

AB LIETUVOS DUJOS

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

Balance sheets

		Notes	Group		Company	
			As of 30	As of 31	As of 30	As of 31
			June	December	June	December
			2009	2008	2009	2008
			(pre-audited)	(audited)	(pre-audited)	(audited)
ASSETS						
A.	Non-current assets		2,278,553	2,249,069	2,281,928	2,252,636
I.	Intangible assets		3,515	3,765	3,491	3,738
II.	Property, plant and equipment		2,274,973	2,245,239	2,267,635	2,238,096
II.1	Land		183	183	183	183
II.2	Buildings and structures		2,025,348	2,050,832	2,018,715	2,044,127
II.2.1	Buildings		82,568	82,994	75,935	76,289
II.2.2	Transmission networks and related installations		1,247,010	1,268,382	1,247,010	1,268,382
II.2.3	Distribution networks and related installations		686,284	689,942	686,284	689,942
II.2.4	Other buildings and structures		9,486	9,514	9,486	9,514
II.3	Machinery and equipment		83,577	84,814	83,577	84,814
II.4	Vehicles		12,052	13,596	12,037	13,577
II.5	Other equipment, tools and devices		30,313	32,897	30,047	32,584
II.6	Other property, plant and equipment		4,291	4,316	4,291	4,316
II.7	Construction in progress		119,209	58,601	118,785	58,495
III.	Non-current financial assets		65	65	10,802	10,802
III.1	Investments into subsidiaries		-	-	10,737	10,737
III.2	Non-current accounts receivable		65	65	65	65
B.	Current assets		100,506	280,197	96,229	275,840
I.	Inventories and prepayments		24,162	58,660	24,146	58,638
I.1	Inventories	4	23,936	58,174	23,925	58,159
I.1.1	Raw materials, spare parts and other inventories		4,160	2,992	4,159	2,991
I.1.2	Goods for resale (including natural gas)		19,776	55,182	19,766	55,168
I.2	Prepayments		226	486	221	479
II.	Accounts receivable		51,044	133,212	50,982	133,207
II.1	Trade receivables	5	50,427	130,878	50,394	130,882
II.2	Prepaid income tax		138	1,852	138	1,844
II.3	Other receivables		479	482	450	481
III.	Other current assets		3,728	4,099	-	-
IV.	Cash and cash equivalents		21,572	84,226	21,101	83,995
Total assets			2,379,059	2,529,266	2,378,157	2,528,476
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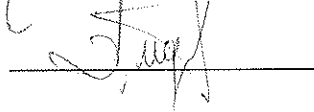
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The accompanying notes are an integral part of these financial statements.

Balance sheets (cont'd)

		Group		Company	
Notes		As of 30 June 2009 (pre-audited)	As of 31 December 2008 (audited)	As of 30 June 2009 (pre-audited)	As of 31 December 2008 (audited)
	EQUITY AND LIABILITIES				
C.	Equity	1,890,705	1,882,305	1,889,532	1,881,045
I.	Share capital	469,068	469,068	469,068	469,068
II.	Reserves	1,369,370	1,411,775	1,366,977	1,409,678
II.1	Legal reserves	26,372	23,160	26,180	22,983
II.2	Other reserves	1,342,998	1,388,615	1,340,797	1,386,695
III.	Retained earnings	52,267	1,462	53,487	2,299
D.	Liabilities	488,354	646,961	488,625	647,431
I.	Non-current liabilities	410,285	415,223	410,807	415,750
I.1	Non-current borrowings	8 7,504	8,576	7,504	8,576
I.2	Grants (deferred revenue)	165,426	164,212	165,426	164,212
I.3	Deferred tax liability	237,355	242,435	237,877	242,962
II.	Current liabilities	78,069	231,738	77,818	231,681
II.1	Current portion of non-current borrowings	8 2,144	2,144	2,144	2,144
II.2	Trade payables	6 49,081	180,951	48,910	180,941
II.3	Prepayments received	9,919	10,536	9,913	10,529
II.4	Payroll related liabilities	8,489	7,901	8,416	7,861
II.5	Other current liabilities	8,436	30,206	8,435	30,206
Total equity and liabilities		2,379,059	2,529,266	2,378,157	2,528,476

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

General Manager	Viktoras Valentukevičius		31 August 2009
Chief Accountant	Žydrūnas Augutis		31 August 2009

Income statements

	Note	Group		Company		Group		Company	
		Three months period ended 30 June 2009 (pre-audited)	Three months period ended 30 June 2008 (pre-audited)	Three months period ended 30 June 2009 (pre-audited)	Three months period ended 30 June 2008 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)
I.		187,594	278,096	187,403	277,771	717,497	784,421	717,206	783,940
I.1.		185,630	276,876	185,439	276,551	714,016	780,819	713,725	780,338
I.2.		1,964	1,220	1,964	1,220	3,481	3,602	3,481	3,602
II.		(160,511)	(259,120)	(160,230)	(258,762)	(653,286)	(702,479)	(652,733)	(701,797)
II.1.		(99,099)	(197,120)	(99,099)	(197,120)	(533,836)	(581,453)	(533,836)	(581,453)
II.2.		(61,412)	(62,000)	(61,131)	(61,642)	(119,450)	(121,026)	(118,897)	(120,344)
III.		27,083	18,976	27,173	19,009	64,211	81,942	64,473	82,143
IV.		767	1,786	675	1,733	1,665	2,524	1,484	2,418
IV.1.		908	2,008	816	1,955	1,995	3,039	1,814	2,933
IV.2.		(141)	(222)	(141)	(222)	(330)	(515)	(330)	(515)
V.		27,850	20,762	27,848	20,742	65,876	84,466	65,957	84,561
VI.		(3,758)	(1,183)	(3,754)	(1,181)	(12,476)	(11,219)	(12,470)	(11,215)
VI.1.		(6,070)	(3,141)	(6,070)	(3,141)	(17,555)	(15,235)	(17,555)	(15,235)
VI.2.		2,312	1,958	2,316	1,960	5,079	4,016	5,085	4,020
VII.		24,092	19,579	24,094	19,561	53,400	73,247	53,487	73,346
Basic and diluted earnings per share (LTL)		0.05	0.04	0.05	0.04	0.11	0.16	0.11	0.16

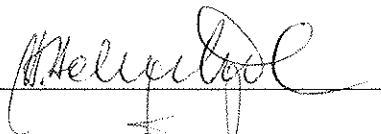
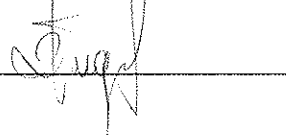
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General Manager	Viktoras Valentukevičius	31 August 2009
Chief Accountant	Žydrūnas Augutis	31 August 2009

Statements of changes in equity

Group	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 1 January 2008 (audited)		469,068	17,962	1,339,919	102,838	1,929,787
Transfer to legal reserve		-	5,198	-	(5,198)	-
Transfer to other reserves		-	-	48,696	(48,696)	-
Dividends declared		-	-	-	(50,000)	(50,000)
Other profit distribution		-	-	-	(79)	(79)
Net profit for the reporting period		-	-	-	73,247	73,247
Balance as of 30 June 2008 (pre-audited)		469,068	23,160	1,388,615	72,112	1,952,955
Balance as of 31 December 2008 (audited)		469,068	23,160	1,388,615	1,462	1,882,305
Transfer to legal reserve		-	3,212	-	(3,212)	-
Transfer to other reserves		-	-	16,100	(16,100)	-
A transfer from other reserves to compensate the loss unrecognized in the income statement		-	-	(61,717)	61,717	-
Dividends declared	10	-	-	-	(45,000)	(45,000)
Net profit for the reporting period		-	-	-	53,400	53,400
Balance as of 30 June 2009 (pre-audited)		469,068	26,372	1,342,998	52,267	1,890,705


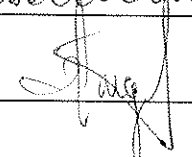
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General Manager	Viktoras Valentukevičius		31 August 2009
Chief Accountant	Žydrūnas Augutis		31 August 2009

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 1 January 2008 (audited)		469,068	17,795	1,338,196	103,766	1,928,825
Transfer to legal reserve		-	5,188	-	(5,188)	-
Transfer to other reserves		-	-	48,499	(48,499)	-
Dividends declared		-	-	-	(50,000)	(50,000)
Other profit distribution		-	-	-	(79)	(79)
Net profit for the reporting period		-	-	-	73,346	73,346
Balance as of 30 June 2008 (pre-audited)		469,068	22,983	1,386,695	73,346	1,952,092
Balance as of 31 December 2008 (audited)		469,068	22,983	1,386,695	2,299	1,881,045
Transfer to legal reserve		-	3,197	-	(3,197)	-
Transfer to other reserves		-	-	15,819	(15,819)	-
A transfer from other reserves to compensate the loss unrecognized in the income statement		-	-	(61,717)	61,717	-
Dividends declared	10	-	-	-	(45,000)	(45,000)
Net profit for the reporting period		-	-	-	53,487	53,487
Balance as of 30 June 2009 (pre-audited)		469,068	26,180	1,340,797	53,487	1,889,532

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

General Manager	Viktoras Valentukevičius		31 August 2009
Chief Accountant	Žydrūnas Augutis		31 August 2009

Cash flows statements

	Group		Company	
	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)
I. Cash flows from (to) operating activities				
I.1 Net profit	53,400	73,247	53,487	73,346
Adjustments of non-cash items:				
I.2 Depreciation and amortisation	48,719	46,842	48,593	46,716
I.3 (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	(37)	(132)	(37)	(132)
I.4 (Reversal of) impairment for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	(1,106)	(737)	(1,106)	(737)
I.5 Income tax expenses	12,476	11,219	12,470	11,215
I.6 Interest (income)	(892)	(2,296)	(711)	(2,190)
I.7 Interest expenses	330	514	330	514
I.8 (Gain) on foreign currency exchange	(1)	-	(1)	-
I.9 Elimination of other financial activity results	-	(135)	-	(135)
I.10 Amortisation of the grants, deferred revenue and other adjustments of non-cash items	(2,038)	(1,786)	(2,038)	(1,786)
	110,851	126,736	110,987	126,811
Changes in working capital:				
I.11 Decrease in inventories	34,211	74,884	34,207	74,887
I.12 Decrease in trade accounts receivable	81,247	30,921	81,285	30,957
I.13 Decrease in other accounts receivable and prepayments	286	1,449	304	1,403
I.14 (Decrease) in trade accounts payable	(138,367)	(55,243)	(138,385)	(55,255)
I.15 (Decrease) in other accounts payable and other current liabilities	(23,872)	(2,591)	(23,905)	(2,671)
I.16 Income tax (paid)	(10,221)	(9,521)	(10,221)	(9,514)
	(56,716)	39,899	(56,715)	39,807
Net cash flows from operating activities	54,135	166,635	54,272	166,618
II. Cash flows from (to) investing activities				
II.1 (Acquisitions) of property, plant and equipment and intangible assets	(71,732)	(20,989)	(71,556)	(20,969)
II.2 Proceeds from sales of property, plant and equipment	61	527	61	527
II.3 (Increase) decrease in term deposits	371	(65,005)	-	(65,000)
II.4 Interest received	872	1,442	691	1,336
Net cash flows (to) investing activities	(70,428)	(84,025)	(70,804)	(84,106)



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

Cash flows statements (cont'd)

	Group		Company	
	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)	Six months period ended 30 June 2009 (pre-audited)	Six months period ended 30 June 2008 (pre-audited)
III. Cash flows from (to) financing activities				
III.1 Dividends (paid)	(44,993)	(49,971)	(44,993)	(49,971)
III.2 Loans (repaid)	(1,072)	(6,842)	(1,072)	(6,842)
III.3 Grants received	46	1,314	46	1,314
III.4 Interest (paid)	(344)	(544)	(344)	(544)
Net cash flows (to) financing activities	(46,363)	(56,043)	(46,363)	(56,043)
IV. Impact of changes in currency exchange rates on cash balance	1	-	1	-
V. Net increase in cash and cash equivalents	(62,655)	26,567	(62,894)	26,469
VI. Cash and cash equivalents at the beginning of the period	84,226	33,594	83,995	33,337
VII. Cash and cash equivalents at the end of the period	21,571	60,161	21,101	59,806

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

General Manager	Viktoras Valentukevičius		31 August 2009
Chief Accountant	Žydrūnas Augutis		31 August 2009

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 balance sheets as of 30 June 2009, income statements, cash flows statements and statements of changes in equity for the six months ended 30 June 2009 and 30 June 2008 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2008 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 2008.

The Company's shares are traded on the NASDAQ OMX Vilnius Stock Exchange, they are listed on the Main trade list.

2 Accounting principles

The Group's and the Company's condensed financial statements as of 30 June 2009 have been prepared in accordance with International Accounting Standard (hereinafter "IAS") 34 Interim Financial Reporting.

The principal accounting policies adopted in preparing the condensed financial statements for the six months period ended as of 30 June 2009 were the same as these used for preparing the financial statements for 2008 according to the IFRS, as adopted in the European Union.

From 1 January 2009 the Group and the Company in their Income Statements switched from the method of classifying expenses by function to the method of classifying expenses by nature and disclosed comparative information in respect of previous period.

The Group and the Company when drawing up the Financial Statements for the six months period ended 30 June 2009 applied the IAS 23 Borrowing Costs effective for periods beginning on and after 1 January 2009.

3 Segment information

The main operating segments of the Group and the Company are: natural gas transmission, distribution, supply, other activity business segment.

Segment information for the periods ended 30 June 2009 and 30 June 2008 is presented below:

Group

As of 30 June 2009 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	67,999	91,219	553,048	1,750	714,016
Profit from operations	20,658	19,471	22,388	1,694	64,211

As of 30 June 2008 (pre-audited)

Sales	69,426	77,868	631,698	1,827	780,819
Profit from operations	18,646	14,203	47,030	2,063	81,942

Company

As of 30 June 2009 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	67,999	91,219	553,048	1,459	713,725
Profit from operations	20,658	19,471	22,388	1,956	64,473

As of 30 June 2008 (pre-audited)

Sales	69,426	77,868	631,698	1,346	780,338
Profit from operations	18,646	14,203	47,030	2,264	82,143

AB LIETUVOS DUJOS, company code 120059523, Agonų Str. 24, Vilnius, Lithuania
CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009
(all amounts are in LTL thousand unless otherwise stated)

4 Inventories

	Group		Company	
	30 June 2009 (pre-audited)	31 December 2008 (audited)	30 June 2009 (pre-audited)	31 December 2008 (audited)
Raw materials, spare parts and other inventories	4,254	3,058	4,253	3,057
Goods for resale (including natural gas)	19,776	55,182	19,766	55,168
Inventories, gross	24,030	58,240	24,019	58,225
Less: allowance for inventories	(94)	(66)	(94)	(66)
	<u>23,936</u>	<u>58,174</u>	<u>23,925</u>	<u>58,159</u>

As of 30 June 2009, the Group's and the Company's balances of goods for resale decreased significantly mainly due to the decrease in the natural gas imports price.

The cost of inventories accounted for at net realizable value amounted to LTL 1,963 thousand as of 30 June 2009 (LTL 1,160 thousand as of 31 December 2008). Changes in the allowance for inventories in the six months of 2009 and 2008 were included into operating expenses.

5 Trade receivables

	Group		Company	
	30 June 2009 (pre-audited)	31 December 2008 (audited)	30 June 2009 (pre-audited)	31 December 2008 (audited)
Receivables for natural gas, transmission and distribution of natural gas from non-household customers	44,198	130,899	44,200	130,910
Receivables for natural gas, transmission and distribution of natural gas from household customers	10,015	4,500	10,015	4,500
Other trade receivables	1,353	1,764	1,318	1,757
Less: allowance for accounts receivable	(5,139)	(6,285)	(5,139)	(6,285)
	<u>50,427</u>	<u>130,878</u>	<u>50,394</u>	<u>130,882</u>

In the first half-year of 2009, the Group's and the Company's accounts receivable from the non-household customers for the natural gas and the natural gas transmission and distribution services decreased significantly due to the decrease in the natural gas imports price of the gas supplied and due to the decrease in the natural gas volumes consumed by customers.

6 Trade payables

	Group		Company	
	30 June 2009 (pre-audited)	31 December 2008 (audited)	30 June 2009 (pre-audited)	31 December 2008 (audited)
Suppliers of natural gas	35,813	177,729	35,813	177,729
Other	13,268	3,222	13,097	3,212
	<u>49,081</u>	<u>180,951</u>	<u>48,910</u>	<u>180,941</u>

As of 30 June 2009, the Group's and the Company's balances of trade payables decreased due to the decrease in the natural gas imports price and due to the lower volumes of natural gas procured.

7 Income tax

The income tax rate applied on the profit for the year 2009 is 20% (for the year 2008: 15%) according to applicable legislation of the Republic of Lithuania.

8 Borrowings

The Company's borrowings as of 30 June 2009:

Borrowings (pre-audited)	Borrowings and their portions, payable			Total
	Current borrowings	Payable after one year but not later than in five years	Payable after five years	
Borrowings from Lithuanian credit institutions	2,144	7,504	-	9,648
	2,144	7,504	-	9,648

In the calculations, official currency exchange rates as of 30 June 2009 set by the Bank of Lithuania are applied: EUR/LTL 3.4528.

As of 30 June 2009, the weighted average annual interest rate of borrowings outstanding was 5.65 % (5.65% as of 31 December 2008).

The borrowings outstanding as of 30 June 2009 were denominated in EUR (100 %).

9 Earnings per share

Basic earnings per share reflect the Group's and the Company'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		Company	
	30 June 2009 (pre-audited)	30 June 2008 (pre-audited)	30 June 2009 (pre-audited)	30 June 2008 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	53,400	73,247	53,487	73,346
Weighted average number of shares in thousand	469,068	469,068	469,068	469,068
Basic earnings per share (in LTL)	0.11	0.16	0.11	0.16

10 Dividends

During the regular general shareholders' meeting on 22 April 2009, when approving the Company's 2008 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2008 in the amount of LTL 45 million (LTL 0.096 per ordinary registered share with the par value of LTL 1 per share).

11 Commitments and contingencies

Legal disputes

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

11 Commitments and contingencies (cont'd)

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

3. AB Lietuvos Dujos has also lodged complaints against previous activities of the Commission. These complaints are currently in progress. AB Lietuvos Dujos lodged a complaint to Vilnius County Administrative Court against the Commission's Resolution No O3-18 of 29 April 2005 "On AB Lietuvos Dujos' Price Caps of Natural Gas Transmission and Distribution and Price Caps of Natural Gas for the Regulated Customers", the Commission's Resolution No O3-30 of 30 May 2005 "On AB Lietuvos Dujos' Prices of Natural Gas Transmission and Distribution and Prices of Natural Gas for Regulated Customers", the Commission's Resolution No O3-36 of 30 June 2005 "On AB Lietuvos Dujos' Prices of Natural Gas Transmission and Distribution and Prices of Natural Gas for Regulated Customers", and the Commission's Resolution No O3-20 of 27 April 2006 "On the Adjustment of AB Lietuvos Dujos' Price Caps of Natural Gas Transmission and Distribution and Price Caps of Natural Gas for Regulated Customers". With the decision of 13 March 2007 Vilnius County Administrative Court rejected the complaint of AB Lietuvos Dujos. AB Lietuvos Dujos took an appeal to the Supreme Administrative Court of Lithuania (hereinafter SACL). In its judgement passed on 27 December 2007, SACL proposed that the case should be heard by an extended judicial collegium. On 1 April 2009, the appeal lodged by the appellant AB Lietuvos Dujos was granted in part, and the Vilnius County Administrative Court's judgement of 13 March 2007 was altered. The part of the judgement regarding the Commission's Resolution No O3-36 of 30 June 2005 "On AB Lietuvos Dujos' Prices of Natural Gas Transmission and Distribution and Prices of Natural Gas for Regulated Customers" was annulled and the lawsuit (in this part) was sent to the court of first instance for re-examination.

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

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 2009 and 2008 were as follows:

- E.ON Ruhrgas International AG (one of the major shareholders of the Company);
- OAO Gazprom (one of the major shareholders of the Company);
- State Property Fund (one of the major shareholders of the Company);
- UAB Palangos Perlas (subsidiary of the Company);
- AS Latvijas Gaze (the same shareholders);
- E.ON IS GmbH (same ultimate shareholder).

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

As of 30 June 2008 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	505,480	4,974	380	58,977
UAB Palangos Perlas	56	30	5	-
AS Latvijas Gaze	4,285	-	-	-
	<u>509,821</u>	<u>5,004</u>	<u>385</u>	<u>58,977</u>