AB LIETUVOS DUJOS

COMPANY'S AND GROUP'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Lietuvos Dujos

Report on Financial Statements

We have audited the accompanying financial statements of AB Lietuvos Dujos, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Lietuvos Dujos and its subsidiary (hereinafter the Group), which comprise the statements of financial position as of 31 December 2013, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter - IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

a) IFRS requires to stop calculation of depreciation and amortization of non-current assets attributable to the activity to be discontinued (transmission activity) starting from the moment it satisfies the definition of discontinued operations. For the purpose of financial reporting in accordance with IFRS, the Company and the Group should have ceased calculation of depreciation and amortization for above mentioned non-current assets starting 1 July 2013 instead of 31 July 2013 - the moment of transfer of transmission activity, as it is explained in more details in Note 4. The depreciation and amortization for July 2013 amounts to LTL 6.2 million. Had the Company and the Group ceased the depreciation and amortization as required by IFRS one month earlier the result for the year 2013 would be higher by LTL 6.2 million and due to discontinued operations accounting this adjustment would not have an effect on shareholders equity and net book value of non-current assets as of 31 December 2013.

b) According to the Company's and the Group's accounting policy (Note 2) property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The Company and the Group estimates the recoverable value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. As described in Notes 1 and 4, the unbundling of transmission activity in 2013 and planned unbundling of distribution activity in 2014 indicates the need for impairment testing on separate activities level, however it was not performed by the Company's and Group's management due to high level of uncertainties involved neither at the end of 2013 nor at the end of 2012. Therefore, we were not able to assess reliably the effect of the above mentioned matter on the Company's and the Group's non-current tangible assets related to transmission activity (the net book value of which amounted to LTL 1,567,000 thousand as of 31 December 2012) and distribution activity (the net book value amounted to LTL 789,329 thousand as of 31 December 2013) as well as on the Company's and the Group's financial results for the year 2013 and 2012.

Qualified Opinion

In our opinion, except for the effect of the matter described in part a) and except for the possible effect of the matter described in part b) in section *Basis for Qualified Opinion* above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2013 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

UAB ERNST & YOUNG BALTIC
Audit company's license No. 001335

Asta Štreimikienė
Auditor's license No. 000382

The audit was completed on 4 March 2014.

Statements of financial position

		Notes	Company		Group
			As at 31 December 2013	As at 31 December 2012	As at 31 December 2012
ASSETS					
A.	**Non-current assets**		**796,256**	**2,364,314**	**2,358,438**
I.	Intangible assets	5	2,540	2,623	2,624
II.	Property, plant and equipment	6	793,232	2,351,181	2,354,535
II.1.	Land		1	388	388
II.2.	Buildings and structures		743,463	1,984,871	1,988,018
II.2.1.	Buildings		55,401	82,851	85,998
II.2.2.	Transmission networks and related installations		-	1,202,474	1,202,474
II.2.3.	Distribution networks and related installations		685,959	676,000	676,000
II.2.4.	Other buildings and structures		2,103	23,546	23,546
II.3.	Machinery and equipment		16,117	250,785	250,785
II.4.	Vehicles		10,420	15,376	15,437
II.5.	Other equipment, tools and devices		19,122	29,024	29,129
II.6.	Other property, plant and equipment		2,708	3,489	3,489
II.7.	Construction in progress		1,401	67,248	67,289
III.	Non-current financial assets		484	10,510	1,279
III.1.	Investment into subsidiary	1, 7	-	9,181	-
III.2.	Investment into joint venture	1	483	1,320	1,270
III.3.	Non-current accounts receivable	8	1	9	9
B.	**Current assets**		**254,255**	**564,249**	**569,745**
I.	Inventories and prepayments		42,614	80,651	80,653
I.1.	Inventories	9	42,042	80,108	80,108
I.1.1.	Raw materials, spare parts and other inventories		1,618	6,998	6,998
I.1.2.	Goods for resale (including natural gas)		40,424	73,110	73,110
I.2.	Prepayments		572	543	545
II.	Accounts receivable	10	140,869	204,499	204,530
II.1.	Trade receivables		139,706	191,352	191,352
II.2.	Other receivables	15	1,163	13,147	13,178
III.	Prepaid income tax		3,732	6,682	6,682
IV.	Other current assets	11	-	160,000	165,423
V.	Cash and cash equivalents	12	67,040	112,417	112,457
Total assets			**1,050,511**	**2,928,563**	**2,928,183**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.
The financial statements of the Company and the Group for the year 2013 coincide in all material aspects due to insignificance of the subsidiary.

Statements of financial position (cont'd)

		Notes	Company		Group
			As at 31 December 2013	**As at 31 December 2012**	**As at 31 December 2012**
EQUITY AND LIABILITIES					
C.	**Equity**		**701,048**	**2,058,261**	**2,057,846**
I.	Share capital	1	290,686	469,068	469,068
II.	Reserves	13	357,082	1,513,229	1,513,844
II.1	Legal reserve		29,069	43,692	43,884
II.2	Other reserves		328,013	1,469,537	1,469,960
III.	Retained earnings		53,280	75,964	74,934
D.	**Liabilities**		**349,463**	**870,302**	**870,337**
I.	Non-current liabilities		172,416	567,036	567,057
I.1.	Non-current borrowings	14	-	180,000	180,000
I.2.	Grants (deferred revenue)	15	135,872	230,805	230,805
I.3.	Non-current employee benefits	16	7,964	9,097	9,097
I.4.	Deferred income tax liability	22	28,580	147,134	147,155
II.	Current liabilities		177,047	303,266	303,280
II.1	Current portion of non-current	14	-	2,144	2,144
II.2	Trade payables	17	136,315	238,943	238,947
II.3	Advances received		9,012	9,738	9,739
II.4	Payroll related liabilities		8,919	11,052	11,056
II.5	Other payables and current liabilities	18	22,801	41,389	41,394
Total equity and liabilities			**1,050,511**	**2,928,563**	**2,928,183**

The accompanying notes are an integral part of these financial statements.
The financial statements of the Company and the Group for the year 2013 coincide in all material aspects due to insignificance of the subsidiary.

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Income statements

		Notes	Company 2013	Company 2012 (restated*)	Group 2012 (restated*)
I.	**Revenue**		**1,537,267**	**1,707,041**	**1,707,328**
I.1.	Sales	3	1,532,645	1,703,141	1,703,423
I.2.	Other income	20	4,622	3,900	3,905
II.	**Expenses**		**(1,480,998)**	**(1,658,450)**	**(1,659,590)**
II.1.	Cost of natural gas		(1,310,429)	(1,500,193)	(1,500,193)
II.2.	Depreciation and amortisation	5, 6	(41,526)	(39,842)	(40,029)
II.3.	Payroll and related social security tax expenses		(78,210)	(77,158)	(77,535)
II.4.	Repair and technical maintenance expenses		(21,849)	(21,721)	(21,724)
II.5.	Natural gas transmission service expenses	19	(7,318)	-	-
II.6.	Taxes, other than income tax		(5,709)	(5,513)	(5,564)
II.7.	Other expenses		(15,957)	(14,023)	(14,545)
III.	**Profit from operations**		**56,269**	**48,591**	**47,738**
IV.	**Financial activity**	21	**863**	**1,886**	**1,926**
IV.1.	Income		1,457	1,886	1,952
IV.2.	Expense		(594)	-	(26)
V.	**Profit before tax**		**57,132**	**50,477**	**49,664**
VI.	**Income tax**	22	**(3,852)**	**(3,471)**	**(4,092)**
VI.1.	Current period income tax		(7,969)	(5,429)	(5,429)
VI.2.	Deferred income tax		4,117	1,958	1,337
VII.	**Net profit from continuing operations**		**53,280**	**47,006**	**45,572**
VIII.	**Net profit from discontinued operations**	4	**9,996**	**28,958**	**28,934**
IX.	**Net profit**		**63,276**	**75,964**	**74,506**
	Basic and diluted earnings per share (LTL)	23	0.168	0.162	0.159
	Basic and diluted earnings per share (LTL) from continuing operations**	23	0.142	0.100	0.097

The accompanying notes are an integral part of these financial statements.
The financial statements of the Company and the Group for the year 2013 coincide in all material aspects due to insignificance of the subsidiary.
*Restated due to presentation the Company's and the Group's transmission activity as discontinued operations (see Notes 1, 4)
** See Note 23 of these financial statements.

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Statements of comprehensive income

	Company		Group
	2013	**2012**	**2012**
I. Net profit	**63,276**	**75,964**	**74,506**
II. Total comprehensive income	**63,276**	**75,964**	**74,506**

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

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Statements of changes in equity

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2012		**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	24	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	75,964	75,964
Net profit for the year		-	-	-	*75,964*	*75,964*
Balance as at 31 December 2012		**469,068**	**43,692**	**1,469,537**	**75,964**	**2,058,261**
Transfer from other reserves		-	-	(160,000)	160,000	-
Transfer to legal reserve		-	3,215	-	(3,215)	-
Transfer to other reserves		-	-	15,749	(15,749)	-
Dividends declared	24	-	-	-	(217,000)	(217,000)
Total comprehensive income		-	-	-	63,276	63,276
Net profit for the year		-	-	-	*63,276*	*63,276*
Unbundling of transmission activity	31	(178,382)	(17,838)	(997,273)	(9,996)	(1,203,489)
Balance as at 31 December 2013		**290,686**	**29,069**	**328,013**	**53,280**	**701,048**

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

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Statements of changes in equity (cont'd)

Group	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2012		**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	24				(72,000)	(72,000)
Total comprehensive income		-	-	-	74,506	74,506
Net profit for the year		-	-	-	*74,506*	*74,506*
Balance as at 31 December 2012		**469,068**	**43,884**	**1,469,960**	**74,934**	**2,057,846**

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

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Statements of cash flows

			Company		Group
		Notes	**2013**	**2012**	**2012**
I.	**Cash flows from operating activities**				
I.1.	Net profit		63,276	75,964	74,506
	Adjustments of non-cash items and other corrections:				
I.2.	Depreciation and amortisation	5, 6	86,212	114,144	114,331
I.3.	(Gain) loss on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		(313)	(127)	175
I.4.	Impairment losses for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories		849	533	534
I.5.	Income tax expenses (benefit)		1,561	(4,427)	(3,806)
I.6.	Interest (income)		(776)	(1,181)	(1,246)
I.7.	Interest expenses		1,649	614	614
I.8.	Loss on foreign currency exchange		1	1	1
I.9.	(Amortisation) of the grants (deferred revenue)		(5,236)	(5,665)	(5,665)
I.10.	Elimination of Company's share of joint venture results	21	364	-	50
I.11.	Elimination of other non-cash items		255	(9)	(9)
			147,842	**179,847**	**179,485**
	Changes in working capital:				
I.12.	Decrease (increase) in inventories	9	11,143	(1,572)	(1,561)
I.13.	Decrease (increase) in trade accounts receivable		42,611	(23,167)	(23,169)
I.14.	(Increase) in other accounts receivable and prepayments		(39,859)	(301)	(317)
I.15.	Increase (decrease) in trade accounts payable	25	(64,486)	10,529	10,526
I.16.	Increase in other accounts payable and other current liabilities		51,057	4,001	3,967
I.17.	(Decrease) in other financial assets		(27,302)	-	-
I.18.	Income tax (paid)		(5,584)	(13,598)	(13,598)
	Total changes in working capital		**(32,420)**	**(24,108)**	**(24,152)**
	Net cash flows from operating activities		**115,422**	**155,739**	**155,333**
	Thereof attributable to discontinued operations	4	**58,663**	**90,982**	**90,982**
II.	**Cash flows from (to) investing activities**				
II.1.	(Acquisition) of property, plant and equipment and intangible assets	5, 6, 25	(130,884)	(142,491)	(142,499)
II.2.	Proceeds from sales of property, plant and equipment		505	364	3,871
II.3.	(Acquisition) of joint venture		-	(1,320)	(1,320)
II.4.	Cash received from investment in subsidiary		5,407	-	-
II.5.	Receipt of non-current receivables and loans granted		8	7	7
II.6.	Decrease (increase) in term deposits	11	102,264	(102,264)	(105,697)
II.7.	Interest received		945	1,355	1,420
II.8.	Disposal (acquisition) of other short-term investments	11	57,736	(27,736)	(27,736)
II.9.	Cash transferred to AB Amber Grid due to unbundling of transmission activity		(10,860)	-	-
	Net cash flows (to) investing activities		**25,121**	**(272,085)**	**(271,954)**
	Thereof attributable to discontinued operations	4	**(76,248)**	**(81,277)**	**(81,277)**

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

Statements of cash flows (cont'd)

		Notes	Company 2013	Company 2012	Group 2012
III.	**Cash flows from (to) financing activities**				
III.1.	Dividends (paid)		(216,849)	(72,093)	(72,093)
III.2.	Loans received	14	-	180,000	180,000
III.3.	Loans (repaid)	14	(1,072)	(2,144)	(2,144)
III.4.	Grants received	15,25	33,657	28,069	28,069
III.5.	Interest (paid)		(1,656)	(638)	(638)
	Net cash flows from (to) financing activities		**(185,920)**	**133,194**	**133,194**
	Thereof attributable to discontinued operations	**4**	**7,532**	**11,208**	**11,208**
IV.	**Net (decrease) increase in cash and cash equivalents)**		**(45,377)**	**16,848**	**16,573**
V.	**Cash and cash equivalents at the beginning of the year**		**112,417**	**95,569**	**95,884**
VI.	**Cash and cash equivalents at the end of the year**		**67,040**	**112,417**	**112,457**

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

General Manager	Viktoras Valentukevičius		4 March 2014
Chief Accountant	Žydrūnas Augutis		4 March 2014

Notes to the financial statements

1 General information

AB Lietuvos dujos (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

Aguonų Str. 24,
LT - 03212, Vilnius,
Lithuania.

Until the 31 July 2013 the Company was engaged in transmission, distribution and supply of natural gas. The Company's natural gas transmission activity (transmission segment) was unbundled from the Company as at 31 July 2013. In these financial statements the transmission activity of the Company is disclosed as discontinued operations (Note 3, 4, 31). The Company was registered on 23 November 1990. The Company's shares are traded on the NASDAQ OMX Vilnius Stock Exchange on the Main trade list.

As at 31 December 2013 and 2012 the shareholders of the Company were as follows:

	Number of shares held as at 31 December 2013	Number of shares held as at 31 December 2012	Percentage of ownership (%)
E.ON Ruhrgas International GmbH	113,118,140	182,534,384	38.9
OAO Gazprom	107,734,925	173,847,696	37.1
Ministry of Energy of the Republic of Lithuania	51,454,638	83,030,367	17.7
Other shareholders	18,378,037	29,655,807	6.3
	290,685,740	469,068,254	100.0

All the shares of the Company are ordinary registered shares with a par value of LTL 1 each and were fully paid as at 31 December 2013 and 2012. The Company did not hold its own shares.

The Company has 5 branches.

The Company holds 34 % of shares of UAB GET Baltic, a jointly controlled entity with AB Amber Grid and Finish gas company Gasum Oy. The Company's ownership of UAB GET Baltic shares decreased from 66 % to 34 %, when part of the joint venture shares (32 %) were transferred to AB Amber Grid. The information of UAB GET Baltic as at 31 December 2013 is as follows:

Company	Address of registered office	Part of shares controlled by the Company (%)	Share capital	Current year (loss) attributable to the Company	Equity	Main activity
UAB GET Baltic	Aguonų Str. 24, Vilnius	34	2,000	(171)	1,422	Licensed natural gas market operator – arranges trading on the Natural Gas Exchange

In 2013 the subsidiary of the Company UAB Palangos perlas was liquidated, and due to insignificance of its operating results separate Group financial statements are not prepared, they coincide with Company's financial statements. Further in these financial statements the Company's and the Group's financial information for the year 2013 is referred to as Company's.

As at 31 December 2012 the Group comprised AB Lietuvos dujos, its subsidiary UAB Palangos perlas and UAB GET Baltic, a jointly controlled entity established with Finish gas company Gasum Oy (hereinafter - the Group). The information of UAB Palangos perlas and UAB GET Baltic as at 31 December 2012 was as follows:

Company	Address of registered office	Part of shares controlled by the Group (%)	Share capital	Current year (loss) attributable to the Group	Equity	Main activity
UAB Palangos perlas	Birutės Str. 8, Klaipėda	100	9,704	(1,409)	8,910	Accommodation and restaurant facilities
UAB GET Baltic	Aguonų Str. 24, Vilnius	66	2,000	(50)	1,924	Licensed natural gas market operator – arranges trading on the Natural Gas Exchange

1 General information (cont'd)

As at 31 December 2013 there were 1,364 of employees in the Company (as at 31 December 2012 the number of employees of the Company and the Group was 1,690 and 1,695 respectively). Significant change of the employee number was caused by the unbundling of transmission activity in 2013, implementing the Third Energy Package and the requirements of legal acts of the Republic of Lithuania.

Activities of AB Lietuvos dujos are regulated by the Law on Natural Gas of the Republic of Lithuania, which currently requires the unbundling of the accounts of the Company's activities (distribution and supply). The Company keeps accounts based on the requirements of the law. After the unbundling of transmission activity the Company's activity segments are natural gas distribution, supply and other activity (Note 3).

The Company's activities of distribution and supply of natural gas are subject to licensing. Licences are granted and licensed activities observed by the National Control Commission for Prices and Energy (hereinafter – NCCPE). The Company is granted licences for distribution and supply of natural gas.

The prices for distribution of natural gas are regulated. The price caps are set by the NCCPE. The supply prices of natural gas are not regulated.

The management of the Company approved these financial statements on 4 March 2014. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared.

Unbundling of the Company's activities

In order to fulfil the Law on Natural Gas and the Law on the Implementation of the Law on Natural Gas transferring the provisions of the Third Energy Package of the European Union to the national legislation, the Government of the Republic of Lithuania adopted the respective resolutions, setting the Company's actions when re-organizing the Company.

The Company's actions related to unbundling of transmission activity are described in detail in consolidated and Company's financial statements for the year 2012. As at 11 June 2013 the extraordinary general meeting of shareholders of AB Lietuvos dujos approved the unbundling terms (hereinafter - the Unbundling Terms) and decided to, in accordance with the Unbundling terms, unbundle from AB Lietuvos dujos, that continues operations, a part of its activities (i.e. the AB Lietuvos dujos gas transmission activity), and on the basis of the assets, rights and obligations attributed to the natural gas transmission activity, to establish new company AB Amber Grid. Since then the transmission activity was classified as discontinued operations under IFRS 5.

The final spin-off balance sheet was drawn up as at 31 July 2013. It represents the assets, equity and liabilities transferred to AB Amber Grid (Note 31). On 1 August 2013 by a Transfer-Acceptance Deed assets, rights and obligations, attributable to transmission activity, were transferred to AB Amber Grid and that way the requirement of legal acts to unbundle the transmission activity was met. As this is a common control transaction the Company chose to derecognise the net asset to be transferred based on its carrying amount at the date of transfer. IFRIC 17 does not apply.

Following the legal acts mentioned above and decision of general meeting of shareholders as at 28 May 2012, the legal, functional and organizational unbundling of distribution activity must be implemented not later than 31 October 2014. Following the requirements of Law on Natural Gas and other legal acts in respect of the unbundling of distribution activity, the Board of AB Lietuvos dujos as at 30 October 2013 adopted a decision to establish a subsidiary with the share capital of LTL 1 million, a limited liability company, to which latter the Company will transfer the natural gas distribution activity, together with the assets, rights and obligations attributed to this activity.

Administration of funds of Liquefied natural gas terminal

From 1 January 2013 till 31 July 2013 the Company, following the Law on Liquefied Natural Gas Terminal of the Republic of Lithuania and requirements of related legal acts, collected and administered Liquefied natural gas terminal (hereinafter – LNGT) funds. The Company, while collecting and administering LNGT funds operated only as intermediary and this activity did not generate revenue or income during the ordinary activities. Starting 31 July 2013 the LNGT funds are administered by AB Amber Grid which was established on the basis of unbundling of transmission activity of the Company.

2 Accounting principles

The principal accounting policies adopted in preparing the Company's financial statements for the year 2013 are as follows:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter - the EU). They are prepared based on a historical cost basis, except for property, plant and equipment, which on adoption of IFRS was evaluated at deemed cost, less accumulated depreciation and impairment losses.

2.1. Basis of preparation

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

During the year the Company has adopted the following IFRS and their amendments:

- Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI). This amendment changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. Currently the Company has no OCI items; the amendment will not have any effect on Company's financial statements.
- Amendments to IAS 19 *Employee Benefits.* These amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This amendment did not have material impact on the financial statements of the Company.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. This amendment did not impact the financial statements of the Company, because the Company does not have netting arrangements.
- IFRS 13 *Fair Value Measurement.* The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value measurement is required or permitted by IFRS. The implementation of this standard did not have a material impact on the amounts recognised in these financial statements; however it resulted in additional disclosures (see Note 2.18).
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine.* This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This interpretation had no impact on the Company's financial statements, as the Company is not involved in mining activity.

Standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU).

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Company's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Company.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014).

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial statements of the Company.

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2014).

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Company.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014).

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment will not have impact on the Company's financial statements, since the Company does not have settlement systems and does not offset financial assets and financial liabilities.

Amendment to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014).

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Company, however may result in additional disclosures.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for financial years beginning on or after 1 January 2014).

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the Company, since it does not apply hedge accounting.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU).

IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014).

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces interpretations of Standing Interpretations Committee 12 Consolidation — Special Purpose Entities. The implementation of this amendment will not have any impact on the financial statements of the Company.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014).

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The Company accounts for its investment to joint venture using the equity method, therefore implementation of this amendment will not have any impact on the financial statements of the Company.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014).

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Company is evaluating the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014).

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Company, as the Company is not an investment entity and is not planning to become one in the future.

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

Improvements to IFRSs (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:
- IFRS 1 *First-time adoption of IFRS*;
- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets;*
- IAS 40 *Investment property.*

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Company has not yet evaluated the impact of the implementation of this interpretation.

The Company plans to adopt the above mentioned improvements to IFRSs and interpretation on their effectiveness date provided they are endorsed by the EU.

2.2. Measurement and presentation currency

The amounts shown in these financial statements are measured and presented in the local currency of the Republic of Lithuania, Litas (LTL).

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 LTL for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Lietuvos dujos and its subsidiaries, if any. The control is normally evidenced when the Company owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The acquisition method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets and liabilities of another company at their fair value at acquisition date. Difference between the acquisition cost and the fair value of the net assets at the date of acquisition is considered to be goodwill (negative goodwill). The goodwill is presented in the financial statements at cost, less impairment losses. Negative goodwill is recognised as income in the income statement for the reporting period. In the consolidated financial statements goodwill related to the consolidated subsidiaries is presented under intangible assets caption.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to those Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Companies acquired or sold during a year are included into the consolidated financial statements from the date of acquisition or until the date of sale. Inter-company balances and transactions, including unrealised profits and losses, are eliminated on consolidation.

Consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances. In separate financial statements of the Company investments into subsidiaries are accounted for applying the cost method.

2 Accounting principles (cont'd)

2.4. Investment in a joint venture

The Company has an interest in a joint venture UAB GET Baltic, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company recognizes its interest in the joint venture using the equity method. Applying the equity method an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the jointly controlled entity. The profit or loss of the Company includes the Company's share of the profit or loss of the jointly controlled entity. The unrealized Company's gain or loss which originates due to transactions between the Company and joint venture is eliminated.

2.5. Intangible assets

Intangible assets of the Company and the Group are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the Group and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives (4 years). The useful lives, residual values and amortisation method are reviewed annually to ensure they are consistent with the expected pattern of economic benefits from items of non-current intangible assets. Intangible assets mainly consist of software and licenses used in main activities of the Company and the Group.

The Company and the Group do not have any intangible assets with indefinite useful live.

2.6. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major repair is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised as profit or loss as incurred.

When assets are sold or retired, their cost, accumulated depreciation and impairment losses are eliminated from the accounting, and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is computed on a straight-line basis over the following estimated useful lives

Buildings	25 – 60 years
Distribution networks and related installations	55 years
Machinery and equipment	5 – 18 years
Other buildings and structures	15 - 19 years
Vehicles	6 years
Other equipment, tools and devices	4 - 9 years
Other property, plant and equipment	4 - 9 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

The Company and the Group estimates the value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. An impairment loss is recognised in the income statement, whenever estimated.

2 Accounting principles (cont'd)

2.7. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Company's and the Group's financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus (except for the financial assets at fair value through profit or loss) transaction costs.

The measurement categories relevant to the Company include:

Financial assets at fair value through profit or loss

The category financial assets at fair value through profit or loss include financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivables are identified and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts and accounts receivable are derecognised (written-off) when they are assessed as uncollectible.

2.8. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company and the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company and the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's and the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company and the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Accounting principles (cont'd)

2.9. Inventories

Inventories of the Company and the Group, consisting of natural gas in pipelines and storage at the year-end and other inventories, are valued at the lower of cost or net realisable value. Cost of natural gas is determined on the basis of weighted average cost, and the cost of the remaining inventories is determined on the basis of the first-in, first-out (FIFO) method. Inventories that cannot be realised are written off.

2.10. Cash and cash equivalents

Cash includes cash on hand, cash in banks and cash in transit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.11. Borrowings

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings.

Borrowings are classified as non-current if the completion of a refinancing agreement before the date of statement of financial position provides evidence that the substance of the liability at the date of statement of financial position was long term.

2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Based on the decision of the Company and the Group specific borrowings do not become general borrowings after the construction/acquisition of the qualifying assets financed from the specific borrowing is completed and therefore related borrowing costs are not capitalised further.

2.13. Grants (deferred revenue)

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant and is included under the caption of other income of the income statement.

Payments received from customers for the connection to the Company's gas systems are accounted for as deferred revenue and recognised as income over the expected useful life of the related capitalised assets.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilised grants is shown under caption of "Grants (deferred revenue)" in the statement of financial position.

2.14. Non-current employee benefits

Defined benefit plan – post employment benefits

According to the collective agreement, each employee leaving the Company at the retirement age is entitled to a one-time payment. Employment benefits are recognised in the statement of financial position and reflect the present value of future payments at the date of the statement of financial position. The above mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in the income statement as incurred. Starting from 1 January 2013 after the amendments to IAS 19 become effective, the actuarial gains and losses are recognized in the statement of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the income statement as incurred. Starting from 1 January 2013 after the amendments to IAS 19 become effective, the past service costs are recognized in the income statement as incurred.

2 Accounting principles (cont'd)

2.14 Non-current employee benefits (cont'd)

Other long-term employee benefits

The Company is paying benefits to its employees for the long work experience in the Company. Non-current obligation for employment benefit is recognised in the statement of financial position as the present value of defined benefit obligation at the date of the statement of financial position. Present value of defined benefit obligation is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and the similar maturity as the employment benefits. Actuarial gains and losses are recognised in the income statement as incurred.

2.15. Income tax

The Group companies are taxed individually, irrespective the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

15 % income tax rate has been established starting from 1 January 2010 for companies operating in Republic of Lithuania.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself.

Tax losses can be transferred between the group companies if there is compliance with the Republic of Lithuania Law on corporate income tax requirements.

Starting from 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax asset and liability is measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

On transition to IFRSs, the Company and the Group treated revalued amounts of property, plant and equipment as a deemed cost. As the tax base of the asset carried at deemed cost on transition to IFRSs remains at original cost (or an amount based on original cost), the pre-transition revaluation gave rise to a temporary difference associated with the deferred tax liability has been accounted for. If, after transition, the deferred tax is required to be remeasured (e.g. because of a change in tax rate), the Company and the Group accounts for this change in the statement of other comprehensive income. Results of remeasurement for deferred tax components other than plant, property or equipment revalued as a deemed cost, are accounted for in the income statement.

2.16. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the Group and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenues from transmission, distribution and supply for non-household customers are recognised monthly - (except for the income from non-domestic users consuming more than 1 million m^3 of natural gas per year - revenue from these customers are recognized twice a month), based on meter readings provided by the customers and checked by the Company (accrual basis). Revenues from household customers are recognised monthly based on the meter readings declared by the customers and by correcting them based on evaluated discrepancies between the quantities of declared and consumed gas (accrual basis).

2 Accounting principles (cont'd)

2.17. Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement. Such balances are translated at period-end exchange rates.

2.18. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Levels of fair value hierarchy:
Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.19. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each date of the statements of financial position.

For financial assets carried at amortised cost, whenever it is probable that the Company and the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement in the same caption, where the impairment losses have been recognised. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets

Other assets of the Company and the Group are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted in the same caption of the income statement as the impairment loss.

2 Accounting principles (cont'd)

2.20. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management of the Company and the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to deferred income tax asset (Note 2.15 and Note 22), non-current employee benefits (Note 2.14 and Note 16), accrued revenue from household customers (Note 2.16) and impairment evaluation of property, plant and equipment (Note 2.6 and Note 6), accounts receivable (Note 2.7, Note 8 and Note 10) and inventories (Note 2.9 and Note 9). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

If indications for impairment of property, plant and equipment exist, evaluation of the non-current assets' value based on the discounted cash flow projections of an integrated Company is performed, while there is no reliable basis to separate out individual cash generating units. During the shareholders' meeting dated 28 May 2012, it was decided to execute the unbundling of the distribution activity of the Company, by establishing a subsidiary and transferring to it natural gas distribution activity of the Company, together with the assets, rights and obligations attributable to this activity as non-cash contribution for the shares of the subsidiary in accordance with the terms set in legal acts.

As at 30 October 2013 the Board of the Company adopted a decision to establish a subsidiary, a limited liability company, to which later the Company will transfer the natural gas distribution activity, together with the assets, rights and obligations attributed to this activity. Due to unstable regulatory environment and other uncertainties related to unfinished unbundling of the distribution activity, the Company did not prepare cash flow forecasts at individual cash generating unit level and prepared cash flows at an integrated Company level.

Discounted cash flows were calculated based on the legal acts and methodologies in effect, which regulate the Company's licensed activities. Also, the situation in natural gas market was taken into account, which is currently very uncertain due to expected introduction of LNG terminal at the end of 2014, the long term gas supply contract ending in 2015 and ongoing negotiations in gas supply terms and conditions. The assumptions used in determination of the discount rate for the evaluation of the discounted cash flows in principle correspond to the assumptions applied by the NCCPE for the rate of return in the price regulation. The changes in the discount rate and quantity of gas to be sold mostly affect the recoverable value of the Company's property, plant and equipment.

The Company performed an impairment test which did not result in any impairment charge. However when it becomes possible to estimate the value in use at individual cash generating unit level, the value of the assets of the distribution activity could be lower, if no sufficiently positive regulatory regime improvements are adopted in the future and there are no positive changes in the market.

2.21. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed in financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable

2.22. Events after the reporting period

Events after the reporting period that provide additional information about the Company's and the Group's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

2.23. Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except in those cases where certain IFRS specifically permit or require such set-off.

3 Segment information

The Company's business activities are organised based on the legal requirements for regulated activities. The Company has split operating segments based on the legal requirements. The accounting principles used for in the segment accounting are the same as for the financial accounting of the Company.

Until 31 July 2013 the Company had three main operating segments: natural gas transmission, distribution and supply, as well as a 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.

The Company's natural gas transmission activity (transmission segment) was unbundled from the Company as at 31 July 2013 (Notes 1, 31).

The Company's operating segments are not aggregated, except for Supply of natural gas, which consists of supply to households and non-households. The two segments were aggregated, as they have similar economic and other characteristics.

The Company's segment information for the years ended 2013 and 2012 is presented below:

2013	Transmission (discontinued operations)*	Distribution	Supply	Other activity	Total	Total continuing operations
Sales	93,077	159,465	1,371,234	1,946	1,625,722	1,532,645
Interest income	37	14	724	1	776	739
Interest expense	1,649	-	-	-	1,649	-
Profit before tax	7,705	(2,568)	58,663	1,037	64,837	57,132
Income tax	(2,291)	(4,316)	7,959	209	1,561	3,852
Net profit	9,996	1,748	50,704	828	63,276	53,280
Total assets	1,695,850	803,987	242,534	3,990	2,746,361	1,050,511
Total liabilities	492,361	192,621	156,785	58	841,825	349,464
Other segment information						
Acquisition of non-current assets	52,459	48,725	123	3,404	104,711	52,252
Depreciation and amortisation	44,686	40,119	1,158	249	86,212	41,526
Investment in to joint venture	472	-	483	-	955	483

2012	Transmission (discontinued operations)*	Distribution	Supply	Other activity	Total	Total continuing operations
Sales	169,291	174,778	1,526,577	1,786	1,872,432	1,703,141
Interest income	62	22	1,096	1	1,181	1,119
Interest expense	614	-	-	-	614	-
Profit before tax	21,060	11,206	38,212	1,059	71,537	50,477
Income tax	(7,898)	(1,555)	5,635	(609)	(4,427)	3,471
Net profit	28,958	12,761	32,577	1,668	75,964	47,006
Total assets	1,655,971	799,075	463,648	9,869	2,928,563	1,272,592
Total liabilities	440,748	196,466	233,023	65	870,302	429,554
Other segment information						
Acquisition of non-current assets	110,741	45,959	274	-	156,974	46,233
Depreciation and amortisation	74,302	38,420	1,263	159	114,144	39,842
Investment in to joint venture	640	-	680	-	1,320	680

*Information is provided until unbundling of natural gas transmission activity, i.e. 31 July 2013 (Notes 4, 31).

3 Segment information (cont'd)

All the assets of the Company are located in the territory of Lithuania where the Company is operating, except for a part of natural gas accounted for in inventories (Note 9).

In 2013 the Company earned 99 % of its revenue from Lithuanian customers (in 2012 - 98%).

In 2013 revenue from one customer of the Company in supply and other activity segments constituted more than 10 % of total Company's revenue and amounted to LTL 213,208 thousand. In 2012 revenue from one customer of the Company and the Group in transmission, supply and other activity segments constituted more than 10 % of total Group's revenue and amounted to LTL 217,660 thousand.

4 Discontinued operations

Implementing the regulations of the Third Energy Package of the European Union in relation to unbundling of transmission activity, the assets, rights and obligations of transmission activity, related to the unbundled part of the Company, were transferred to AB Amber Grid, the company established upon spin – off as at 31 July 2013 (Note 31). All the revenue earned and expenses incurred by transmission activity during 2013 had been attributed to discontinued operations.

	2013*	**2012 (restated)**
Sales	93,077	169,291
Other income	1,973	2,559
Expenses	(85,698)	(150,432)
Profit from operations	9,352	21,418
Financial activity	(1,647)	(358)
Profit before tax	7,705	21,060
Income tax	2,291	7,898
Current period income tax	(582)	(751)
Deferred income tax	2,873	8,649
Net profit	**9,996**	**28,958**

*Revenue earned and expenses incurred by transmission activity during the seven months of 2013, until the unbundling of transmission activity as at 31 July 2013.

Earnings per share

	2013	**2012**
Net profit from discontinued operations attributable to the shareholders (in LTL thousand)	9,996	28,958
Weighted average number of shares (in thousands)	376,212	469,068
Basic earnings from discontinued operations per share (in LTL)	**0.027**	**0.062**

Reconciliation of cash flows from discontinued operations

	2013	**2012**
Cash and cash equivalents at the beginning of the year	**20,913**	**-**
Net cash flows from operating activities	58,663	90,982
Net cash flows (to) investing activities	(76,248)	(81,277)
Net cash flows from investing activities	7,532	11,208
Cash transferred to AB Amber Grid due to unbundling of transmission activity	(10,860)	-
Cash and cash equivalents at the end of the year	**-**	**20,913**

* Until the unbundling of transmission activity, the preliminary amount of cash and cash equivalents, attributable to AB Amber Grid was LTL 12 million. When the final spin-off balance sheet was prepared and assets and liabilities attributable to AB Amber Grid were calculated, it was determined, that AB Amber Grid has to return the amount of LTL 1,140 thousand.

4 Discontinued operations (cont'd)

According to IFRS 5 Non-current assets held for sale and discontinued operations, starting from the moment the transmission activity satisfied the definition (criteria) of discontinued operations till the unbundling (1 month), the calculation of depreciation and amortization of the assets attributable to transmission activity should have been ceased. IFRS 5 does not provide any exceptions, disregarding the actual use of assets. Should the Company applied the requirements of IFRS 5, it should have eliminated depreciation and amortization expenses of discontinued activity, amounting to LTL 6,218 thousand, increased the value of non-current assets by this amount and prolonged the useful life of the non-current assets by one month.

The Company assigned priority not to formal IFRS requirement, but evaluated the actual use of transmission activity assets. These assets were continuously used in licensed transmission activity until unbundling, and generated the income from this activity. Therefore due to technical and economic reasons it was not possible to prolong the useful life of non-current assets and cease calculation of depreciation and amortization.

5 Intangible assets

Movement of intangible assets for the current and prior periods:

Company	Patents, licenses	Software	Other intangible assets	Total
Cost:				
Balance as at 1 January 2012	5,249	5,127	965	11,341
Additions	433	288	-	721
Retirements	(1,618)	(1,340)	(340)	(3,298)
Balance as at 31 December 2012	4,064	4,075	625	8,764
Additions	1,594	998	-	2,592
Additions from UAB Palangos perlas	-	7	-	7
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(1,087)	(1,452)	(145)	(2,684)
Reclassifications	(938)	938	-	-
Balance as at 31 December 2013	3,633	4,416	480	8,529
Accumulated amortisation:				
Balance as at 1 January 2012	3,167	4,036	756	7,959
Charge for the year	882	502	96	1,480
Retirements	(1,559)	(1,399)	(340)	(3,298)
Balance as at 31 December 2012	2,490	3,139	512	6,141
Charge for the year	684	389	74	1,147
Additions of accumulated amortization from UAB Palangos perlas	-	6	-	6
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(232)	(805)	(118)	(1,155)
Reclassifications	(687)	687	-	-
Balance as at 31 December 2013	2,255	3,266	468	5,989
Net book value as at 31 December 2013	**1,378**	**1,150**	**12**	**2,540**
Net book value as at 31 December 2012	**1,574**	**936**	**113**	**2,623**

5 Intangible assets (cont'd)

Group	Patents, licenses	Software	Other intangible assets	Total
Cost:				
Balance as at 1 January 2012	5,249	5,154	965	11.368
Additions	433	288	-	721
Retirements	(1,618)	(1,360)	(340)	(3,318)
Balance as at 31 December 2012	4,064	4,082	625	8,771
Additions	1,594	998	-	2,592
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(1,087)	(1,452)	(145)	(2,684)
Reclassifications	(938)	938	-	-
Balance as at 31 December 2013	3,633	4,416	480	8.529
Accumulated amortisation:				
Balance as at 1 January 2012	3,167	4.055	756	7.978
Charge for the year	882	506	96	1.484
Retirements	(1,559)	(1,416)	(340)	(3,315)
Balance as at 31 December 2012	2,490	3.145	512	6,147
Charge for the year	684	389	74	1,147
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(232)	(805)	(118)	(1,155)
Reclassifications	(687)	687	-	-
Balance as at 31 December 2013	2,255	3,266	468	5,989
Net book value as at 31 December 2013	**1,378**	**1,150**	**12**	**2,540**
Net book value as at 31 December 2012	**1,574**	**937**	**113**	**2,624**

Part of the non-current intangible assets of the Company with the acquisition value of LTL 2,387 thousand as at 31 December 2013 (LTL 2,948 thousand of the Company and the Group as at 31 December 2012) was fully amortised, but still in use.

6 Property, plant and equipment

Movement of property, plant and equipment for the current and prior periods:

Company	Land	Buildings	Trans-mission networks and related installations	Distribution networks and related installations	Other buildings and structures	Machinery and equip-ment	Vehicles	Other equipment, tools and devices	Other property, plant and equip-ment	Construc-tion in progress	Total
Cost:											
Balance as at 1 January 2012	223	101,351	1,521,859	833,357	29,830	328,515	40,220	110,980	12,224	25,787	3,004,346
Additions	-	4	-	1,726	-	762	4,426	4,197	929	144,209	156,253
Disposals and retirements	-	(202)	-	(38)	(12)	(711)	(2,157)	(2,488)	(585)	-	(6,193)
Reclassifications	165	4,784	49,196	27,833	827	13,977	-	5,734	232	(102,748)	-
Balance as at 31 December 2012	388	105,937	1,571,055	862,878	30,645	342,543	42,489	118,423	12,800	67,248	3,154,406
Additions	-	6	-	1,975	50	480	4,104	3,609	832	87,665	98,721
Additions form UAB Palangos perlas	-	3,815	-	-	50	-	92	16	213	41	4,227
Disposals and retirements	-	(484)	(508)	(646)	(14)	(251)	(1,513)	(1,442)	(411)	-	(5,269)
Transferred to AB Amber Grid	(387)	(34,312)	(1,572,534)	(412)	(27,526)	(316,639)	(16,017)	(51,822)	(1,435)	(107,486)	(2,128,570)
Reclassifications	-	(114)	1,987	34,059	95	3,286	-	6,541	213	(46,067)	-
Balance as at 31 December 2013	1	74,848	-	897,854	3,300	29,419	29,155	75,325	12,212	1,401	1,123,515
Accumulated depreciation:											
Balance as at 1 January 2012	-	19,879	320,457	162,053	5,509	73,672	24,692	81,686	8,565	-	696,513
Charge for the year	-	3,346	48,124	24,840	1,597	18,680	4,577	10,183	1,317	-	112,664
Disposals and retirements	-	(70)	-	(15)	(8)	(662)	(2,156)	(2,462)	(579)	-	(5,952)
Reclassifications	-	(69)	-	-	1	68	-	(8)	8	-	-
Balance as at 31 December 2012	-	23,086	368,581	186,878	7,099	91,758	27,113	89,399	9,311	-	803,225
Charge for the year	-	3,189	28,752	25,634	1,036	12,432	4,119	8,696	1,207	-	85,065
Additions of accumulated depreciation from UAB Palangos perlas	-	623	-	-	29	-	37	10	131	-	830
Disposals and retirements	-	(251)	(507)	(588)	(10)	(221)	(1,513)	(1,439)	(410)	-	(4,939)
Transferred to AB Amber Grid	-	(7,110)	(396,826)	(29)	(6,957)	(90,757)	(11,021)	(40,463)	(735)	-	(553,898)
Reclassifications	-	(90)	-	-	-	90	-	-	-	-	-
Balance as at 31 December 2013	-	19,447	-	211,895	1,197	13,302	18,735	56,203	9,504	-	330,283
Net book value as at 31 December 2013	**1**	**55,401**	**-**	**685,959**	**2,103**	**16,117**	**10,420**	**19,122**	**2,708**	**1,401**	**793,232**
Net book value as at 31 December 2012	**388**	**82,851**	**1,202,474**	**676,000**	**23,546**	**250,785**	**15,376**	**29,024**	**3,489**	**67,248**	**2,351,181**

6 Property, plant and equipment (cont'd)

Group	Land	Buildings	Trans-mission networks and related installations	Distribution networks and related installations	Other buildings and structures	Machinery and equip-ment	Vehicles	Other equipment, tools and devices	Other property, plant and equip-ment	Construc-tion in progress	Total
Cost:											
Balance as at 1 January 2012	223	115,740	1,521,859	833,357	29,830	328,515	40,370	112,362	12,224	25,853	3,020,333
Additions	-	4	-	1,726	-	762	4,426	4,205	929	144,209	156,261
Disposals and retirements	-	(10,438)	-	(38)	(12)	(711)	(2,215)	(3,648)	(585)	(25)	(17,672)
Reclassifications	165	4,784	49,196	27,833	827	13,977	-	5,734	232	(102,748)	-
Balance as at 31 December 2012	388	110,090	1,571,055	862,878	30,645	342,543	42,581	118,653	12,800	67,289	3,158,922
Additions	-	6	-	1,975	50	480	4,104	3,609	832	87,665	98,721
Disposals and retirements	-	(772)	(508)	(646)	(14)	(251)	(1,513)	(1,443)	(411)	-	(5,558)
Transferred to AB Amber Grid	(387)	(34,312)	(1,572,534)	(412)	(27,526)	(316,639)	(16,017)	(51,822)	(1,435)	(107,486)	(2,128,570)
Reclassifications	-	(164)	1,987	34,059	145	3,286	-	6,328	426	(46,067)	-
Balance as at 31 December 2013	1	74,848	-	897,854	3,300	29,419	29,155	75,325	12,212	1,401	1,123,515
Accumulated depreciation:											
Balance as at 1 January 2012	-	22,258	320,457	162,053	5,509	73,672	24,765	82,816	8,565	-	700,095
Charge for the year	-	3,449	48,124	24,840	1,597	18,680	4,593	10,247	1,317	-	112,847
Disposals and retirements	-	(1,939)	-	(15)	(8)	(662)	(2,214)	(3,531)	(579)	-	(8,948)
Reclassifications	-	(69)	-	-	1	68	-	(8)	8	-	-
Balance as at 31 December 2012	-	23,699	368,581	186,878	7,099	91,758	27,144	89,524	9,311	-	803,994
Charge for the year	-	3,227	28,752	25,634	1,037	12,432	4,125	8,696	1,223	-	85,126
Disposals and retirements	-	(251)	(507)	(588)	(10)	(221)	(1,513)	(1,439)	(410)	-	(4,939)
Transferred to AB Amber Grid	-	(7,110)	(396,826)	(29)	(6,957)	(90,757)	(11,021)	(40,463)	(735)	-	(553,898)
Reclassifications	-	(118)	-	-	28	90	-	(115)	115	-	-
Balance as at 31 December 2013	-	19,447	-	211,895	1,197	13,302	18,735	56,203	9,504	-	330,283
Impairment losses:											
Balance as at 1 January 2012	-	5,071	-	-	-	-	-	-	-	-	5,071
Disposals and retirements	-	(4,678)*	-	-	-	-	-	-	-	-	(4,678)
Balance as at 31 December 2012	-	393	-	-	-	-	-	-	-	-	393
Disposals and retirements	-	(393)	-	-	-	-	-	-	-	-	(393)
Balance as at 31 December 2013	-	-	-	-	-	-	-	-	-	-	-
Net book value as at 31 December 2013	**1**	**55,401**	**-**	**685,959**	**2,103**	**16,117**	**10,420**	**19,122**	**2,708**	**1,401**	**793,232**
Net book value as at 31 December 2012	**388**	**85,998**	**1,202,474**	**676,000**	**23,546**	**250,785**	**15,437**	**29,129**	**3,489**	**67,289**	**2,354,535**

*The decrease in impairment is due to disposal of the assets owned by the subsidiary

A part of the property, plant and equipment of the Company with the acquisition cost of LTL 51,606 thousand were fully depreciated as at 31 December 2013 (LTL 78,202 thousand and 78,229 thousand of the Company and of the Group, respectively as at 31 December 2012), but were still in use.

As at 31 December 2013 the Company and as at 31 December 2012 the Company and the Group had no property, plant and equipment, acquired under financial lease agreements.

The Company as at 31 December 2013 and the Company and the Group as at 31 December 2012 did not have any borrowing costs related to qualifying assets.

6 Property, plant and equipment (cont'd)

Major objects of construction in progress of the Company and the Group as at 31 December 2013 and 2012 were as follows:

Object	**Company**		**Group**
	2013	**2012**	**2012**
Objects of distribution system	1,401	3,027	3,068
Objects of transmission system	-	64,221	64,221
Construction of gas transmission pipeline Jurbarkas – Klaipėda:	-	55,758	55,758
Construction of gas transmission pipeline from the branch to gas distribution station (hereinafter – GDS) in Tauragė to the branch to GDS in Šilutė	-	*33,340*	*33,340*
Construction of gas transmission pipeline from the branch to GDS in Šilutė to the branch to GDS-2 in Klaipėda, the branch to GDS-2 in Klaipėda and GDS-2 in Klaipėda	-	*22,418*	*22,418*
Acquisition of container GDS	-	3,780	3,780
Other	-	4,683	4,683
Total	**1,401**	**67,248**	**67,289**
Thereof attributable to continuing operations	1,401	3,027	3,068

Upon unbundling the construction in progress in the amount of LTL 107,486 thousand was transferred to AB Amber Grid (Note 31).

7 Investment into subsidiary

As at 30 January 2013 the Board of the Company made a decision to liquidate UAB Palangos perlas. All the assets of the subsidiary UAB Palangos perlas were transferred to the Company: the net book value of non-current assets amounted to LTL 3,398 thousand, cash and cash equivalents - LTL 5,407 thousand. As at 2 August 2013 UAB Palangos perlas was liquidated, as at 8 August 2013 – withdrawn from the register of legal entities. In 2013 the results of the subsidiary were insignificant.

8 Non-current accounts receivable

	Company		**Group**
	2013	**2012**	**2012**
AB Guartis debt	5,641	6,356	6,356
Other non-current accounts receivable	1	9	9
	5,642	6,365	6,365
Less: allowance for non-current accounts receivable	(5,641)	(6,356)	(6,356)
Total	**1**	**9**	**9**
Thereof attributable to continuing operations	1	9	9

Receivable from AB Guartis (former AB Warta Glass Panevėžys; earlier - AB Panevėžio Stiklas) debt is related to the mentioned entity's debt for the supply of natural gas for the period 2000 - 2002. Due to solvency problems a debt restructuring agreement was signed with AB Guartis creditors on 30 August 2002, according to it the debt to the Company in the amount of LTL 5,641 thousand should be repaid during the years 2015 – 2024. As at 31 December 2013 receivable from AB Guartis and its allowance decreased due to the transfer of the part of non-current accounts receivable to current accounts receivable.

9 Inventories

	Company		Group
	2013	2012	2012
Raw materials, spare parts and other inventories	1,657	7,104	7,104
Goods for resale (including natural gas)	40,424	73,110	73,110
Inventories, gross	42,081	80,214	80,214
Less: allowance for inventories	(39)	(106)	(106)
Total	**42,042**	**80,108**	**80,108**
Thereof attributable to continuing operations	42,042	53,844	53,844

Upon the unbundling, the inventories totalling LTL 26,829 thousand were transferred to AB Amber Grid (Note 31). The goods for resale (including natural gas) attributable to continuing operations decreased due to less natural gas held in Inčukalns natural gas storage facility in the Republic of Latvia and decreased natural gas prices.

The Company's cost of inventories accounted for at net realisable value amounted to LTL 1,191 thousand as at 31 December 2013. The Company's and the Group's cost of inventories accounted for at net realisable value amounted to LTL 1,292 thousand as at 31 December 2012 (thereof the of cost of inventories, accounted for at net realizable value, attributable to continuing operations, amounted to LTL 1,083 thousand). Changes in the allowance for inventories in 2013 and 2012 were included into other expenses.

10 Accounts receivable

	Company		Group
	2013	2012	2012
Receivables for natural gas, transmission and distribution of natural gas from non-household customers	138,632	180,796	180,794
Receivables for natural gas, transmission and distribution of natural gas from household customers	9,152	18,648	18,648
Other trade receivables	538	514	516
Total trade accounts receivable	148,322	199,958	199,958
Other accounts receivable	1,188	13,159	13,190
	149,510	213,117	213,148
Less: allowance for accounts receivable	(8,641)	(8,618)	(8,618)
Total	**140,869**	**204,499**	**204,530**
Thereof attributable to continuing operations	140,869	173,887	173,918

Trade receivables are non-interest bearing and are generally due in 15 days for non-household customers and 30 days for household customers.

Trade receivables totalling LTL 8,302 thousand and other accounts receivable totalling LTL 44,579 thousand were transferred to AB Amber Grid (Note 31).

As at 31 December 2013 the accounts receivable attributable to continuing operations from non-household and household customers decreased due to the lower volumes of natural gas supplied and distributed and the lower sales price.

As at 31 December 2013 trade and other receivables of the Company with the nominal value of LTL 7,027 thousand (as at 31 December 2012 – LTL 6,847 thousand of the Company and the Group, thereof attributable to continuing operations – LTL 6,731 thousand) were fully provided for.

10 Accounts receivable (cont'd)

Movements in the allowance for impairment of the Company's and the Group's receivables were as follows:

	Company			Group		
	Individually impaired	Collectively impaired	Total	Individually impaired	Collectively impaired	Total
Balance as of 1 January 2012	**3,673**	**4,759**	**8,432**	**3,678**	**4,759**	**8,437**
Charge for the year	1,743	1,930	3,673	1,743	1,930	3,673
Utilised	(60)	(337)	(397	(60)	(342)	(402)
Unused amounts reversed	(2,088)	(1,002)	(3,090)	(2,088)	(1,002)	(3,090)
Balance as at 31 December 2012	**3,268**	**5,350**	**8,618**	**3,273**	**5,345**	**8,618**
Thereof attributable to continuing operations	3,128	5,350	8,478	3,133	5,345	8,478
Charge for the year	1,583	1,963	3,546			
Utilised	(945)	(379)	(1,324)			
Unused amounts reversed	(1,704)	(1,071)	(2,775)			
Transferred to AB Amber Grid	(139)	-	(139)			
Reclassified from long-term receivables	715	-	715			
Balance as at 31 December 2013	**2,778**	**5,863**	**8,641**			

Changes in the allowance for accounts receivable in 2013 and 2012 were included into other expenses, except for the allowance for accounts receivable transferred to AB Amber Grid and amounts reclassified from long term receivables to short term receivables.

The ageing analysis of the Company's trade and other accounts receivable as at 31 December 2013 and 2012 is as follows:

		Trade and other receivables past due but not impaired					
	Trade and other receivables neither past due nor impaired	Less than 30 days	31 – 90 days	91 – 180 days	181 – 360 days	More than 360 days	Total
2012	173,882	29,018	1,099	268	217	-	204,484
Thereof attributable to continuing operations	144,676	27,613	1,099	268	217	-	173,873
2013	104,894	34,287	1,122	271	270	-	140,844

The ageing analysis of the Group's trade and other accounts receivable as at 31 December 2012 is as follows:

		Trade and other receivables past due but not impaired					
	Trade and other receivables neither past due nor impaired	Less than 30 days	31 – 90 days	91 – 180 days	181 – 360 days	More than 360 days	Total
2012	173,880	29,018	1,100	268	218	-	204,484
Thereof attributable to continuing operations	144,674	27,613	1,100	268	218	-	173,873

11 Other current assets

As at 31 December 2013 the Company did not have other current assets. As at 31 December 2012 the Company's and the Group's other current assets – current investments – consisted of the Company's and the Group's investments into debt securities amounting to LTL 57,736 thousand (thereof attributable to continuing operations LTL 57,736 thousand) and the Company's and the Group's term deposits amounting to LTL 102,264 thousand and LTL 107,687 thousand, respectively (thereof attributable to continuing operations LTL 92,264 thousand and LTL 97,687 thousand, respectively). The term of current investments is 3 – 12 months.

12 Cash and cash equivalents

	Company		Group
	2013	2012	2012
Cash at bank, in transit and on hand	36,725	81,879	81,919
Deposits with the term of less than three months	30,315	30,538	30,538
Total	**67,040**	**112,417**	**112,457**
Thereof attributable to continuing operations	67,040	91,504	91,544

Cash at banks is invested into short-term deposits; the interest rate depending on the term may be fixed or floating. Overnight deposits are with the fixed or floating interest rate, which depends on published daily interbank interest rates. Other deposits with the term of less than three months are with fixed interest rate.

LTL 12 million were transferred to AB Amber Grid (Note 4, 31). The fair value of Company's cash and current deposits as at 31 December 2013 was LTL 67,040 thousand (as at 31 December 2012 the fair value of the Company's and the Group's cash and current deposits was LTL 112,417 thousand and LTL 112,457 thousand, respectively).

13 Reserves

Legal reserve

A legal reserve is a compulsory reserve under legislation of the Republic of Lithuania. Annual transfers of not less than 5 % of net profit are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2013 the legal reserve of the Company comprises of 10% of the share capital.

Other reserves

Other reserves are formed based on the decision of the General Shareholder's Meeting on appropriation of distributable profit. Other reserves of the Company comprise of business development reserve.

Profit distribution

The Company did not have a draft proposal of profit distribution for 2013 on the date of issue of these financial statements.

14 Borrowings

On 22 October 2012 AB Lietuvos dujos and bank AB Swedbank signed a long term loan agreement. The purpose of the loan is to finance the operations of the transmission activity. As at 31 December 2012 the outstanding balance of the loan taken from AB Swedbank amounted to LTL 180 million.

In 2013, all borrowings were transferred to AB Amber Grid upon unbundling of transmission activity of the Company (Note 31).

	Company		Group
	2013	2012	2012
Non-current borrowings			
Borrowings from Lithuanian credit institutions	-	180,000	180,000
Current borrowings			
Current portion of non-current borrowings	-	2,144	2,144
Total	-	**182,144**	**182,144**
Thereof attributable to continuing operations	-	-	-

As at 31 December 2013 and 2012 the Company had available LTL 2,900 thousand of an unutilized credit limit facility in respect of which all conditions precedent have been met.

15 Grants (deferred revenue)

Group and Company	2013			2012		
	Deferred revenue	Grants	Total	Deferred revenue	Grants	Total
Balance at the beginning of the period	**125,483**	**105,322**	**230,805**	**120,747**	**70,306**	**191,053**
Received during the year	5,536	34,053	39,589	7,175	29,418	36,593
Change in grant receivable	-	(7,092)	(7,092)	-	8,833	8,833
Amortisation during the year	(2,512)	(2,672)	(5,184)	(2,439)	(3,189)	(5,628)
Grants used for compensation of expenses	-	(193)	(193)	-	(46)	(46)
Transferred to AB Amber Grid	(5,705)	(116,348)	(122,053)	-	-	-
Balance at the end of the period	**122,802**	**13,070**	**135,872**	**125,483**	**105,322**	**230,805**
Thereof attributable to continuing operations	**122,802**	**13,070**	**135,872**	**119,709**	**12,199**	**131,908**

Grants also include the corresponding fair value of property, plant and equipment received free of charge and charged to the income statement in portions on a straight-line basis over the assets' estimated useful life.

The Company did not have grants receivable as at 31 December 2013. The grants receivable as at 31 December 2012 are accounted under caption other receivables in the statements of financial position.

16 Non-current employee benefits

The employee benefits transferred to AB Amber Grid in 2013 amounted to LTL 1,133 thousand (Note 31). As at 31 December 2013 the Company's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 6,698 thousand, other non-current employee benefits resulting from bonuses for long work experience in the Company were equal to LTL 1,266 thousand. As at 31 December 2012 the Company's and the Group's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 7,546 thousand, other non-current employee benefits resulting from bonuses for long work experience in the Company were equal to LTL 1,551 thousand. As at 31 December 2012 the Company's and the Group's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age, attributable to continuing operations, were equal to LTL 6,572 thousand, other non-current employee benefits resulting from bonuses for long work experience in the Company, attributable to continuing operations, were equal to LTL 1,264 thousand.

The major assumptions made when estimating the Company's and the Group's liabilities of non-current employee benefits are the following:

	2013	2012
Discount rate	5.44 %	4.59 %
Annual employee turnover rate	2 %	2 %
Annual salary increase	2 %	2 %
Average time to retirement (years)	18	18

The Company and the Group have no plan assets designated for settlement with employee benefit obligations.

17 Trade payables

	Company		Group
	2013	2012	2012
Suppliers of natural gas	129,139	189,851	189,851
Other	7,176	49,092	49,096
Total	**136,315**	**238,943**	**238,947**
Thereof attributable to continuing operations	136,315	196,576	196,580

Terms and conditions of the above financial liabilities: trade payables are non-interest bearing and majority of them are normally settled on 20 days terms.

Trade payables amounting to LTL 8,512 thousand were transferred to AB Amber Grid (Note 31). As at 31 December 2013 the Company's trade payables to suppliers of natural gas significantly decreased due to changed settlement terms with a part of suppliers, lower volumes of natural gas purchased and lower purchase price.

18 Other payables and current liabilities

The Company's other payables and current liabilities, attributable to continuing operations, mainly consist of VAT payable, which amounted to LTL 19,189 thousand as at 31 December 2013 (LTL 36,853 thousand VAT payable, attributable to continuing operations, of the Company and the Group as at 31 December 2012). Other payables and current liabilities amounting to LTL 66,913 thousand were transferred to AB Amber Grid (Note 31).

19 Natural gas transmission service expenses

The Company has not been engaged in transmission activity since 31 July 2013. Starting August 2013 the Company purchases the natural gas transmission services from AB Amber Grid.

20 Other income

Other income from continuing operations of the Company was LTL 4,622 thousand in 2013 (LTL 3,900 thousand and LTL 3,905 thousand of the Company and the Group respectively in 2012).

Major part of other income, attributable to continuing operations of the Company, consisted of amortization of grants (including deferred revenue) amounting to LTL 3,352 thousand in 2013. In 2012 other income, attributable to continuing operations of the Company and the Group, consisted of amortization of grants (including deferred revenue) amounting to LTL 3,078 thousand.

21 Financial activities

	Company		Group
	2013	2012 (restated)	2012 (restated)
Interest income	739	1,119	1,185
Other income from financial activities	718	767	767
Total income from financial activities	1,457	1,886	1,952
Company's share of the losses of joint venture	(196)	-	(26)
Loss from liquidation of subsidiary	(398)	-	-
Total expenses from financial activities	(594)	-	(26)
Result from financial activities, net	**863**	**1,886**	**1,926**

22 Income tax

	Company		Group
	2013	2012 (restated)	2012 (restated)
Income tax:			
Profit before tax	64,837	71,537	70,700
Thereof: Continuing operations	*57,132*	*50,477*	*49,640*
Discontinued operations	*7,705*	*21,060*	*21,060*
Changes in temporary differences	35,261	50,864	46,704
Permanent differences	7,898	(7,959)	(2,962)
Taxable income for the year	107,996	114,442	114,442
Current year income tax	16,199	17,166	17,166
Current year income tax incentive	(7,803)	(8,954)	(8,954)
Current year income tax after applying income tax incentive	8,396	8,212	8,212
Prior year income tax incentive	-	(2,316)	(2,316)
Other prior years' income tax adjustments	155	284	284
Change in deferred income tax during the year	(6,990)	(10,607)	(9,986)
Income tax expense (income) charged to the income statement	**1,561**	**(4,427)**	**(3,806)**
Thereof: Continuing operations	*3,852*	*3,471*	*4,092*
Discontinued operations	*(2,291)*	*(7,898)*	*(7,898)*

22 Income tax (cont'd)

According to the provisions of the Law on Corporate Income Tax (hereinafter – the Law), which came into effect starting 1 January 2009, the income tax incentive may be used for investments into qualifying property, plant and equipment. When calculating current income tax for the year 2013 the Company and the Company and the Group for the year 2012, used the benefit of the above mentioned incentive and reduced income tax expenses for the year 2013 by a total amount of LTL 7,803 thousand (LTL 11,270 thousand in 2012).

	Company		Group
	2013	2012	2012
Deferred tax asset:			
Impairment losses on property, plant and equipment and vacation accrual	680	876	932
Accrual for non-current employee benefit	1,195	1,365	1,365
Unused income tax incentive	-	3,057	3,057
Allowance for doubtful trade accounts receivable	2,139	-	-
Deferred revenue from connection fees	1,942	1,985	1,985
Deferred tax asset before valuation allowance	**5,956**	**7,283**	**7,339**
Less: valuation allowance	-	(108)	(108)
Less: deferred tax asset netted with deferred tax liability	(5,956)	(7,175)	(7,231)
Deferred tax asset, net	-	-	-
Deferred tax liability:			
Difference in tax base of property, plant and equipment	(34,536)	(154,309)	(154,386)
Deferred tax liability, net	**(28,580)**	**(147,134)**	**(147,155)**

LTL 2,942 thousand of deferred tax asset and LTL 114,527 thousand of deferred tax liability were transferred to AB Amber Grid. Net amount of deferred tax liability transferred amounted to LTL 111,585 thousand (Note 31). The Company took over LTL 21 thousand of deferred tax liability when UAB Palangos perlas had been liquidated.

In 2012 valuation allowance was made for part of the deferred tax asset that, in the opinion of the management, is not likely to be realised in the foreseeable future. Deferred income tax asset and deferred income tax liability are netted off in the statement of financial position of the Company, as they both are related to the same tax authority. In the Group's statement of financial position for the year 2012 the deferred tax asset and deferred tax liability of the Company and its subsidiary are netted to the extent they are realised simultaneously.

While assessing deferred income tax asset and liability components in 2013 the Company and in 2012 the Company and the Group has used income tax rate of 15 %.

The reported amount of income tax expense for the year can be reconciled to the amount of income tax expense that would result from applying the statutory income tax rate of 15 %:

	Company		Group
	2013	2012 (restated)	2012 (restated)
Profit before tax	64,837	71,537	70,700
Thereof: Continuing operations	*57,132*	*50,477*	*49,640*
Discontinued operations	*7,705*	*21,060*	*21,060*
Tax (expense) at the applicable standard tax rate	(9,726)	(10,731)	(10,605)
Non-deductible items	(1,185)	1,194	444
Income tax incentive	7,803	11,270	11,270
Effect of prior periods income tax adjustment	(155)	(284)	(284)
Other	1,702	2,978	2,981
Income tax gain (expense)	(1,561)	4,427	3,806
Thereof: Continuing operations	(3,852)	*3,471*	4,092
Discontinued operations	*2,291*	(7,898)	(7,898)

23 Earnings per share

Basic earnings per share reflect the Company's and 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:

	Company		Group
	2013	2012	2012
Net profit attributable to the shareholders (in LTL thousand)	63,276	75,964	74,506
Net profit from continuing operations attributable to the shareholders (in LTL thousand)	53,280	47,006	45,572
Weighted average number of shares (in thousands)	376,212	469,068	469,068
Basic earnings per share (in LTL)	0.168	0.162	0.159
Basic earnings per share from continuing operations (in LTL)	0.142	0.100	0.097

In 2013, when transmission activity was unbundled, the share capital of the Company decreased (Note 31); therefore weighted average number of shares is calculated. There were no changes in the share capital of the Company during 2012, therefore the weighted average number of shares equals to the total number of shares at the end of the year.

The Company additionally calculated basic earnings per share from continuing operations for 2013, by evaluating profit from continuing operations and share capital, attributable to continuing operations, which did not change in 2013 and amounted to 290,686 thousands of shares:

	Company
	2013
Net profit from continuing operations attributable to the shareholders (in LTL thousand)	53,280
Number of shares attributable to continuing operations as at 31 December 2013 (in thousands)	290,686
Basic earnings per share from continuing operations (in LTL)	0.183

24 Dividends declared

	2013	2012
Dividends declared (in LTL thousand)*	217,000	72,000
Number of shares at the date when dividends were declared (in thousands)	469,068	469,068
Dividends per share (in LTL)	0.46	0.15

* In the year when the dividends are declared.

25 Cash flows from investing and financing activities

When calculating cash flows from investing activities in 2013, the change in accounts payable for non-current assets of the Company of LTL 29,649 thousand and the non-current assets received when liquidating UAB Palangos perlas amounting to LTL 3,398 thousand, were taken into account. In 2012 when calculating cash flows from investing activities in 2012, the change in accounts payable for non-current assets of the Company and the Group of LTL 12,852 thousand and gas pipeline reallocation grant received in kind LTL 1,631 thousand, was taken into account.

26 Capital investment commitments

As at 31 December 2013 the Company had the contracts for non-current assets acquisition, which are not recognised in these financial statements and amount to LTL 4,254 thousand. As at 31 December 2012 the Company and the Group had the contracts for non-current assets acquisition, which are not recognised in these financial statements and amount to LTL 71,160 thousand, thereof the contractual obligations of the construction of gas transmission pipeline Jurbarkas – Klaipėda agreements amounted to LTL 63,560 thousand.

27 Financial assets and liabilities and risk management

Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents or have available funding through an adequate amount of committed overdraft and loans to meet their commitments at a given date. Liquidity risk is managed by constantly forecasting the current and non-current cash flows of the Company.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments (scheduled payments including interest).

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	-	-	-	-	-
Other current liabilities	-	2,800	-	-	-	2,800
Trade payables	-	136,315	-	-	-	136,315
Balance as at 31 December 2013	-	**139,115**	-	-	-	**139,115**
Interest bearing loans and borrowings	-	672	4,289	185,612	-	190,573
Other current liabilities	-	1,128	-	-	-	1,128
Trade payables	-	238,943	-	-	-	238,943
Balance as at 31 December 2012	-	**240,743**	**4,289**	**185,612**	-	**430,644**
Thereof attributable to continuing operations	-	198,103	-	-	-	198,103

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2012 based on contractual undiscounted payments (scheduled payments including interest).

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	672	4,289	185,612	-	190,573
Other current liabilities	-	1,128	-	-	-	1,128
Trade payables	-	238,947	-	-	-	238,947
Balance as at 31 December 2012	-	**240,747**	**4,289**	**185,612**	-	**430,648**
Thereof attributable to continuing operations	-	198,107	-	-	-	198,107

Credit risk

The Company's management believes that the maximum credit risk is equal to the trade receivables, other receivables, cash and short term investments less impairment losses recognised at the date of the statement of financial position. As the Company is working with big number of customers, it does not face a significant credit concentration risk. Credit risk is managed through regular monitoring procedures (individual debtors' supervision, especially monitoring and analysis of major customers, seeking to anticipate the potential solvency problems in the future and other) and the use of appropriate credit conditions. Every month debts of the individual customers and their groups are valued and in accordance with the procedures of the Company the decision about formation of allowance for accounts receivable is accepted. Using installed debt management tools and by working with customers in an effective way, the Company managed to sustain acceptable indebtedness level of the customers.

The Company face the risk when keeping the funds in bank accounts or investing it in short term instruments. To manage this risk the Company has approved the cash investment regulations. These regulations set (1) the reliability limits of the banks selected for cooperation (2) the limits of diversification for deposing or investing cash to investment products of banks or their subsidiaries, other securities etc. The reliability level is assessed based on the publicly available information.

The Company does not guarantee obligations of other parties.

Foreign currency risk

In order to manage foreign currency risk, the purchases and sales transactions of the Company are mainly denominated in LTL and EUR, LTL is pegged to the euro, therefore, the foreign currency risk is not significant.

27 Financial assets and liabilities and risk management (cont'd)

Interest rate risk

As at 31 December 2013 the Company did not have borrowings and did not experience interest rate risk.

As at 31 December 2012 the Company and the Group had one loan with variable interest rate and one loan with fixed interest rate.

The Company's and the Group's loan subject to variable interest rate was related to EURIBOR and created interest rate risk. This loan comprised 98.8 % of the total Company's and the Group's financial debt as at 31 December 2012. As at 31 December 2012 the Company and the Group did not have any financial instruments used for the interest rate risk management.

The following table demonstrates the sensitivity of the Company's and the Group's 2012 profit before tax to a reasonably possible change in interest rates, with all other variables held constant. There was no impact on the Group's equity, other than that on 2012 year profit.

	EURIBOR increase in basis points	Effect on the profit before the income tax
As at 31 December 2012	+100	(1,800)

Gas import price fluctuation risk

Natural gas import price depends on heavy fuel oil and gasoline prices in international market, the USD and EUR ratio fixed by the European Central Bank and actual natural gas calorific value. Management of the Company believes that this risk is managed effectively in the following way:

- for non-household customers – by setting the gas price depending on the same variable component values;
- for household customers – through the regulated price-setting mechanism, defined in the Natural Gas Law.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables.

The carrying amount of current trade and other accounts receivable, current accounts payable and current borrowings approximates fair value.

28 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. Following the investigation of the action regarding the initiation an investigation of activities of a legal person lodged by the claimant, the Ministry of Energy of the Republic of Lithuania, the Vilnius Regional Court by its ruling as of 3 September 2012 granted the claim and decided to start investigation of the AB Lietuvos Dujos activities. The Company lodged an appeal against the ruling of the Court of First Instance with the Court of Appeal of the Republic of Lithuania. The Court of Appeal of the Republic of Lithuania upheld the ruling of the Vilnius Regional Court. On 29 April 2013, the Company lodged a cassation appeal with the Lithuanian Supreme Court requesting reversal on appeal of the judgment of the Lithuanian Court of Appeal as of 21 February 2013 and requesting that the action brought by the plaintiff be either left unconsidered or dismissed altogether. On 20 November 2013, the Lithuanian Supreme Court rendered a judgment to suspend the lawsuit unless the issue of acknowledgement of the decision of the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter referred to as "the Arbitration Decision") is settled and the permit to satisfy the Arbitration Decision is given. The Arbitration Decision indicates that the courts of the Republic of Lithuania are entitled consider the lawsuit regarding the investigation of activities of AB Lietuvos Dujos. However, all the issues related to the natural gas supply and transit to the district of Kaliningrad, including prices and tariffs shall be subject to the exclusive competence of Arbitration. While examining the issue of acknowledgement of the Arbitration Decision, the Lithuanian Supreme Court appealed to the Court of Justice of the European Union requesting to award a preliminary (explanatory) judgement regarding the interpretation and application of the legal rules related to the acknowledgement of the Arbitration Decision. The outcome of the case is uncertain and can not be reasonably estimated.

28 Commitments and contingencies (cont'd)

On 19 November 2012 AB Achema appealed to the Vilnius Regional Administrative Court requesting revocation of items 3.1 and 4 of Resolution No. O3-317 of 19 October 2012 "On fixing the fund amount to compensate in full or in part for the costs of the construction and operation of the Liquefied Natural Gas Terminal, its infrastructure and connector in the year 2013" and requesting repeal of the item 2 of the NCCPE Resolution No. O3-330 of 26 October 2012 "On the adjustment of AB Lietuvos Dujos natural gas transmission and distribution price caps and introduction of the complementary and inseparable component of the natural gas transmission price cap (the LNGT mark-up) for the year 2013". On 29 January 2013, by a court order AB Lietuvos Dujos was involved into the judicial dispute as an interested third party. On 1 August 2013, implementing the unbundling of the natural gas transmission activity, the aforesaid case was transferred by AB Lietuvos Dujos to AB Amber Grid by a Transfer-Acceptance Deed.

Implementing the legislation and as an administrator of LNGT funds, since 1 January 2013, the Company has been collecting the LNGT funds from all the natural gas system users through the application of the LNGT mark-up set up by the NCCPE. In view of the fact that Achema, which is a transmission system operator, has been systematically failing to pay the LNGT mark-up, on 12 April 2013, the Company, being the administrator of the LNGT funds, lodged a complaint with the Kaunas Regional Court regarding the payment of the LNGT mark-up, default interest and the obligation to perform the contract. On 1 August 2013, implementing the unbundling of the natural gas transmission activity, the aforesaid case was transferred by AB Lietuvos Dujos to AB Amber Grid by a Transfer-Acceptance Deed.

On 30 January 2014, the Extraordinary General Meeting of Shareholders decided to initiate the arbitration proceedings against OAO Gazprom seeking to reduce the prices of gas supplied according to 16 December 1999 Gas Supply Agreement No. GLi-2000 (including all subsequent amendments and supplements thereto). The General Manager of the Company was obliged to carry out all actions of initiation of arbitration proceedings and actions necessary for due conducting of such proceedings, including, but not limited to, the acquisition of legal services, submission of the notice to the arbitration court, drafting and filing the statement of claim and all other necessary documents. The General Manager of the Company was also authorized to conduct negotiations with OAO Gazprom in order to improve the conditions of supply of gas to the Company. The arbitration proceedings shall be suspended in case of reaching a favourable commercial agreement with OAO Gazprom which would be approved by the Board of Directors of the Company.

29 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 Company, transaction amounts and debts as at 31 December 2013 and 2012 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, liquidated as at 2 August 2013);
- UAB GET Baltic (joint venture);
- AS Latvijas Gaze (the same shareholders);
- AB Amber Grid (the same shareholders);
- OAO Beltransgaz (same ultimate shareholder);
- UAB Kauno termofikacijos elektrinė (same ultimate shareholder, related party until 14 March 2013).

The tables below represent the Company's transactions and outstanding balances with related parties in 2013 and 2012.

The sales and purchase transactions with AB GET Baltic do not include the purchase and sales of natural gas, since UAB GET Baltic is only intermediary, providing intermediary services for certain commission fee. Accounts receivable and accounts payable to UAB GET Baltic are disclosed with the accounts payable for natural gas.

The Group's transactions and outstanding balances with related parties in 2012 are the same as the Company's, except the transactions and outstanding balances with UAB Palangos perlas which are not included.

2013	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	1,245,997	19,641	-	73,101
AS Latvijas Gaze	1,561	-	-	-
UAB GET Baltic	167	14	1	56,038
AB Amber Grid	14,137	5,586	1	1,523
	1,261,862	25,241	2	130,662

29 Related party transactions (cont'd)

2012	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	1,519,603	40,967	9,388	189,851
OAO Beltransgaz	16	-	-	-
UAB Palangos perlas	69	41	2	-
AS Latvijas Gaze	1,518	-	-	11
UAB Kauno termofikacijos elektrinė	-	14,353	388	-
UAB GET Baltic	-	4	2	-
	1,521,206	55,365	9,780	189,862

On 16 December 1999 Agreement No. 1Г Ли-2000 was concluded between Open Joint Stock Company Gazprom and Public Limited Liability Company Lietuvos dujos for the natural gas supply into Republic of Lithuania quantities and terms in 2000-2015. The object of the agreement is import of part of natural gas into Republic of Lithuania. Natural gas import price depend on heavy fuel oil and gasoline prices in the international market, US dollar and EUR exchange rate set by the European Central Bank and actual natural gas caloric value. The agreement defines the natural gas quantities provided to the Company until 2015. The agreement is valid until 31 December 2015.

AB Lietuvos dujos does not treat the Government controlled companies as one client because there is no significant economic integration between these companies. AB Lietuvos dujos supply gas to the Government controlled companies; the transactions with them are concluded on the arms length principle.

Dividends to the shareholders have been paid in 2013 and 2012.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash in 15 - 30 days term. There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made for the receivables from related parties by the Group and the Company.

Management remuneration

In 2013 payments to the administration management of the Company amounted to LTL 3,555, including redundancy pay. In 2012 payments to the administration management of the Company and the Group amounted to LTL 2,611 thousand and LTL 2,676 thousand, respectively. The annual payments (tantieme) paid for the Company's Board members amounted to LTL 540 thousand in 2013 (LTL 524 thousand in 2012). In 2013 and 2012 the management of the Company and the Group did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

30 Capital management

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value. For capital management purposes, capital includes share capital, reserves and retained earnings.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may issue new shares, adjust the dividend payment to shareholders, return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2013 and 2012.

The Company is obliged to upkeep its equity ratio not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2013 and 2012 the Company and the Group was in compliance with this requirement. There were no other internally or externally imposed capital requirements on the Company.

31 Spin-off balance sheet

		Balance until spin-off 31 July 2013	Spin-off balance sheet 31 July 2013	
		AB Lietuvos dujos	AB Lietuvos dujos (after spin-off)	AB Amber Grid
ASSETS				
A.	**Non-current assets**	**2,362,757**	**786,084**	**1,576,673**
I.	Intangible assets	3,777	2,248	1,529
II.	Property, plant and equipment	2,358,002	783,330	1,574,672
II.1.	Land	388	1	387
II.2.	Buildings and structures	1,951,100	727,238	1,223,862
II.2.1.	Buildings	83,851	56,649	27,202
II.2.2.	Transmission networks and related installations	1,175,708	-	1,175,708
II.2.3.	Distribution networks and related installations	668,906	668,523	383
II.2.4.	Other buildings and structures	22,635	2,066	20,569
II.3.	Machinery and equipment	240,239	14,357	225,882
II.4.	Vehicles	13,651	8,655	4,996
II.5.	Other equipment, tools and devices	29,641	18,282	11,359
II.6.	Other property, plant and equipment	3,654	2,954	700
II.7.	Construction in progress	119,329	11,843	107,486
III.	Non-current financial assets	978	506	472
III.1.	Investment in joint ventures	974	502	472
III.2.	Non-current accounts receivable	4	4	-
B.	**Current assets**	**304,231**	**185,054**	**119,177**
I.	Inventories and prepayments	77,522	50,528	26,994
I.1.	Inventories	76,628	49,799	26,829
I.1.1.	Raw materials, spare parts and other inventories	8,340	2,596	5,744
I.1.2.	Goods for resale (including natural gas)	68,288	47,203	21,085
I.2.	Prepayments	894	729	165
II.	Accounts receivable	122,368	69,487	52,881
II.1.	Trade receivables	75,189	66,887	8,302
II.2.	Other receivables	47,179	2,600	44,579
III.	Prepaid income tax	857	857	
IV.	Other financial assets	27,302	-	27,302
V.	Cash and cash equivalents	76,182	64,182	12,000
Total assets		**2,666,988**	**971,138**	**1,695,850**

(cont'd on the next page)

31 Spin-off balance sheet (cont'd)

		Balance until spin-off 31 July 2013	Spin-off balance sheet 31 July 2013	
		AB Lietuvos dujos	AB Lietuvos dujos (after spin-off)	AB Amber Grid
EQUITY AND LIABILITIES				
C.	**Equity**	**1,887,652**	**684,163**	**1,203,489**
I.	Share capital	469,068	290,686	178,382
II.	Reserves	1,372,193	357,082	1,015,111
II.1.	Legal reserve	46,907	29,069	17,838
II.2.	Other reserves	1,325,286	328,013	997,273
III.	Retained earnings	46,391	36,395	9,996
D.	**Liabilities**	**779,336**	**286,975**	**492,361**
I.	Non-current liabilities	564,749	172,478	392,271
I.1.	Non-current borrowings	157,500	-	157,500
I.2.	Grants (deferred revenue)	255,057	133,004	122,053
I.3.	Non-current employee benefits	9,097	7,964	1,133
I.4.	Deferred income tax liability	143,095	31,510	111,585
II.	Current liabilities	214,587	114,497	100,090
II.1.	Current portion of non-current borrowings	23,572		23,572
II.2.	Trade payables	79,295	70,783	8,512
II.3.	Advances received	24,431	24,431	
II.4.	Payroll related liabilities	11,222	10,129	1,093
II.5.	Other payables and current liabilities	76,067	9,154	66,913
Total equity and liabilities		**2,666,988**	**971,138**	**1,695,850**

32 Events after the reporting period

On 12 February 2014 the Government of the Republic of Lithuania adopted a resolution No. 120 "On Investing the State Property and Increasing the Companies' Authorised Capital" (hereinafter – the Resolution).

The Ministry of Energy, implementing the Resolution, by the Transfer-Acceptance Deed of 20 February 2014, transferred to the Ministry of Finance to be managed, used and disposed of by the right of trust 51,454,638 non-material ordinary registered shares of AB Lietuvos dujos, the nominal value of each being LTL 1 and which grant 17.7 per cent of votes at the general meeting of shareholders of AB Lietuvos dujos, which belong to the state by the right of ownership.

The Ministry of Finance, implementing the Resolution, on 21 February 2014 transferred to Lietuvos Energija, UAB, 51,454,638 non-material ordinary registered shares of AB Lietuvos dujos, belonging to the state by the right of ownership, the nominal value of each being LTL 1 and which grant 17.7 per cent of votes at the general meeting of shareholders of AB Lietuvos dujos, as a contribution in kind to pay for the newly issued shares of Lietuvos Energija, UAB.