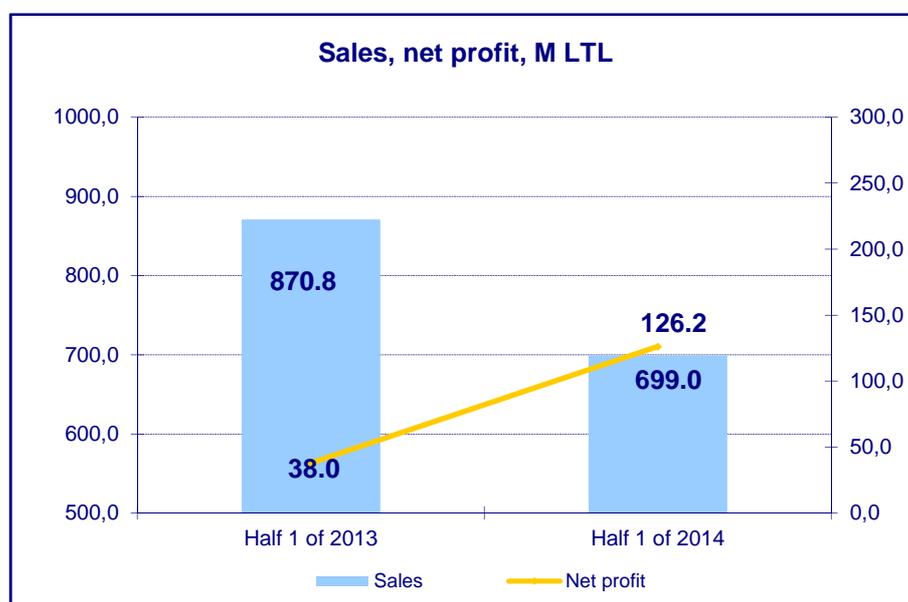
More information on the impact of the reduction of the natural gas import price and of the impairment of non-current assets on the Company's financial results is presented in the explanatory notes to interim condensed financial statements of the Company as at 30 June 2014.

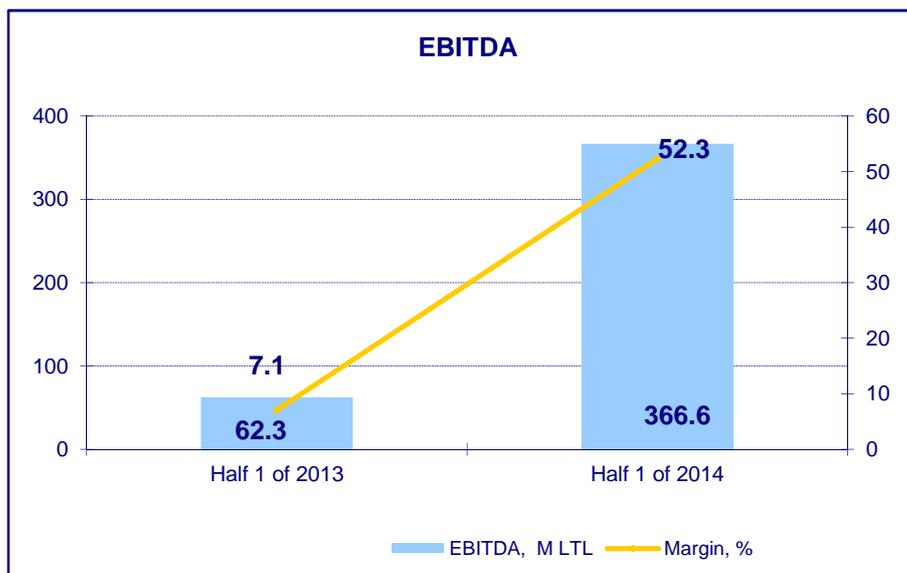
The profit before taxes of AB Lietuvos Dujos of Half 1 of 2014 amounted to LTL 149.8 million (Half 1 of 2013: LTL 43.0 million).

The net profit of the period amounted to a total of LTL 126.2 million (for the same period of last year: LTL 49.0 million, of which LTL 38.0 million was net profit of continued operations and LTL 11.0 million - of discontinued operations).

EBITDA of Half 1 of 2014 amounted to LTL 366.6 million (impact of the impairment of non-current assets is not assessed in EBITDA calculations) (Half 1 of 2013: LTL 62.3 million).

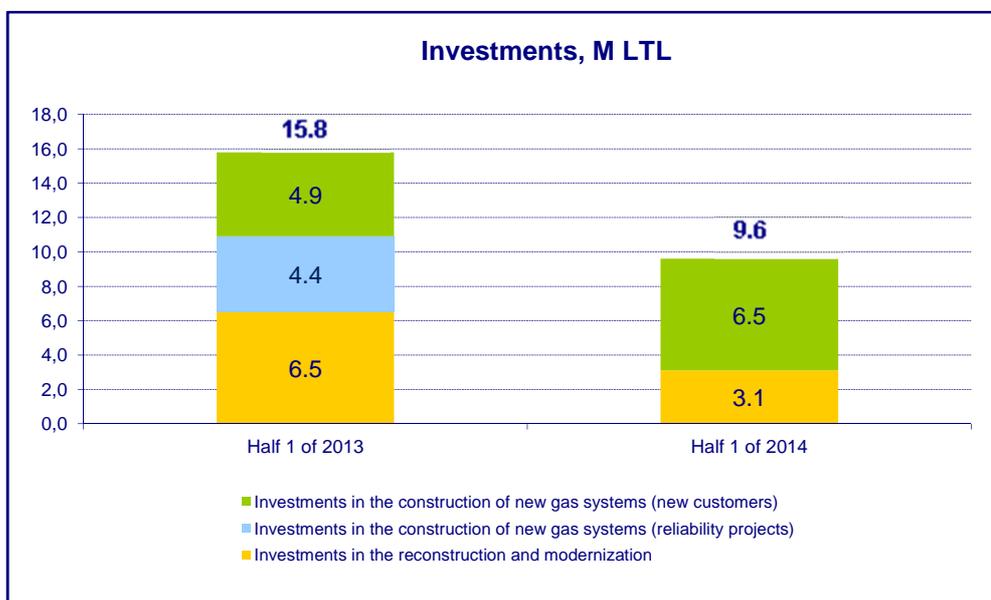
Company's profitability index for the Half 1 of 2014 was significantly impacted by one-off and temporary impact of agreement with natural gas supplier OAO Gazprom on significant reduction of price for the gas imported by AB Lietuvos Dujos. This impact will be levelled during other reporting periods, upon assessment of the impact of price reduction for consumers on Company's results.





Investments

In Half 1 of 2014, the Company’s investments decreased and amounted to LTL 9.6 million (last year: LTL 15.8 million, respectively) due to lower investments into reliability projects and gas system reconstruction and modernization. In Half 1 of 2014, compared to Half 1 of 2013, the Company invested more funds into new gas system construction objects. This year more consumers applications for connecting to a natural gas distribution system are receiving.



For more information on the financial results of the Company see the interim condensed financial statements of the Company for six months ended 30 June 2014.

Research and development activities

The Company’s research and development activities are aimed at securing adequate technical capacities of the natural gas distribution systems, at economic and safe operation and maintenance thereof, meeting the customers’ demand, securing an adequate level of services provided to the customers and environmental protection.

The Company is engaged in the research into technical condition of infrastructure facilities, environmental protection, and other fields.

Drawing on the research findings and the gas system condition assessment results, the Company carries out respective works for the reconstruction and modernization of its natural gas distribution systems, prepares market development investment projects.

In 2012, a pilot project was implemented for a remote metering of natural gas consumption by gas customers: installation of the necessary software enabled continuous monitoring of data on gas volume consumed by gas consumers. Having analysed the results of the pilot project of a remote metering of gas consumers, it was decided to extend the project throughout the Company in 2014 by installing the necessary gas meter reading equipment for 210 household gas customers and 375 small businesses using gas in their production.

The signing of a contract on the purchase of equipment for the disconnection of an operating steel pipeline section is planned in mid-2014, the use whereof will allow carrying out repair and reconstruction works without terminating the natural gas distribution to consumers.

Business plans and forecasts

Currently, the Company focuses on the further unbundling of its activities. All the necessary decisions of the Board of Directors of LD and of regulatory authority the NCC, obliging the Company to follow the methods and deadlines indicated in the activities' unbundling plan have been made to have legal, functional and organizational unbundling of the distribution activity carried out no later than by 31 October 2014.

AB Lietuvos Dujos will continue the development of the distribution system taking into consideration consumer needs and ensuring the reliability of the distribution system. 2,980 applications for connecting to natural gas systems were received during Half 1 of this year as compared to 2,540 applications in the same period of last year.

In the development of the distribution system, the plan is to connect about 3 thousand new customers and to build about 93.9 km of distribution pipelines in 2014.

One of the major investment projects into the construction of new gas systems started in 2014 is the medium pressure pipeline to a residential block Zujūnų, Varnės, Smalinės, Karaliaučiaus streets in the northern part of Pilaitė district, Vilnius. 4.6 km of gas distribution system will be built during this project.

Also, in 2014 the development of gas distribution system infrastructure in Vismaliukai is planned by building 4.2 km of a medium pressure gas pipeline. The completion of this project is planned this year.

The Company will continue implementing the launched products aimed at increasing operational efficiency and optimizing costs.

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 on the Company's website www.dujos.lt and the Central Database of Regulated Information www.crib.lt.

Shares and shareholders

The Company's authorized capital amounts to LTL 290,685,740.00 and consists of 290,685,740 fully paid ordinary registered shares with the par value of LTL 1 each. In Half 1 of 2014, the authorized capital amount and par value per share remained unchanged; however, there were some essential changes in the structure of shareholders.

As at 1 January 2014, the shareholders of the Company E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania, whose shares were held in trust by the Ministry of Energy of the Republic of Lithuania, together controlled 93.7% of shares of AB Lietuvos Dujos.

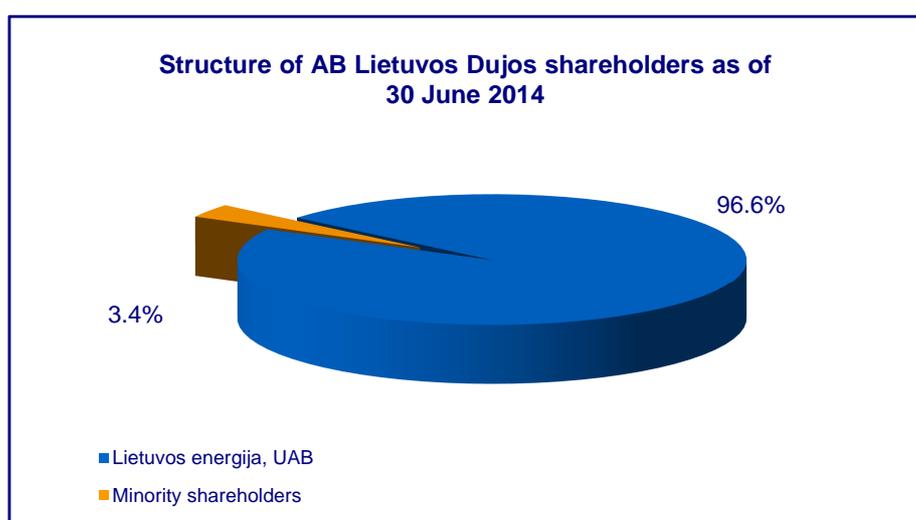
On 20 February, in the implementation of Resolution No. 120 of the Government of the Republic of Lithuania On Investing the State Property and Increasing Authorized Capital of Companies of 12 February 2014, the Ministry of Energy transferred by the transfer-acceptance deed to the Ministry of Finance 51,454,638 state-owned ordinary registered shares of AB Lietuvos Dujos with a par value of LTL 1 each (granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos) to manage, use and dispose of them by the right of trust, while on 21 February 2014, the Ministry of Finance of the Republic of Lithuania transferred them to Lietuvos Energija, UAB as a non-monetary contribution for paying for the newly issued shares of Lietuvos Energija, UAB.

On 21 May 2014, Lietuvos Energija, UAB and E.ON Ruhrgas International GmbH concluded a contract on the purchase-sale of shares of AB Lietuvos Dujos in accordance with which Lietuvos Energija, UAB acquired from E.ON Ruhrgas International GmbH 113,118,140 shares of AB Lietuvos Dujos, which constituted 38.9% of the authorized capital of AB Lietuvos Dujos. After this transaction, Lietuvos Energija, UAB owned 56.6% of shares of AB Lietuvos Dujos, OAO Gazprom – 37.1% and minority shareholders – 6.3% of shares of AB Lietuvos Dujos.

On 27 May 2014, the Bank of Lithuania approved the mandatory take-over bid circular for the redemption of the remaining ordinary registered voting shares of AB Lietuvos Dujos. During the mandatory take-over bid (2 June 2014 – 16 June 2014), applications for the redemption of the shares was presented by OAO Gazprom and some minority shareholders. Lietuvos Energija, UAB purchased from OAO Gazprom 107,734,925 shares of AB Lietuvos Dujos, which accounted for 37.1% of the authorized capital of AB Lietuvos Dujos. After the implementation of the mandatory take-over bid, Lietuvos Energija, UAB owns 96.6% of and minority shareholders – 3.4% of shares of AB Lietuvos Dujos.

According to the data of 30 June 2014, the total number of shareholders was 2,493.

AB Lietuvos Dujos shares entitle to equal property and non-property rights.



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 the voting right restrictions.

The Company has not acquired its own shares and, in Half 1 of 2014, did not make any transactions related either to the acquisition or disposal of its own shares.

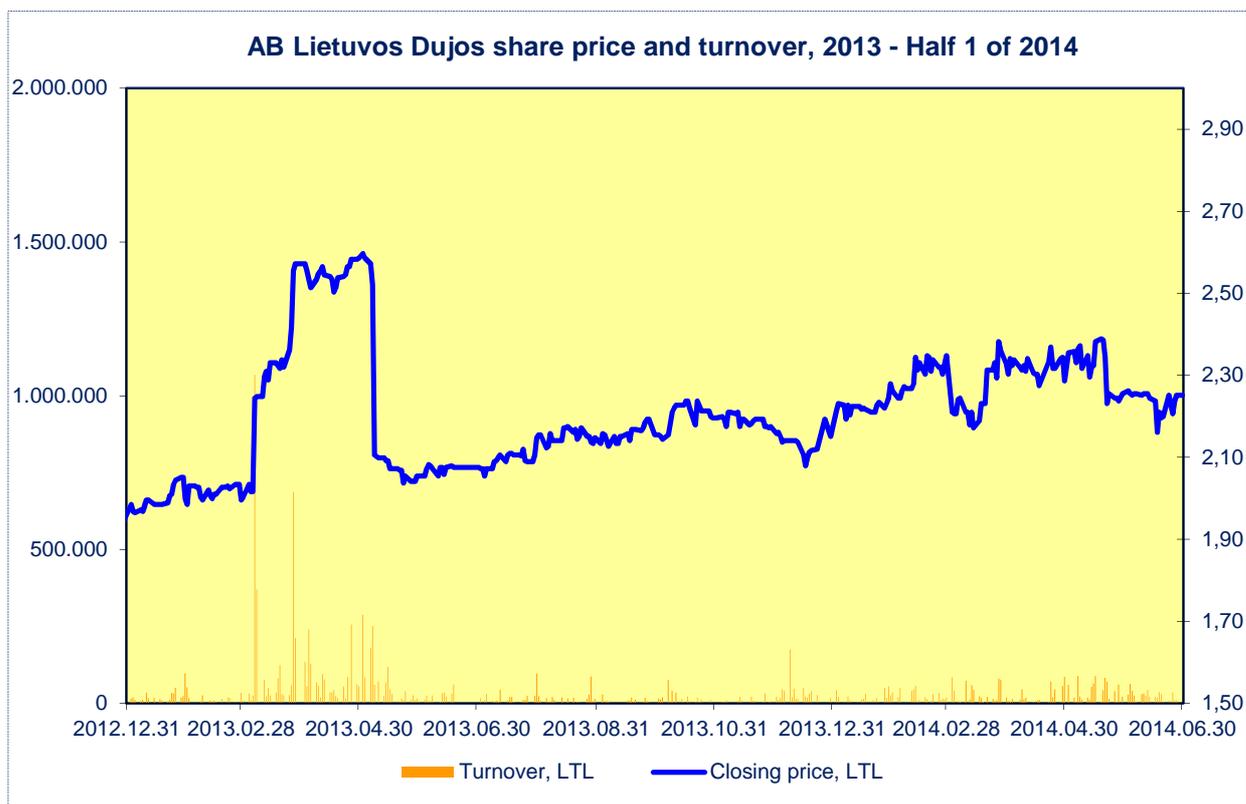
Data about trading of the Company's securities on the regulated markets

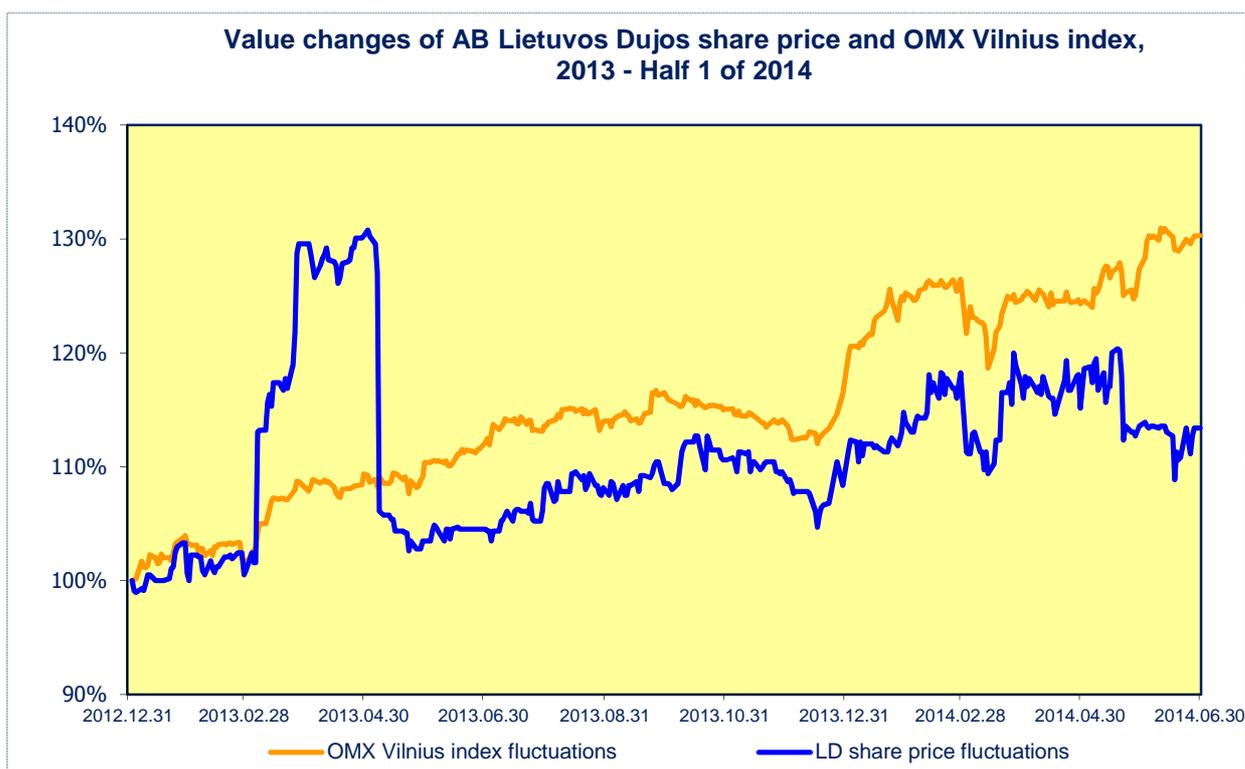
The Company's shares are traded on the regulated market; they are quoted on the Main List of the Stock Exchange NASDAQ OMX Vilnius.

As of 30 June 2014, on the NASDAQ OMX Vilnius Main List, there were 290,685,740 ordinary registered shares of the Company with par value of LTL 1 each (ISIN code LT0000116220); the total par value of the shares amounted to LTL 290,685,740.

As of 30 June 2014, the capitalization of the Company's shares amounted to LTL 654.3 million. In Half 1 of 2014, the total turnover of trading in the Company's shares on the NASDAQ OMX Vilnius amounted to LTL 3.1 million, through the transactions that were concluded 1,370,768 shares were disposed of.

Share price dynamics at NASDAQ OMX Vilnius in Half 1 of 2014	
Price per share as of 31 Dec 2013	LTL 2.151
Highest price per share in Half 1 of 2014	LTL 2.389
Lowest price per share in Half 1 of 2014	LTL 2.161
Price per share as of 30 June 2014	LTL 2.251





On 22 July 2014, the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos made a decision on the distribution of profit of 2013. LTL 53.3 million, or LTL cent 18.3 per share, was allocated for dividends (having evaluated the redistribution of reserves, LTL 217.0 million or LTL cent 46.3 per share, was paid out for 2012).

Agreements with intermediaries of public trading in securities

On 16 March 2012, AB Lietuvos Dujos concluded an agreement with AB SEB Bank regarding the accounting of the securities issued by the Company and the provision of services related to the securities accounts, with effect from 1 April 2012.

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

Management structure

The Company is a vertically integrated enterprise. The activities of the Company 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, the rights of shareholders and the procedure for the implementation thereof is as prescribed by the Law on Companies and the Bylaws of the Company.

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

The Bylaws of the Company provide for a possibility of amending the Bylaws by the decision of the General Meeting of Shareholders adopted by a majority vote that has to be no less than 2/3 of the total number of shares held by shareholders attending the General Meeting of Shareholders.

The Bylaws provide for the following governing bodies:

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

According to the Bylaws, the Company's Board of Directors consists of 5 (five) members elected for the period of three years in accordance with the procedure provided for in the Law on Companies of the Republic of Lithuania. The 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. The members of the Board of Directors may be re-elected for another term of office. 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 in place. The authority, powers and duties of the Audit Committee are as provided for by the Regulations of the Formation and Activities of this supervisory body of the Company, which have been adopted by the decision of the General Meeting of Shareholders, and are in compliance with the requirements of legal acts. 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 include the analysis of the correctness of the accounting methods applied by the Company, monitoring the independence of the external audit company and the audit process, the analysis of the efficiency of the internal control, the internal audit and the risk management systems.

Composition of the Board of Directors from 25 April 2013 to 30 April 2014

No.	Full name	Position title	Start and end of the term of office
Members of the Board of Directors:			
1.	Dr. Valery Golubev	Chairman of the Board of Directors	April 2013–April 2016
2.	Dr. Achim Saul	Deputy Chairman of the Board of Directors	April 2013–April 2016
3.	Uwe Fip	Member of the Board of Directors	April 2013–April 2016
4.	Kirill Seleznev	Member of the Board of Directors	April 2013–April 2016
5.	Valdas Lastauskas	Member of the Board of Directors	April 2013–April 2016

The General Meeting of Shareholders held on 30 April 2014 made a decision to recall the member of the Board of Directors Valdas Lastauskas.

Composition of the Board of Directors from 30 April 2014 to 30 June 2014

No.	Full name	Position title	Start and end of the term of office
Members of the Board of Directors:			
1.	Dr. Valery Golubev	Chairman of the Board of Directors	April 2013–June 2014
2.	Dr. Achim Saul	Deputy Chairman of the Board of Directors	April 2013–June 2014
3.	Uwe Fip	Member of the Board of Directors	April 2013–June 2014
4.	Kirill Seleznev	Member of the Board of Directors	April 2013–June 2014
5.	Dr. Dalius Misiūnas	Member of the Board of Directors	April 2014–April 2016

The General Meeting of Shareholders held on 30 April 2014 made a decision to elect Dr. Dalius Misiūnas as a member of the Board of Directors until the end of the term of office of the effective Board of Directors of the Company from the day of adoption of this decision.

The Extraordinary General Meeting of Shareholders of 30 June 2014 made a decision to approve the resignation of the members of the Board of Directors nominated by E.ON Ruhrgas International GmbH Dr. Achim Saul and Uwe Fip and to recall members of the Board of Directors nominated by

OAQ Gazprom Dr. Valery Golubev and Kirill Seleznev.

Composition of the Board of Directors from 30 June 2014

No.	Full name	Position title	Start and end of the term of office
Members of the Board of Directors:			
1.	Dr. Dalius Misiūnas	Chairman of the Board of Directors	April 2014–April 2016
2.	Ieva Lauraitytė	Member of the Board of Directors	June 2014–April 2016
3.	Ilna Daugėlaitė	Member of the Board of Directors	June 2014–April 2016
4.	Mindaugas Keizeris	Member of the Board of Directors	June 2014–April 2016

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 the term of office
Audit Committee:				
1.	Juozas Kabašinskas	Independent member	J. Kabašinskas Consultancy	April 2013– April 2016
2.	Agnė Žičiūtė	Member	AB Lietuvos Dujos	April 2013 –April 2016

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

No.	Full name	Position title	Start and end of the term of office
Top executives:			
1.	Viktoras Valentukevičius*	General Manager	April 2013–April 2016
2.	Dr. Joachim Martin Hockertz	Deputy General Manager – Director of Commerce	From 1 July 2002
3.	Tomas Šidlauskas	Deputy General Manager – Technical Director	From 27 March 2013
4.	Vladimir Obukhov**	Deputy General Manager – Director for Gas Purchase	3 May 2004–27 June 2014
5.	Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	From 1 January 2008

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

** Dismissed from duties upon the employee's request.

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

Full name	Position	Participation in the capital of the Issuer	
		Share of the authorized capital held, %	Share of the votes held, %
Board of Directors (data of 30 June 2014)			
Dr. Dalius Misiūnas	Chairman of the Board of Directors	–	–
Ieva Lauraitytė	Member of the Board of Directors	–	–
Ilona Daugėlaitė	Member of the Board of Directors	–	–
Mindaugas Keizeris	Member of the Board of Directors	–	–
Audit Committee (as of 30 June 2014)			
Juozas Kabašinskas	Independent member	–	–
Agnė Žičiūtė	Member	0.000	0.000
Top executives (as of 30 June 2014)			
Viktoras Valentukevičius	CEO – General Manager	0.013	0.013
Dr. Joachim Martin Hockertz	Deputy General Manager – Director of Commerce	–	–
Tomas Šidlauskas	Deputy General Manager – Technical Director	–	–
Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	–	–

Implementation of the corporate governance model

After acquisition of the controlling package of shares of the Company by Lietuvos Energija, UAB, the management of LD is reorganised according to the corporate governance guidelines applicable across the state-owned Lietuvos Energija, UAB energy companies' group.

Management bodies of the companies controlled by Lietuvos Energija, UAB Group are formed according to the Corporate Governance Guidelines for the State-Owned Energy Companies' Group approved by Order of the Minister of Finance. According to these Guidelines the Board members will supervise the specific areas of LD activities and hold the posts of managers of the respective subdivisions. The Board is elected for a term of office of four years.

The newly formed Board of LD will elect the Board Chairman and the General Manager from among its members. The Board will report to the supervisory board and to the general meeting of shareholders.

Lietuvos Energija, UAB, as the parent company of the Group, establishes the guidelines and rules for the Group activities and coordinates the activities in the fields of production, commerce, finance, law, strategy and development, human resources, risk management, audit, technologies, communications and other areas.

The completion of the reorganisation of the Company's governance is envisaged by end-October 2014.

Subsidiaries and joint ventures

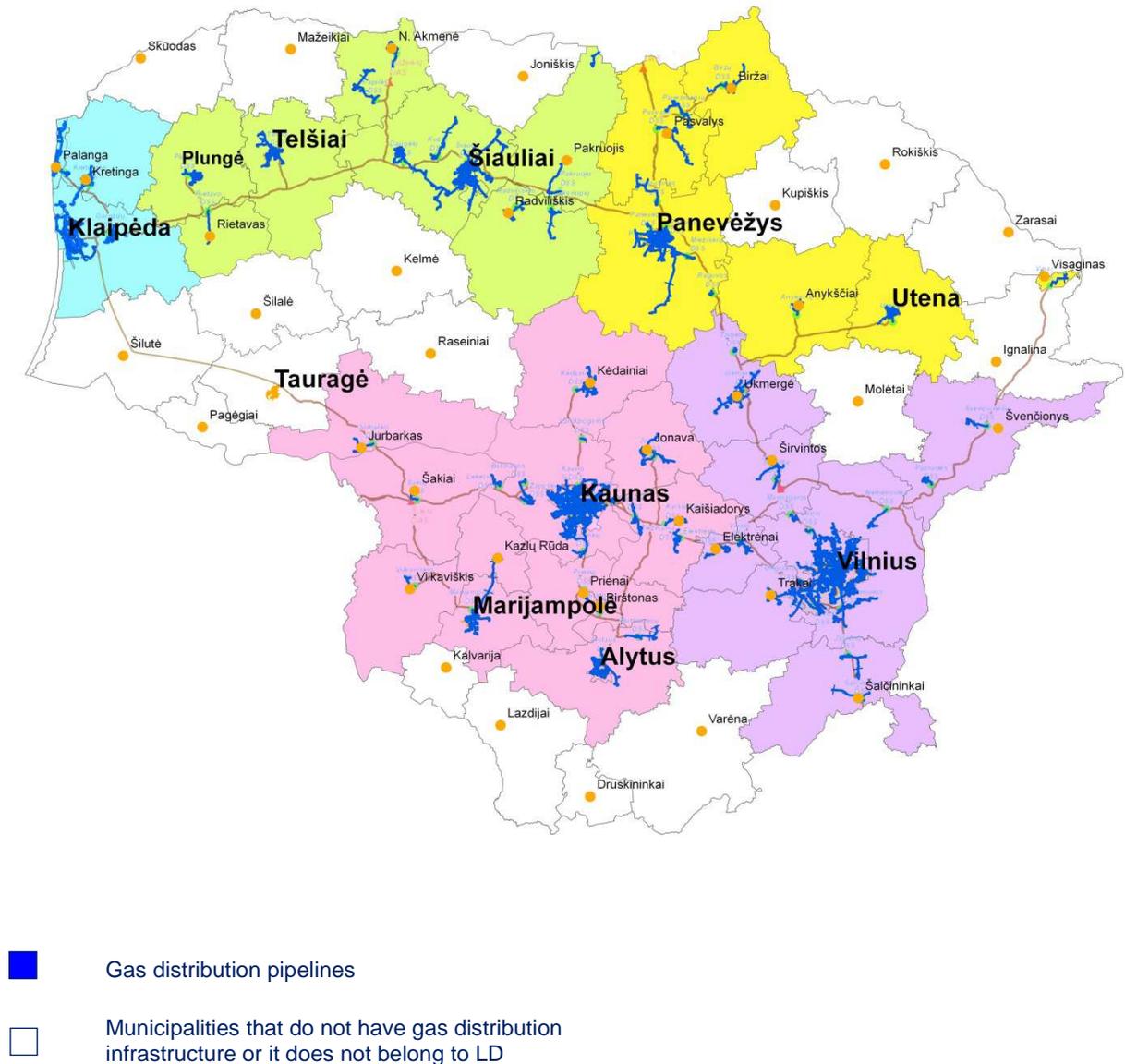
According to the data of 30 June 2014, AB Lietuvos Dujos jointly with the Finnish company Gasum Oy and AB Amber Grid controls UAB GET Baltic.

Key information of UAB GET Baltic	
Legal organizational form	Private limited company
Date and place of registration	13 September 2012, State Enterprise Centre of Registers
Company code	302861178
Registered office address	Aguonu str. 24, Vilnius, Lithuania
Telephone	+370 5 2360 000
Fax	+370 5 2360 001
E-mail	info@getbaltic.lt
Website	www.getbaltic.lt
Authorized capital	LTL 2 000 000
Share of the authorized capital owned by AB Lietuvos Dujos	34 %
Number of employees at the end of Half 1 of 2014	2

The authorized capital of UAB GET Baltic did not change in Half 1 of 2014, it consists of 2 000 000 ordinary registered shares with the par value of LTL 1 per share. 34% of shares of UAB GET Baltic are owned by AB Lietuvos Dujos, 34% – by Gasum Oy and 32% – by AB Amber Grid. The main activity of the company is licensed natural gas market operator activity.

Core activities of the Company

Natural gas distribution system operated by the Company

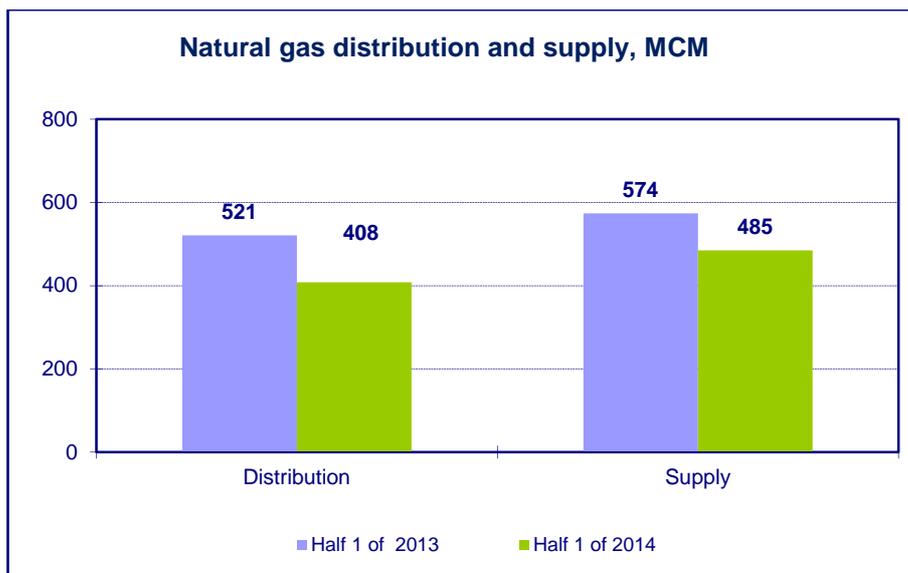


Core business activities of the Company:

- **Distribution** – transportation of natural gas via gas distribution pipelines, designed for the delivery of natural gas to consumers, except for the supply.
- **Supply** – gas selling and/or reselling to customers and gas delivery to the natural gas system.

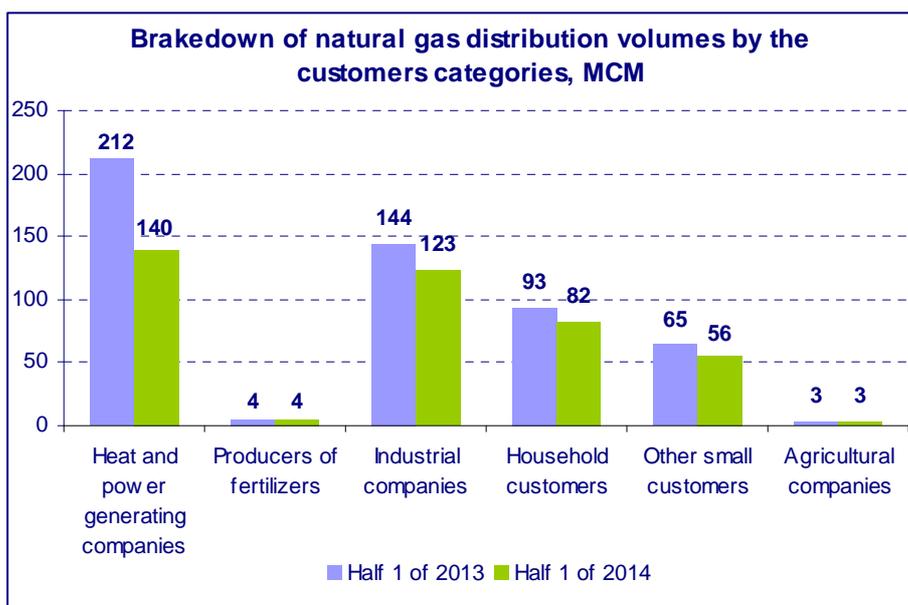
In Half 1 of 2014, the Company transported via the distribution pipelines 408.2 MCM of natural gas – 21.6% less than in the same period of last year.

Compared to the same period of the last year, in Half 1 of 2014, gas distribution and supply volumes decreased mainly due to the lower production of electricity and heat in heat and electricity production companies, substitution of natural gas for other types of fuel and state subsidies granted to renewable energy sources and renovation (the number of consumers who have installed biofuel and alternative fuel boilers increased).



In Half 1 of 2014, the Company purchased natural gas from the only supplier OAO Gazprom. In the implementation of the requirements stipulated by Resolution No. 325 of the Government of the Republic of Lithuania of 28 March 2012 On Amending Resolution No. 163 of the Government of the Republic of Lithuania of 26 February 2008 On the Approval of the Description of Measures for Ensuring Security of Natural Gas Supply, the Company stores a set volume of natural gas in the Incukalns (Republic of Latvia) underground gas storage facility. In the event of any accidents or emergency situations, from 1 September 2012, this volume of natural gas will secure uninterrupted gas supplies to 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.

According to data of 30 June 2014, the Company sold natural gas to more than 560 thousand household and non-household customers, including energy and industrial companies, other enterprises and organizations as well as households.



Human resources

As of 30 June 2014, the Company had 1,330 employees, i.e. 2.5% less than at the end of 2013 when there were 1,364 employees in the Company.

**Breakdown of the Company's employees by their educational background
of which by educational background:**

Number of employees as of 30 June 2014	Higher	Post- secondary	Secondary	Unfinished secondary
1,330	710	248	358	14
100%	53%	19%	27%	1%

In Half 1 of 2013, the average monthly salary of the Company's employees was LTL 3,574.

In order to more efficiently manage the Company's human resources, in Half 1 of 2014, the Company's management processes were subjected to further improvements, and the number of employees was subjected to further optimization. The most important of completed processes was the Emergency Services Reform, at the time of which a part of functions carried out by this service was centralized by transferring the acceptance of emergency notifications, coordination of operative actions of Emergency Services for localizing accidents and malfunctions to the Emergency Control Centre.

Special attention is devoted to creating proper working conditions, ensuring salary and social guarantees in line with the market conditions. LD branches have their trade union subunits that are united into the Lithuanian Gas Sector Employees Trade Union Association, which is closely cooperated with. The Company has a concluded Collective Bargaining Agreement. Neither employment contracts nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees, but instead they establish rights and obligations commonly applied in practice.

In order to maintain and improve employee skills, the level and quality of the service provided, a great attention is continuously devoted to employee development. In Half 1 of 2014, 1,347 employees participated in trainings.

In Half 1 of 2014, 468 employees participated in managerial trainings where they improved their accounting, leadership, pricing, legal, public procurement, staff management and other competences.

In April, the last stage of the Customer Service System Trainings was completed. 295 employees took part in the said trainings during the reporting period. The competence of internal Customer Service system consultants is also maintained, holding trainings for them each year.

The Company devotes special attention to the organization of professional development trainings. 590 employees of the Company took part in professional trainings in Half 1 of 2014. Another 133 employees refined their skills in the training facility set up in Panevėžys branch. Trainings for refining welding work skills were held in a new welding class in the training facility set up in Panevėžys branch.

During Half 1, 356 employees of the Company and 267 employees from other enterprises were certified in the Certification Centre established last year.

Membership in associated structures

The Company is a member of the following organizations:

- The Lithuanian Gas Association, website: www.dua.lt;
- Association Eurogas, website www.eurogas.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 Company's notices

All notifications that in accordance with law are subject to publication are posted in the e-publication of the Registrar of the Register of Legal Entities. 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 sent in accordance with procedure established by the Bylaws of the Company.
