



## **PRESS RELEASE**

29 August 2014

### **Reduced natural gas price temporarily improved AB Lietuvos Dujos performance results**

In Half 1 of this year, net profit of the natural gas supply and distribution company AB Lietuvos Dujos amounted to LTL 126.2 million; the profit of the Company experienced significant growth due to the reduction of imported natural gas price, however, this effect will be adjusted when accounting for results of the 3<sup>rd</sup> quarter of 2014.

“Pursuant to accounting standards, the discount received for natural gas was accounted for as profit in the 2<sup>nd</sup> quarter, however, a special provision was formed in financial statements of the 3<sup>rd</sup> quarter which we intend to use for the reduction of the price of natural gas sold by AB Lietuvos Dujos. In the assessment of usual activities of the Company, investors and market participants should take into account the temporary nature of the effect of the discount on the Company’s performance results,” said Viktoras Valentukevičius, General Manager of AB Lietuvos Dujos.

During the accounting period, the Company adopted decisions with regard to unbundling of activities. This enabled a clearer prediction of ways and measures for the separation of distribution and supply activities and an assessment of the pay-off value of both types of activities. Taking into account the current regulatory framework – effective legal acts and methodologies regulating the distribution activity – the actual value of the assets used in those activities was determined: thus the value of fixed assets attributed to the distribution activity decreased by LTL 196 million. This change had a direct impact on the net profit by reducing it; accordingly, the balance value of own capital of the Company was also modified to reflect its actual value.

“Following the acquisition by Lietuvos Energija of the majority shareholding of Lietuvos Dujos, a decision was made to rearrange the governance of AB Lietuvos Dujos in accordance with the Corporate Governance Guidelines applicable throughout the entire state-owned energy group Lietuvos Energija. This will allow ensuring transparent and efficient group management as well as sustainable creation of value to the public, employees, partners and the shareholder. According to the requirements of the EU Third Energy Package, by 31 October this year, the current activities of Lietuvos Dujos will be unbundled into two independent activities – distribution and supply of gas. This action will ensure compliance of the activities with the effective legal acts and will contribute in a significant manner to the creation of the gas market in Lithuania,” said Dr Dalius Misiūnas, Chairman of the Board of Directors and CEO of Lietuvos Energija, UAB.

In Half 1 of 2013, net profit of AB Lietuvos Dujos from continued operations amounted to LTL 38.0 million.

### **Less gas consumed**

In Half 1 of 2014, AB Lietuvos Dujos transported via natural gas distribution grid 408.2 MCM of natural gas, which was 21.6% less than during the same period of last year. During the comparative period, the Company sold 485.3 MCM of natural gas, which was 15.4% less than last year. Accordingly, in Half 1 of 2014, the sales of the Company decreased by 20% as compared with the respective period of the previous year, and amounted to LTL 699.0 million (Half 1 of 2013: LTL 870.8 million).

“Lower gas consumption can be associated with warmer than normal winter, which led to decreased production in heat and electricity production companies. Also a trend of replacing natural gas with other types of fuels was observed as well as a trend of increasing energy efficiency and implementing technologies using renewable energy sources. The decrease in revenue was also determined by declined gas sales prices applicable to gas consumers. The Company maintained a stable market share of imported natural gas in Lithuania, which amounted to 36 percent in first half of the year,” said Viktoras Valentukevičius, General Manager of AB Lietuvos Dujos.

A positive message is the growth in the number of new consumers wishing to connect to the gas distribution grids. During the first half of this year, 2,980 applications for connecting to natural gas systems were received as compared to 2,540 applications received during the same period of last year.

“The plan is to connect about 3 thousand new consumers and build about 93.9 km of distribution pipelines in 2014. Taking into consideration consumer needs, AB Lietuvos Dujos will continue the development of its distribution system, increase the availability of gas as an energy source to consumers and ensure the reliability of the distribution system,” said General Manager of AB Lietuvos Dujos Viktoras Valentukevičius.

The Company sells natural gas to 560 thousand customers, which include energy, industrial and other companies, organizations and residents, who account for almost 100% of the household natural gas customer market.

AB Lietuvos Dujos is a part of state owned companies’ group Lietuvos Energija. The shares of AB Lietuvos Dujos are quoted on the Main List of the stock exchange NASDAQ OMX Vilnius. Lietuvos Energija, UAB owns 96.6% and minority shareholders – 3.4% of shares of AB Lietuvos Dujos.

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The main business of **AB Lietuvos Dujos** covers natural gas purchase (import) and sales to its customers, the provision of distribution services and sustainable development of natural gas distribution infrastructure. The Company supplies gas to energy, industrial, agricultural companies, commercial and residential natural gas consumers. The Company operates 8.4 thousand km of distribution pipelines and has more than 560 thousand customers. AB Lietuvos Dujos customer line - 1894. Also, information on gas tariffs and the balance of payments for gas is provided by an automated voice system around the clock.