

**AB LIETUVOS DUJOS**  
**CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013**  
**PREPARED ACCORDING TO**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU**

CONDENSED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

Statements of financial position

		Company	Company	Group
		As of 31 December 2013 (pre-audited)	As of 31 December 2012 (audited)	As of 31 December 2012 (audited)
	Notes			
<b>ASSETS</b>				
<b>A. Non-current assets</b>	<b>6</b>	<b>796,256</b>	<b>2,364,314</b>	<b>2,358,438</b>
I. Intangible assets		2,540	2,623	2,624
II. Property, plant and equipment		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	7	-	9,181	-
III.2. Investment into joint venture	1	483	1,320	1,270
III.3. Non-current accounts receivable		1	9	9
<b>B. Current assets</b>		<b>254,255</b>	<b>564,249</b>	<b>569,745</b>
I. Inventories and prepayments		42,614	80,651	80,653
I.1. Inventories	8	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		140,869	204,499	204,530
II.1. Trade receivables	9	139,706	191,352	191,352
II.2. Other receivables		1,163	13,147	13,178
III. Prepaid income tax		3,732	6,682	6,682
IV. Other current assets	10	-	160,000	165,423
V. Cash and cash equivalents		67,040	112,417	112,457
<b>Total assets</b>		<b>1,050,511</b>	<b>2,928,563</b>	<b>2,928,183</b>

(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 in 2013 coincide because of insignificance of the subsidiary.

CONDENSED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013



(all amounts are in LTL thousand unless otherwise stated)

Statements of financial position (cont'd)

		<u>Company</u> As of 31 December 2013 (pre-audited)	<u>Company</u> As of 31 December 2012 (audited)	<u>Group</u> As of 31 December 2012 (audited)
	Notes			
<b>EQUITY AND LIABILITIES</b>				
<b>C. Equity</b>		<b>701,048</b>	<b>2,058,261</b>	<b>2,057,846</b>
I. Share capital		290,686	469,068	469,068
II. Reserves		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	11	53,280	75,964	74,934
<b>D. Liabilities</b>		<b>349,463</b>	<b>870,302</b>	<b>870,337</b>
I. Non-current liabilities		172,416	567,036	567,057
I.1. Non-current borrowings		-	180,000	180,000
I.2. Grants (deferred revenue)	12	135,872	230,805	230,805
I.3. Non-current employee benefits		7,964	9,097	9,097
I.4. Deferred tax liability		28,580	147,134	147,155
II. Current liabilities		177,047	303,266	303,280
II.1. Current portion of non-current borrowings		-	2,144	2,144
II.2. Trade payables	13	136,315	238,943	238,947
II.3. Prepayments 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	14	22,801	41,389	41,394
<b>Total equity and liabilities</b>		<b>1,050,511</b>	<b>2,928,563</b>	<b>2,928,183</b>

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

The financial statements of the Company and the Group in 2013 coincide because of insignificance of the subsidiary.

<u>General Manager</u>	<u>Viktoras Valentukevičius</u>		<u>27 February 2014</u>
<u>Chief Accountant</u>	<u>Žydrūnas Augutis</u>		<u>27 February 2014</u>

CONDENSED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013



(all amounts are in LTL thousand unless otherwise stated)

**Income statements**

	Company		Group		Company		Group	
	Three months period ended 31 December 2013 (pre-audited)	Three months period ended 31 December 2012 (pre-audited, restated*)	Three months period ended 31 December 2013 (pre-audited, restated*)	Three months period ended 31 December 2012 (pre-audited, restated*)	Twelve months period ended 31 December 2013 (pre-audited)	Twelve months period ended 31 December 2012 (pre-audited, restated*)	Twelve months period ended 31 December 2013 (pre-audited, restated*)	Twelve months period ended 31 December 2012 (pre-audited, restated*)
		Notes						
<b>I. Revenue</b>	<b>428,399</b>		<b>487,025</b>	<b>487,028</b>	<b>1,537,267</b>	<b>1,707,041</b>	<b>1,707,328</b>	
I.1. Sales	427,162		486,034	486,037	1,532,645	1,703,141	1,703,423	
I.2. Other income	1,237		991	991	4,622	3,900	3,905	
<b>II. Expenses</b>	<b>(405,812)</b>		<b>(478,865)</b>	<b>(478,967)</b>	<b>(1,480,998)</b>	<b>(1,658,450)</b>	<b>(1,659,590)</b>	
II.1. Cost of natural gas	(356,623)		(436,507)	(436,507)	(1,310,429)	(1,500,193)	(1,500,193)	
II.2. Other expenses	(49,189)		(42,358)	(42,460)	(170,569)	(158,257)	(159,397)	
<b>III. Operating profit</b>	<b>22,587</b>		<b>8,160</b>	<b>8,061</b>	<b>56,269</b>	<b>48,591</b>	<b>47,738</b>	
<b>IV. Financial activity</b>	<b>244</b>		<b>373</b>	<b>372</b>	<b>863</b>	<b>1,886</b>	<b>1,926</b>	
IV.1. Income	220		371	394	1,457	1,886	1,952	
IV.2. Expense	24		2	(22)	(594)	-	(26)	
<b>V. Profit before tax</b>	<b>22,831</b>		<b>8,533</b>	<b>8,433</b>	<b>57,132</b>	<b>50,477</b>	<b>49,664</b>	
<b>VI. Income tax</b>	<b>(1,818)</b>	11	<b>(701)</b>	<b>(701)</b>	<b>(3,852)</b>	<b>(3,471)</b>	<b>(4,092)</b>	
VI.1. Current period income tax	(2,895)		(1,338)	(1,338)	(7,969)	(5,429)	(5,429)	
VI.2. Deferred income tax	1,077		637	637	4,117	1,958	1,337	
<b>VII. Net profit from continuing operations</b>	<b>21,013</b>		<b>7,832</b>	<b>7,732</b>	<b>53,280</b>	<b>47,006</b>	<b>45,572</b>	
<b>VIII. Net profit from discontinued operations</b>	<b>5</b>	5	<b>8,137</b>	<b>8,116</b>	<b>9,996</b>	<b>28,958</b>	<b>28,934</b>	
<b>IX. Net profit total</b>	<b>21,013</b>		<b>15,969</b>	<b>15,848</b>	<b>63,276</b>	<b>75,964</b>	<b>74,506</b>	
Basic and diluted earnings per share (LTL)	0.056	15	0.034	0.034	0.168	0.162	0.159	
Basic and diluted earnings per share (LTL) from continuing operations**	0.056	15	0.017	0.016	0.142	0.100	0.097	

\* Information has been restated by reflecting the transmission activity of the Group and the Company as discontinued operations, see Note 5 in the Notes to the financial statements.  
 \*\* see Note 15 in the Notes to the financial statements.

The accompanying notes are an integral part of these financial statements.  
 The financial statements of the Company and the Group in 2013 coincide because of insignificance of the subsidiary.

General Manager  Viktoras Valentukevičius 27 February 2014  
 Chief Accountant  Žydrūnas Augutis 27 February 2014

AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania  
 CONDENSED FINANCIAL STATEMENTS  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013  
 (all amounts are in LTL thousand unless otherwise stated)

**Statements of comprehensive income**

	Company Three months period ended 31 December 2013 (pre-audited)	Company Three months period ended 31 December 2012 (pre-audited)	Group Three months period ended 31 December 2012 (pre-audited)	Company Twelve months period ended 31 December 2013 (pre-audited)	Company Twelve months period ended 31 December 2012 (audited)	Group Twelve months period ended 31 December 2012 (audited)
I. Net profit	21,013	15,969	15,848	63,276	75,964	74,506
II. Total comprehensive income	21,013	15,969	15,848	63,276	75,964	74,506



The accompanying notes are an integral part of these financial statements.  
 The financial statements of the Company and the Group in 2013 coincide because of insignificance of the subsidiary.

General Manager \_\_\_\_\_ Viktoras Valentukevičius \_\_\_\_\_ 27 February 2014  
 Chief Accountant \_\_\_\_\_ Žydrūnas Augutis \_\_\_\_\_ 27 February 2014

### Statements of changes in equity

<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>
<b>Balance as of 1 January 2012 (audited)</b>		<b>469,068</b>	<b>38,908</b>	<b>1,450,635</b>	<b>95,686</b>	<b>2,054,297</b>
Transfer to legal reserves		-	4,784		(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Dividends declared		-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	75,964	75,964
<i>Net profit for the year</i>		-	-	-	75,964	75,964
<b>Balance as of 31 December 2012 (audited)</b>		<b>469,068</b>	<b>43,692</b>	<b>1,469,537</b>	<b>75,964</b>	<b>2,058,261</b>
Transfer from other reserves		-	-	(160,000)	160,000	-
Transfer to legal reserves		-	3,215	-	(3,215)	-
Transfer to other reserves		-	-	15,749	(15,749)	-
Dividends declared	16	-	-	-	(217,000)	(217,000)
Total comprehensive income		-	-	-	63,276	63,276
<i>Net profit for the year</i>		-	-	-	63,276	63,276
Unbundling of transmission activity	5, 19	(178,382)	(17,838)	(997,273)	(9,996)	(1,203,489)
<b>Balance as of 31 December 2013 (pre-audited)</b>		<b>290,686</b>	<b>29,069</b>	<b>328,013</b>	<b>53,280</b>	<b>701,048</b>



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

General Manager	Viktoras Valentukevičius		27 February 2014
Chief Accountant	Žydrūnas Augutis		27 February 2014

**Statements of changes in equity (cont'd)**

<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>
<b>Balance as of 1 January 2012 (audited)</b>		<b>469,068</b>	<b>39,100</b>	<b>1,452,540</b>	<b>94,632</b>	<b>2,055,340</b>
Transfer to legal reserves		-	4,784		(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
				(1,482)	1,482	-
Dividends declared	16	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	74,506	74,506
<i>Net profit for the year</i>		-	-	-	74,506	74,506
<b>Balance as of 31 December 2012 (audited)</b>		<b>469,068</b>	<b>43,884</b>	<b>1,469,960</b>	<b>74,934</b>	<b>2,057,846</b>

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

General Manager	Viktoras Valentukevičius		27 February 2014
Chief Accountant	Žydrūnas Augutis		27 February 2014

## Statements of cash flows



	Notes	Company	Company	Group
		Twelve months period ended 31 December 2013 (pre-audited)	Twelve months period ended 31 December 2012 (audited)	Twelve months period ended 31 December 2012 (audited)
<b>I. Cash flows from (to) operating activities</b>				
I.1. Net profit		63,276	75,964	74,506
<b>Adjustments of non-cash items and other corrections:</b>				
I.2. Depreciation and amortisation		86,212	114,144	114,331
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		(313)	(127)	175
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories		849	533	534
I.5. Income tax expenses		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. Results of the activity of the joint venture attributed to the Company		364	-	50
I.11. Elimination of other non-cash items		255	(9)	(9)
		<b>147,842</b>	<b>179,847</b>	<b>179,485</b>
<b>Changes in working capital:</b>				
I.12. Decrease (increase) in inventories		11,143	(1,572)	(1,561)
I.13. Decrease (increase) in trade accounts receivable		42,611	(23,167)	(23,169)
I.14. Decrease (increase) in other accounts receivable and prepayments		(39,859)	(301)	(317)
I.15. Increase (decrease) in trade accounts payable		(64,486)	10,529	10,526
I.16. Increase (decrease) in other accounts payable and other current liabilities		51,057	4,001	3,967
I.17. (Increase) decrease of other financial assets		(27,302)	-	-
I.18. Income tax (paid)		(5,584)	(13,598)	(13,598)
<b>Total changes in working capital</b>		<b>(32,420)</b>	<b>(24,108)</b>	<b>(24,152)</b>
<b>Net cash flows from operating activities</b>		<b>115,422</b>	<b>155,739</b>	<b>155,333</b>
<b>Therein net cash flows from operating activities from discontinued operations</b>		<b>58,663</b>	<b>90,982</b>	<b>90,982</b>
<b>II. Cash flows from (to) investing activities</b>				
II.1. (Acquisitions) of property, plant and equipment and intangible assets		(130,884)	(142,491)	(142,499)
II.2. Proceeds from sales of property, plant and equipment		505	364	3,871
II.3. (Acquisition) of investment in joint venture		-	(1,320)	(1,320)
II.4. Proceeds from investment into subsidiary		5,407	-	-
II.5. Receipt of non-current receivables and loans granted		8	7	7
II.6. Decrease (increase) in term deposits		102,264	(102,264)	(105,697)
II.7. Interest received		945	1,355	1,420
II.8. Disposal (acquisitions) of other short term investments		57,736	(27,736)	(27,736)
II.9. Cash transferred to AB Amber Grid due to unbundling of transmission activity	5	(10,860)	-	-
<b>Net cash flows from (to) investing activities</b>		<b>25,121</b>	<b>(272,085)</b>	<b>(271,954)</b>
<b>Therein net cash flows (to) investing activities from discontinued operations</b>		<b>(76,248)</b>	<b>(81,277)</b>	<b>(81,277)</b>



**Statements of cash flows (cont'd)**

	<b>Company</b>	<b>Company</b>	<b>Group</b>
	Twelve months period ended	Twelve months period ended	Twelve months period ended
	31 December 2013 (pre-audited)	31 December 2012 (audited)	31 December 2012 (audited)
<b>III. Cash flows from (to) financing activities</b>			
III.1. Dividends (paid)	(216,849)	(72,093)	(72,093)
III.2. Loans received	-	180,000	180,000
III.3. Loans (repaid)	(1,072)	(2,144)	(2,144)
III.4. Grants received	33,657	28,069	28,069
III.5. Interest (paid)	(1,656)	(638)	(638)
<b>Net cash flows from (to) financing activities</b>	<b>(185,920)</b>	<b>133,194</b>	<b>133,194</b>
<b>Therein net cash flows from financing activities from discontinued operations</b>	<b>7,532</b>	<b>11,208</b>	<b>11,208</b>
<b>IV. Net increase (decrease) in cash and cash equivalents</b>	<b>(45,377)</b>	<b>16,848</b>	<b>16,573</b>
<b>V. Cash and cash equivalents at the beginning of the period</b>	<b>112,417</b>	<b>95,569</b>	<b>95,884</b>
<b>VI. Cash and cash equivalents at the end of the period</b>	<b>67,040</b>	<b>112,417</b>	<b>112,457</b>

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

General Manager	Viktoras Valentukevičius		27 February 2014
Chief Accountant	Žydrūnas Augutis		27 February 2014

## Notes to the financial statements

### 1 General information

After the liquidation of the Company's subsidiary UAB Palangos Perlas in 2013 and due to the insignificance of its performance results for 2013, separate Group financial statements are not drawn up, they are consistent with the Company's financial statements. Hereinafter, financial information of the Company and the Group for 2013 is referred to as financial information of the Company. An investment into joint venture – UAB GET Baltic is accounted in the condensed financial statements of the Company as of 31 December 2013 by the equity method.

The condensed financial statements of the Company, including the statements of financial position as of 31 December 2013 and the income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the twelve months ended 31 December 2013 have not been audited. The consolidated financial statements of AB Lietuvos Dujos, its subsidiary UAB Palangos Perlas, and the joint-venture UAB GET Baltic, which is jointly controlled with the Finnish natural gas company Gasum Oy, (hereinafter referred to as „the Group“) as of 31 December 2012 and the financial statements of the Company as of 31 December 2012 have been audited and have been prepared in accordance with the International Financial Reporting Standards (IFRS). In order to better understand the information set forth in these financial statements, these condensed financial statements should be read together with the consolidated and the Company's annual financial statements of 2012.

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

### 2 Other material information

#### Unbundling of the Company's activities

In accordance with the Law on Natural Gas and the Law on the Implementation to the Law on Natural Gas, which are transposing the provisions of the 3rd Energy Package of the European Union to national law the Government of the Republic of Lithuania adopted respective resolutions, which determine the actions of the Company during the unbundling period.

The actions related to the spin-off of the natural gas transmission activity, which have been completed by the Company, are described in detail in the annual Consolidated and Parent Company's financial statements 2012. On 11 June 2013, the extraordinary general meeting of the AB Lietuvos Dujos shareholders adopted the AB Lietuvos Dujos Unbundling Terms (hereinafter – Terms) and decided, according to the conditions provided for in the aforementioned Terms to unbundle from AB Lietuvos Dujos, which continues its activity, its portion (the natural gas transmission activity of AB Lietuvos Dujos) and to establish the new company Amber Grid on the bases of assets, rights, and obligations attributable to this portion. The Company's final spin-off balance sheet has been prepared as of 31 July 2013 and is indicating the assets, equity and liabilities transferred to the unbundled AB Amber Grid (Note 19). On 1 August 2013, the assets, rights and obligations related to the transmission activity were transferred to AB Amber Grid by a Transfer-Acceptance Deed and the requirement of the legal acts to unbundle the transmission activity had been implemented.

In accordance with the provisions of the above mentioned legal acts and the decision of the extraordinary general meeting of shareholders of the Company adopted on 28 May 2012, the legal, functional and organizational unbundling of the distribution activity should be completed not later than 31 October 2014. In accordance with the provisions of the Law on Natural Gas and other legal acts of the republic of Lithuania regarding the spin-off of the distribution activity, on 30 October 2013, the AB Lietuvos Dujos Board of Directors adopted the decision to establish the subsidiary with the authorized capital amounting to LTL 1,000,000 (one million), the legal form of which is a private joint-stock company, to which the Company's natural gas distribution activity with the assets, rights and obligations related thereto will be transferred later on.

#### Administering the LNGT funds

From 1 January 2013 to 31 July 2013, the Company, in implementation the provisions of the Law on the Liquefied Natural Gas Terminal (hereinafter referred to as “the LNGT”) and other subordinate legal acts, were collecting and administering the LNGT funds. In the collection and administration of the LNGT funds, the Company acted only as an intermediary and this activity did not generate any revenue / profit in the process of the ordinary activities of the Company. Since 31 July 2013, the LNGT funds have been administered by AB Amber Grid, which was established on the basis of the transmission activity unbundled from the Company.

### 3 Accounting principles

The Company's condensed financial statements as of 31 December 2013 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

#### 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 Company.

Up to 31 July 2013 the Company had 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 (discontinued operations). 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.

On 31 July 2013, the natural gas transmission activity (the transmission activity segment) which was previously carried out by the Company was unbundled from the Company. In the income statements of the Company, the transmission activity which was carried out by the Company is referred to as "discontinued operations" (Note 5).

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

	Transmission (discontinued operations)*	Distribu- tion	Supply	Other activity	Total	Total from continued opera- tions
<b>2013</b>						
Sales	93,077	159,465	1,371,234	1,946	1,625,722	1,532,645
Profit before tax	7,705	(2,568)	58,663	1,037	64,837	57,132
<b>2012</b>						
Sales	169,291	174,778	1,526,577	1,786	1,872,432	1,703,141
Profit before tax	21,060	11,206	38,212	1,059	71,537	50,477

\*Information indicated data until the moment of the spin-off of the natural gas transmission activity: until 31 July 2013.

In the year 2013 the Company earned over 99 % of its revenue from Lithuanian customers (in the year 2012 - over 98 %). Since 31 July 2013, upon unbundling from the Company the transmission activity assets, rights and obligations and transferring them to AB Amber Grid, all the revenue of the Company has been earned from Lithuanian customers.

All the assets of the Company are allocated in the territory of Lithuania where 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 Discontinued operations**

In accordance with the provisions of the 3rd Energy Package of the European Union regarding the spin-off of the transmission activity, the transmission activity assets, rights and obligations related to the share of activity, which is unbundled from the Company, as of 31 July 2013 were transferred to the new AB Amber Grid company established during the spin-off procedure. All the revenue earned and expenses incurred from the transmission activity for 2013 have been assigned to discontinued operations.

The results of the natural gas transmission activity of the Company:

	Twelve months period ended 31 December 2013 (pre-audited)*	Twelve months period ended 31 December 2012  (pre-audited, restated**)
Sales	93,077	169,291
Other income	1,973	2,559
Expenses	(85,698)	(150,432)
Operating profit	9,352	21,418
Financial activity	(1,647)	(358)
Profit from discontinued operations 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 from discontinued operations	<b>9,996</b>	<b>28,958</b>

\*The revenue earned and the expenses incurred from the transmission activity for the seven months 2013, until the completion of the spin-off of the natural gas transmission activity on 31 July 2013.

\*\* Information has been restated by reflecting the transmission activity of the Company as discontinued operations.

Earnings per share:

	31 December 2013 (pre-audited)	31 December 2012 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	9,996	28,958
Weighted average number of shares in thousand	376,212	469,068
Basic earnings per share from discontinued operations (in LTL)	<b>0.027</b>	<b>0.062</b>

The reconciliation of the total net cash flows of the discontinued operations:

	Twelve months period ended 31 December 2013 (pre-audited)	Twelve months period ended 31 December 2012 (pre-audited)
Cash and cash equivalents at the beginning of the period	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 financial activities	7,532	11,208
Cash transferred to AB Amber Grid due to the unbundling of the transmission activity	(10,860)***	-
Cash and cash equivalents at the end of the period	<b>-</b>	<b>20,913</b>

\*\*\*Up to the unbundling of the transmission activity it had been preliminary stated, that cash and cash equivalents transferable to AB Amber Grid comprise of LTL 12 million. As the final spin-off balance sheet had been made and the assets and the liabilities attributed to AB Amber Grid had been calculated precisely it was stated, that the sum of LTL 1.140 thousand should be returned to the Company by AB Amber Grid.

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**6 Non-current assets**

The non-current assets attributed to the Company's continued operations increased by LTL 124 thousand during 2013 and amounted to LTL 796,256 thousand as of 31 December 2013.

**7 Investment into subsidiary**

On 30 January 2013, the AB Lietuvos Dujos Board of Directors adopted the decision to liquidate up the subsidiary UAB Palangos Perlas. In May 2013, all the assets of the subsidiary UAB Palangos Perlas were transferred to the Company: non-current assets with the total net book value of LTL 3,398 thousand and the cash totalling LTL 5,407 thousand. On 2 August 2013 UAB Palangos Perlas was liquidated up and removed from the Register of the Legal Entities on 8 August 2013.

**8 Inventories**

	Company		Group
	31 December 2013 (pre-audited)	31 December 2012 (audited)	31 December 2012 (audited)
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)
<b>Total</b>	<b>42,042</b>	<b>80,108</b>	<b>80,108</b>
From continued operations	42,042	53,844	53,844

During the unbundling, inventories in the amount of LTL 26,829 thousand were transferred to AB Amber Grid (Note 19). Goods for resale (including natural gas) of the Company's continued operations reduced due to lower volumes of natural gas stored in the Latvian natural gas storage and lower purchase prices.

**9 Accounts receivable**

	Company		Group
	31 December 2013 (pre-audited)	31 December 2012 (audited)	31 December 2012 (audited)
Receivables for natural gas supply, transmission and distribution of natural gas from non-household customers	138,632	180,796	180,794
Receivables for natural gas supply, 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)
<b>Total</b>	<b>140,869</b>	<b>204,499</b>	<b>204,530</b>
From continued operations	140,869	173,887	173,918

Trade receivables transferred to AB Amber Grid amounted to LTL 8,302 thousand (Note 19). The other accounts receivable transferred to AB Amber Grid amounted to LTL 44,579 thousand (Note 19).

Receivables from non-household and household customers from continuing operations as of 31 December 2013 decreased due to the lower volumes of natural gas supplied and distributed and the lower sales price.

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**10 Other current assets**

As of December 2013 the Company had not any other current assets. As of 31 December 2012, other current assets - short-term investments acquired by the Company and the Group - consisted of the investments into debt securities – LTL 57,736 thousand (LTL 57,736 thousand were attributed to continued operations) and the term deposits of the Company and the Group – LTL 102,264 thousand and LTL 107,687 thousand, respectively (LTL 92,264 thousand and LTL 97,687 thousand were attributed to continued operations). The term of the short-term investments is 3 - 12 months.

**11 Income tax**

Income tax rate of 15 % is used for the profit of the year 2013 and 2012.

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, when calculating income tax for the year 2012 the Group and the Company, used the benefit of the above mentioned incentive for the investments and reduced income tax expenses for the year 2013 by a total amount of LTL 7,803 thousand (LTL 11,270 thousand in 2012).

**12 Grants (deferred revenue)**

	2013			2012		
	Deferred revenue	Grants	Total	Deferred revenue	Grants	Total
<b>Balance at the beginning of the period</b>	<b>125,483</b>	<b>105,322</b>	<b>230,805</b>	<b>120,747</b>	<b>70,306</b>	<b>191,053</b>
Received during year	5,536	34,053	39,589	7,175	29,418	36,593
Change in grants 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)	-	-	-
<b>Balance at the end of the period</b>	<b>122,802</b>	<b>13,070</b>	<b>135,872</b>	<b>125,483</b>	<b>105,322</b>	<b>230,805</b>
From continued 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 grants receivable had been accounted under the caption other receivables in the statement of financial position as of 31 December 2012. As of December 2013 the Company did not have any grants receivable.

**13 Trade payables**

	Company		Group
	31 December 2013 m. (un-audited)	31 December 2012 m. (audited)	31 December 2012 m. (audited)
Suppliers of natural gas	129,139	189,851	189,851
Other	7,176	49,092	6,725
<b>Total</b>	<b>136,315</b>	<b>238,943</b>	<b>196,576</b>
From continued operations	136,315	196,576	196,580

Trade payables for LTL 8,512 thousand were transferred to AB Amber Grid (Note 19). As of 31 December 2013, debts of the Company's continued activities decreased significantly due to changed terms of payment with a part of suppliers, lower volumes of natural gas purchased and lower purchase prices.

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**14 Other payables and current liabilities**

The majority of other payables and current liabilities of the Company consisted of VAT payable, which was equal to LTL 19,189 thousand as of 31 December 2013 (as of 31 December 2012, VAT payable of continued operations of the Group and the Company amounted to LTL 36,853 thousand). Other payables and current liabilities in the amount of LTL 66,913 thousand were transferred to AB Amber Grid (Note 19).

**15 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:

	<b>Company</b>		<b>Group</b>
	<u>31 December 2013</u> (pre-audited)	<u>31 December 2012</u> (audited)	<u>31 December 2012</u> (audited)
Net profit attributable to the shareholders (in LTL thousand)	63,276	75,964	74,506
Net profit from continued operations attributable to the shareholders (in LTL thousand)	53,280	47,006	45,572
Weighted average number of shares in thousand	376,212	469,068	469,068
<b>Basic earnings per share (in LTL)</b>	<b>0.168</b>	<b>0.162</b>	<b>0.159</b>
Earnings per share from continued operations (in LTL)	0.142	0.100	0.097

In 2013, having unbundled the transmission activity, the share capital of the Company decreased (Note 19), thus the weighted average of the number of shares is calculated in 2013. In 2012, there were no changes in the share capital of the Company, thus the number of shares at the year-end and the weighted average number of shares coincide.

The Company has additionally calculated earnings per share from continued operations in 2013 in terms of the net profit and share capital of continued operations, which remained the same in 2013 and amounted to 290,686 thousand of shares.

	<u><b>Company</b></u> <u>31 December</u> <u>2013</u> (pre-audited)
Net profit from continued operations attributable to the shareholders (in LTL thousand)	53,280
Share capital of continued operations on 31 December 2013 (number of shares in thousand)	290,686
Earnings per share from continued operations (in LTL)	<u>0.183</u>

**16 Dividends**

During the regular general shareholders' meeting on 25 April 2013, when approving the Company's 2012 profit and loss appropriation, the decision was made to pay to shareholders dividends in the amount of LTL 217 million (LTL 0.463 per ordinary registered share with the par value of LTL 1 per share) taking into account the redistribution of reserves formed in the previous year.

## 17 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 February 2014, 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.

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 National Control Commission for Prices and Energy (hereinafter referred to as "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.



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**18 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 of 31 December 2013 and 31 December 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 on 2 August 2013);
- UAB GET Baltic (joint venture);
- AS Latvijas Gaze (the same shareholders);
- AB Amber Grid (the same shareholders);
- OAO Beltransgaz (same ultimate shareholders);
- UAB Kaunas Heat and Power Plant (same ultimate shareholder, related party previous to 14 March 2013).

The tables below present the Company's balances and transactions with related parties as of 31 December 2013 and 31 December 2012. Purchase and sale transactions with UAB GET Baltic do not include the purchase and sale of natural gas, as UAB Get Baltic is only a purchase-sales broker providing brokerage services for a certain commission fee. Amounts receivable from UAB GET Baltic and amounts payable to it are indicated with amounts for natural gas.

As of 31 December 2013 (pre-audited)	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
	<u>1,261,862</u>	<u>25,241</u>	<u>2</u>	<u>130,662</u>

As of 31 December 2012 (audited)	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 Kaunas Heat and Power Plant	-	14,353	388	-
UAB GET Baltic	-	4	2	-
	<u>1,521,206</u>	<u>55,365</u>	<u>9,780</u>	<u>189,862</u>

There were no receivables from related parties and payables to them, for which the guarantees would be provided for or received. As of 31 December 2013 the Company has not accounted for any allowance for receivables from related parties.

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**19 Spin-off Balance Sheet**

	<b>Balance Sheet</b>	<b>Spin-off Balance Sheet</b>	
	As of 31 July 2013	As of 31 July 2013	
	AB „Lietuvos dujos“	AB „Lietuvos dujos“ (after spin-off)	AB „Amber Grid“
<b>ASSETS</b>			
<b>A. Non-current assets</b>	<b>2,362,757</b>	<b>786,084</b>	<b>1,576,673</b>
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 into joint venture	974	502	472
III.2. Non-current accounts receivable	4	4	
<b>B. Current assets</b>	<b>304,231</b>	<b>185,054</b>	<b>119,177</b>
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
<b>Total assets</b>	<b>2,666,988</b>	<b>971,138</b>	<b>1,695,850</b>

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**19 Spin-off Balance Sheet (cont'd)**

	<b>Balance Sheet</b>	<b>Spin-off Balance Sheet</b>	
	As of 31 July 2013	As of 31 July 2013	
	AB „Lietuvos dujos“	AB „Lietuvos dujos“ (after spin-off)	AB „Amber Grid“
<b>EQUITY AND LIABILITIES</b>			
<b>C. Equity</b>	<b>1,887,652</b>	<b>684,163</b>	<b>1,203,489</b>
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
<b>D. Liabilities</b>	<b>779,336</b>	<b>286,975</b>	<b>492,361</b>
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 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. Prepayments 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
<b>Total equity and liabilities</b>	<b>2,666,988</b>	<b>971,138</b>	<b>1,695,850</b>

**20 Events after the reporting period**

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

The Ministry of Energy, implementing the Resolution, by the transfer-acceptance deed of 20 February 2014, has 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 of which is equal to 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 of which is equal to 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.