

AB LIETUVOS DUJOS

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

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

Statements of financial position

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



(cont'd on the next page)

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

Statements of financial position (cont'd)

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

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

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

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 (all amounts are in LTL thousand unless otherwise stated)

Income statements

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

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

General Manager Viktoras Valentekevičius 31 August 2012

Chief Accountant Žydrūnas Augutis 31 August 2012

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 (all amounts are in LTL thousand unless otherwise stated)

Statements of comprehensive income

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

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



General Manager _____ Viktoras Valentukevičius _____ 31 August 2012

Chief Accountant _____ Žydrūnas Augutis _____ 31 August 2012

Statements of changes in equity

<u>Group</u>	<u>Notes</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 1 January 2011 (audited)		469,068	31,114	1,421,016	158,380	2,079,578
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(205)	205	-
Dividends declared		-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	86,011	86,011
<i>Net profit for the year</i>		-	-	-	86,011	86,011
Balance as of 30 June 2011 (pre-audited)		469,068	39,100	1,452,540	84,881	2,045,589
Balance as of 31 December 2011 (audited)		469,068	39,100	1,452,540	94,632	2,055,340
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(1,482)	1,482	-
Dividends declared	10	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	46,938	46,938
<i>Net profit for the year</i>		-	-	-	46,938	46,938
Balance as of 30 June 2012 (pre-audited)		469,068	43,884	1,469,960	47,366	2,030,278



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

<u>General Manager</u>	<u>Viktoras Valentukevičius</u>		<u>31 August 2012</u>
<u>Chief Accountant</u>	<u>Žydrūnas Augutis</u>		<u>31 August 2012</u>

Statements of changes in equity (cont'd)

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

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

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

Statements of cash flows

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

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(all amounts are in LTL thousand unless otherwise stated)

Statements of cash flows (cont'd)

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

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

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

Notes to the financial statements

1 General information

AB Lietuvos Dujos (hereinafter "the Company") and consolidated AB Lietuvos Dujos and UAB Palangos Perlas (hereinafter "the Group") condensed financial statements, including the statements of financial position as of 30 June 2012, income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the six months ended 30 June 2012 and 30 June 2011 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2011 are audited and prepared according to International Financial Reporting Standards (IFRS). For better understanding of the information provided in those financial statements, the consolidated and the Company's condensed financial statements must be read together with the consolidated and the Company's annual financial statements of 2011.

The Company's shares are traded on the NASDAQ OMX Vilnius stock exchange on the Main trade list.

2 Other material information

On 30 June 2011, the Seimas of the Republic of Lithuania passed a new Law on Natural Gas of the Republic of Lithuania transferring the provisions of Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas (the EU Third Energy Package) to the national law. Out of three alternative models for unbundling natural gas activities provided for by the Third Energy Package, the Seimas selected the unbundling of natural gas transmission and supply activities on the basis of ownership. Together with the Law on Natural Gas, the Law on the Implementation of the Law on Natural Gas was adopted. It set forth the methods and terms for the unbundling of activities. These laws came into force on 1 August 2011.

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

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

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

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

2. To perform the unbundling of the distribution activity of AB Lietuvos Dujos by establishing a subsidiary of the Company and by transferring the natural gas distribution activity (complex of assets) to the subsidiary together with the assets, rights and obligations attributed to the activity as contribution in kind for the newly issued shares of the subsidiary in accordance with the terms provided for by the legal acts.

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

2 Other material information (cont'd)

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

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

3 Accounting principles

The Group's and the Company's condensed financial statements as of 30 June 2012 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

Accounting principles adopted in preparing the condensed financial statements for the six months period ended 30 June 2012 were the same as these used for preparing the financial statements for 2011 according to the IFRS, as adopted in the European Union.

4 Segment information

The Company's business activities are organised based on the legal requirements for regulated activities. These activities are used to identify operating segments. The accounting principles used for in the segment accounting are the same as for the financial accounting of the Group and the Company.

The Group and the Company have three main operating segments: natural gas transmission, distribution and supply, as well as segment of other activity:

- Transmission of natural gas comprises the transportation of natural gas through the transmission pipelines. The transmission activity also includes transit of natural gas to the district of Kaliningrad of the Russian Federation;
- Distribution of natural gas comprises the transportation of natural gas through the distribution gas pipelines;
- Supply of natural gas comprises the natural gas sales to end users;
- Other activity comprises other activity not related to main business.

Segment information for the periods ended 30 June 2012 and 30 June 2011 is presented below:

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

In the six months of 2012 and the six months of 2011 the Group and the Company earned over 98 % of its revenue from Lithuanian customers.

All the assets of the Group and the Company are allocated in the territory of Lithuania where the Group and the Company are operating, except for a part of natural gas accounted for in inventories and stored in Latvia gas storage.

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5 Trade receivables

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

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

6 Other current assets

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

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

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

7 Trade payables

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

As of 30 June 2012 the Group's and the Company's trade payables to the gas suppliers significantly decreased due to the lower volumes of the import of natural gas.

8 Other payables and current liabilities

Other payables and current liabilities mainly consist of VAT payable. The other payables and current liabilities of the Group and the Company decreased due to the decrease of VAT payable. VAT payable was equal to LTL 2,733 thousand as of 30 June 2012 (LTL 39,362 thousand as of 31 December 2011).

9 Earnings per share

Basic earnings per share reflect the Group's net income, divided by the weighted average number of shares. There are no diluting instruments, therefore basic and diluted earnings per share are equal. Calculations of the basic earnings per share are presented below:

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

10 Dividends

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

11 Commitments and contingencies

Legal disputes

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

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

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

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

12 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group and the Company, transaction amounts and debts as of 30 June 2012 and 30 June 2011 were as follows:

- E.ON Ruhrgas International GmbH (one of the major shareholders of the Company);
- OAO Gazprom (one of the major shareholders of the Company);
- Ministry of Energy of the Republic of Lithuania (one of the major shareholders of the Company);
- UAB Palangos Perlas (subsidiary of the Company);
- AS Latvijas Gaze (the same shareholders);
- UAB Kaunas Heat and Power Plant (same ultimate shareholder);
- OAO Beltransgaz (same ultimate shareholder).

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

As of 30 June 2011 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	711,121	14,802	2,218	136,787
OAO Beltransgaz	4	-	-	-
UAB Palangos Perlas	28	33	3	1
AS Latvijas Gaze	873	-	-	-
UAB Kaunas Heat and Power Plant	-	8,604	1,521	-
	712,026	23,439	3,742	136,788

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