



**INTERIM CONDENSED
FINANCIAL STATEMENTS**
for the six months period ended 30 June 2014
presented together with
independent auditor's report





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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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 the Interim Condensed Financial Statements

We have audited the accompanying interim condensed financial statements of AB Lietuvos Dujos, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), which comprise the interim condensed statement of financial position as at 30 June 2014, the interim condensed statements of income, comprehensive income, changes in equity and cash flows for the 6 months period then ended, and interim condensed notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Interim Condensed Financial Statements

The Company's management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union applicable to interim financial reporting (IAS 34 "Interim financial reporting"), and for such internal control as management determines is necessary to enable the preparation of interim condensed 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 interim condensed 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 interim condensed financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim condensed financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim condensed 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 interim condensed 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 interim condensed 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

As at 30 June 2014 the Company has evaluated the recoverable values of property, plant and equipment attributable to distribution and supply activities as separate cash generating units and accounted for an impairment of property, plant and equipment, attributable to distribution activity, amounting to LTL 196 million in the income statement for the 6 months period ended 30 June 2014. The Company did not perform impairment test for the property, plant and equipment according to the separate activities as required by IFRS in prior periods; therefore we were unable to assess what part of this impairment should be accounted for in the prior periods.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the section Basis for Qualified Opinion above, the accompanying interim condensed financial statements present fairly, in all material respects, the financial position of AB Lietuvos Dujos as at 30 June 2014, and its financial performance and cash flows for the 6 months period then ended in accordance with International Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting (IAS 34 "Interim financial reporting").

Emphasis of matter

Without further qualifying our opinion, we draw your attention to the note 20 Events after the reporting period, which refers to decision taken after balance sheet date regarding recording of provision which is not in compliance with IFRS requirements.



Other

The comparative information of the interim condensed statements of income, comprehensive income, changes in equity, cash flows and the related notes of the Company for the 6 months period ended 30 June 2013 was not audited.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the Interim Report for the 6 months period ended 30 June 2014 and have not noted any material inconsistencies between the financial information included in it and the interim condensed financial statements for the 6 months period ended 30 June 2014.

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


Asta Štreimikienė
Auditor's license
No. 000382

The audit was completed on 28 August 2014.

Interim statement of financial position

		Notes	As at 30 June 2014	As at 31 December 2013
ASSETS				
A.	Non-current assets		593,833	796,256
I.	Intangible assets	4	2,164	2,540
II.	Property, plant and equipment	4	585,559	793,232
II.1.	Land		1	1
II.2.	Buildings and structures		539,726	743,463
II.2.1.	Buildings	4	38,625	55,401
II.2.2.	Distribution networks and related installations	4	499,033	685,959
II.2.3.	Other buildings and structures		2,068	2,103
II.3.	Machinery and equipment	4	14,824	16,117
II.4.	Vehicles		8,846	10,420
II.5.	Other equipment, tools and devices		16,173	19,122
II.6.	Other property, plant and equipment		2,256	2,708
II.7.	Construction in progress		3,733	1,401
III.	Non-current financial assets		437	484
III.1.	Investment into joint venture	5	436	483
III.2.	Non-current accounts receivable		1	1
IV.	Deferred income tax asset	4, 13	5,673	-
B.	Current assets		477,413	254,255
I.	Inventories and prepayments		287,249	42,614
I.1.	Inventories		35,926	42,042
I.1.1.	Raw materials, spare parts and other inventories		2,958	1,618
I.1.2.	Goods for resale (including natural gas)	8	32,968	40,424
I.2.	Prepayments	2, 9	251,323	572
II.	Accounts receivable		63,570	140,869
II.1.	Trade receivables	10	63,252	139,706
II.2.	Other receivables		318	1,163
III.	Prepaid income tax		-	3,732
IV.	Cash and cash equivalents		126,594	67,040
Total assets			1,071,246	1,050,511


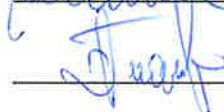
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The accompanying notes are an integral part of these interim condensed financial statements.

Interim statement of financial position (cont'd)

		Notes	As at 30 June 2014	As at 31 December 2013
EQUITY AND LIABILITIES				
C.	Equity		827,214	701,048
I.	Share capital		290,686	290,686
II.	Reserves		357,082	357,082
II.1.	Legal reserve		29,069	29,069
II.2.	Other reserves	20	328,013	328,013
III.	Retained earnings	20	179,446	53,280
D.	Liabilities		244,032	349,463
I.	Non-current liabilities		144,014	172,416
I.1.	Grants (deferred revenue)		136,050	135,872
I.2.	Non-current employee benefits		7,964	7,964
I.3.	Deferred income tax liability	13	-	28,580
II.	Current liabilities		100,018	177,047
II.1.	Trade payables	11	9,295	136,315
II.2.	Advances received	12	25,601	9,012
II.3.	Income tax liability		17,455	-
II.4.	Payroll related liabilities		12,741	8,919
II.5.	Provisions	2, 14	23,928	-
II.6.	Other payables and current liabilities	15	10,998	22,801
Total equity and liabilities			1,071,246	1,050,511

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


General Manager	Viktoras Valentukevičius		28 August 2014
Chief Accountant	Žydrūnas Augutis		28 August 2014

Interim income statement

		Notes		Six months period ended 30 June 2014	Six months period ended 30 June 2013 (not audited)
I.	Revenue			701,522	873,069
I.1.	Sales	2		699,019	870,768
I.2.	Other income			2,503	2,301
II.	Expenses			(552,357)	(830,460)
II.1.	Cost of natural gas	2		(258,904)	(750,395)
II.2.	Other expenses	4		(293,453)	(80,065)
III.	Profit from operations			149,165	42,609
IV.	Financial activity			661	433
IV.1.	Income			716	986
IV.2.	Expense			(55)	(553)
V.	Profit before tax			149,826	43,042
VI.	Income tax			(23,660)	(5,059)
VI.1.	Current period income tax	13		(57,913)	(6,232)
VI.2.	Deferred income tax	13		34,253	1,173
VII.	Net profit from continuing operations			126,166	37,983
VIII.	Net profit from discontinued operations	2, 7		-	11,028
IX.	Net profit			126,166	49,011
	Basic and diluted earnings per share (LTL)	16		0.434	0.104
	Basic and diluted earnings per share (LTL) from continuing operations*	16		0.434	0.081

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



*See Note 16.

General Manager	Viktoras Valentukevičius		28 August 2014
Chief Accountant	Žydrūnas Augutis		28 August 2014

Interim statement of comprehensive income

	Six months period ended 30 June 2014	Six months period ended 30 June 2013 (not audited)
I. Net profit	126,166	49,011
II. Total comprehensive income	126,166	49,011



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

General Manager	Viktoras Valentukevičius		28 August 2014
Chief Accountant	Žydrūnas Augutis		28 August 2014

Interim statement of changes in equity

		Share capital	Legal reserve	Other reserves	Retained earnings	Discontinued operations	Total
Balance as at 1 January 2013	Notes	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 approved		-	-	-	(217,000)	-	(217,000)
Discontinued operations	2	(178,382)	(17,838)	(997,273)	(11,028)	1,204,521	-
Total comprehensive income		-	-	-	49,011	-	49,011
<i>Net profit</i>		-	-	-	49,011	-	49,011
Balance as at 30 June 2013 (not audited)		290,686	29,069	328,013	37,983	1,204,521	1,890,272
Balance as at 31 December 2013		290,686	29,069	328,013	53,280	-	701,048
Total comprehensive income		-	-	-	126,166	-	126,166
<i>Net profit</i>		-	-	-	126,166	-	126,166
Balance as at 30 June 2014		290,686	29,069	328,013	179,446	-	827,214

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

General Manager	Viktoras Valentukevičius		28 August 2014
Chief Accountant	Žydrūnas Augutis		28 August 2014

Interim statement of cash flows

	Notes	Six months period ended 30 June 2014	Six months period ended 30 June 2013 (not audited)
I. Cash flows from (to) operating activities			
I.1. Net profit		126,166	49,011
Adjustments of non-cash items and other corrections:			
I.2. Depreciation and amortisation		21,510	58,476
I.3. (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		(181)	(291)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	4	196,804	986
I.5. Income tax expenses		23,660	3,445
I.6. Interest (income)		(291)	(597)
I.7. Interest expenses		7	1,411
I.8. (Amortisation) of the grants (deferred revenue)		(1,769)	(2,854)
I.9. Elimination of Company's share of joint venture results		47	302
I.10. Elimination of other non-cash items*	2	(310,637)	(137)
		55,316	109,752
Changes in working capital:			
I.11. Decrease in inventories		6,061	6,430
I.12. Decrease in trade accounts receivable		75,578	120,345
I.13. Decrease (increase) in other accounts receivable and prepayments		619	(36,256)
I.14. (Decrease) in trade accounts payable		(42,971)	(155,727)
I.15. Increase in other accounts payable and other current liabilities		2,188	45,643
I.16. (Decrease) in other financial assets			(26,666)
I.17. Income tax (paid)		(27,474)	(147)
Total changes in working capital		14,001	(46,378)
Net cash flows from operating activities		69,317	63,374
II. Cash flows from (to) investing activities			
II.1. (Acquisitions) of property, plant and equipment and intangible assets		(10,888)	(64,349)
II.2. Proceeds from sales of property, plant and equipment		447	331
II.3. Cash received from investment to subsidiary		-	5,407
II.4. Decrease in term deposits		-	102,264
II.5. Receipt of non-current loans granted		-	5
II.6. Interest received		302	776
II.7. Disposal of other short-term investments		-	57,736
Net cash flows (to) from investing activities		(10,139)	102,170

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* The determination of cash flows from operating activities includes the effect of the gas price discount received from OAO Gazprom that had a non-cash impact on the result of the Company, prepayments and trade receivables (see Note 2).



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

Interim statement of cash flows (cont'd)

	Notes	Six months period ended 30 June 2014	Six months period ended 30 June 2013 (not audited)
III. Cash flows from (to) financing activities			
III.1. Dividends (paid)		(13)	(216,793)
III.2. Loans (repaid)			(1,072)
III.3. Grants received		396	26,233
III.4. Interest (paid)		(7)	(1,423)
Net cash flows from (to) financing activities		376	(193,055)
IV. Net increase (decrease) in cash and cash equivalents*		59,554	(27,511)
V. Cash and cash equivalents at the beginning of the period*		67,040	112,417
VI. Cash and cash equivalents at the end of the period*		126,594	84,906

*Reconciliation of the Company's cash and cash equivalents balance at the beginning and the end of the period and their change during the six months ended 30 June 2013 with the discontinued and continuing operations is presented in Note 7.

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

<u>General Manager</u>	<u>Viktoras Valentukevičius</u>		<u>28 August 2014</u>
<u>Chief Accountant</u>	<u>Žydrūnas Augutis</u>		<u>28 August 2014</u>

Notes to the interim condensed 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.

Starting 31 July 2013 the Company was engaged in 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.

For better understanding of the information provided in those financial statements, the Company's interim condensed financial statements must be read together with the Company's and Group's financial statements for the year ended 31 December 2013. Only the data of the Company of 2013 financial reports are presented for comparison as due to the insignificance of results of the subsidiary, data of the Group and the Company are essentially the same. Interim condensed financial statements of AB Lietuvos Dujos (hereinafter – the Company) for the year 2013, including statements of financial position as at 30 June 2013 and statements of income, statements of comprehensive income, statements of cash flows and statements of changes in equity for the six months period ended 30 June 2013 are not audited. The Company's and the Group's financial statements for the year ended 31 December 2013 are audited and prepared according to International Financial Reporting Standards (IFRS).

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

2 Other material information

Lietuvos Energija, UAB to acquire additional shares

Upon the implementation of Resolution No. 120 of the Government of the Republic of Lithuania On Investing of the State Property and Increasing the Companies' Share Capital of 12 February 2014 by the Ministry of Energy and the Ministry of Finance, on 21 February 2014 Lietuvos Energija UAB became the owner of 17.7% of shares of AB Lietuvos Dujos.

On 21 May 2014 Lietuvos Energija UAB acquired 113,118,140 (one hundred thirteen million one hundred eighteen thousand one hundred forty) shares of AB Lietuvos dujos from E.ON Ruhrgas International GmbH, which comprise 38.9 % share capital of AB Lietuvos Dujos.

On 28 May 2014 AB Lietuvos Dujos received a notification from the Company's shareholder Lietuvos Energija, UAB about the decision of the Bank of Lithuania to approve the circular of a mandatory official takeover bid to buy out the remaining ordinary registered voting shares of AB Lietuvos Dujos.

The implementation of the mandatory takeover bid to buy up the shares of the AB Lietuvos Dujos was completed on 16 June 2014. Lietuvos Energija, UAB acquired 107,734,925 (one hundred seven million seven hundred thirty four thousand nine hundred twenty five) shares from OAO Gazprom, 8,622,363 (eight million six hundred twenty two thousand three hundred sixty three) shares from minority shareholders of AB Lietuvos Dujos.

After the mandatory official takeover bid Lietuvos Energija, UAB holds 96.6 % shares of AB Lietuvos Dujos, minority shareholders – 3.4 %.

Unbundling process continued – unbundling of supply and distribution activities

In the implementation of the provisions of the Law on Natural Gas (hereinafter referred to as the NGL) and the Law on Implementation of the Law on Natural Gas transposing provisions of the Third Energy Package of the European Union into the national law, the Government of the Republic of Lithuania adopted respective resolutions establishing the actions of the Company in the reorganization of the enterprise.

The transmission activity was unbundled at 31 July 2013. Actions related to unbundling of the transmission activity carried out by the Company are described in detail in the financial statements of the Company and of the Group for 2013 and 2012. The discontinued operations presented in the income statement for 2013 refer to the unbundled transmission activities.

Pursuant to the requirements of NGL and other legislation, the Company must unbundle the natural gas distribution and supply activities, i.e. to perform legal, functional and organizational unbundling of the distribution activity no later than by 31 October 2014 and achieve the compliance with requirements of Chapter 8 of the NGL.

On 28 May 2012, the General Meeting of Shareholders had decided to perform the unbundling of the distribution activity by establishing a subsidiary of the Company and transferring the natural gas distribution activity (complex of assets) together with the assets, rights and obligations attributed to this activity as contribution in kind for shares of the subsidiary in accordance with the terms provided for by legal acts. On 28 May 2012, the Board of Directors of the Company approved the description of the method for unbundling the Company's distribution activity together with the unbundling action plan.

2 Other material information (cont'd)

On 30 June 2014 the Extraordinary General Meeting of Shareholders adopted a decision to assign the Board of Directors of AB Lietuvos Dujos to assess alternative methods to the method for unbundling the supply and distribution activities of the Company as approved by the decision of the General Meeting of Shareholders of AB Lietuvos Dujos of 28 May 2012; and upon identifying more efficient unbundling method by the Board of Directors of AB Lietuvos Dujos, to take, at its own discretion, all the required decisions needed to change the method for unbundling of natural gas distribution activity and to implement the method selected by the Board of Directors of AB Lietuvos Dujos, including, but not limited to the decisions regarding the activity to be unbundled, its market value, unbundling method, etc.

On 21 July 2014 the Board of Directors of the Company approved that the distribution and supply activities of the Company will be unbundled by selling the Company's complex of assets (part of enterprise), i.e. the gas supply activity with the assets, rights and obligations attributed to this activity, to a company controlled by the main shareholder of the Company Lietuvos Energija, UAB under the purchase - sale agreement. The Board of Directors of the Company decided not to establish a subsidiary for the gas distribution activity. The Board of Directors of the Company also approved a new Description of the method for the unbundling of the gas distribution activity together with the unbundling action plan. In accordance with the requirements of legal acts of the Republic of Lithuania, the Company submitted this description to the National Control Commission for Prices and Energy (hereinafter – NCCPE) for agreement. On 24 July 2014, NCCPE adopted a resolution regarding the amendment to AB Lietuvos Dujos action plan for the unbundling of its distribution activity and instructed the Company to follow the methods and deadlines indicated in the amended unbundling plan in order to have legal, functional and organizational unbundling of the distribution activity carried out no later than by 31 October 2014.

Discount on price of natural gas agreed with OAO Gazprom

On 7 May 2014 AB Lietuvos Dujos entered into an agreement with the supplier of natural gas OAO Gazprom regarding a significant reduction in the price of natural gas imported by AB Lietuvos Dujos for the period from 1 January 2013 till 31 December 2015, according to which the formula of imported natural gas price for the Company was adjusted retrospectively for the period from 1 January 2013 till 31 March 2014.

The major part of decrease of imported natural gas price for the period ended 30 June 2014 was accounted for in the income statement by decreasing the Company's natural gas purchase expenses by LTL 320.7 million, the remaining part was recognized as income and the inventory balance of natural gas was adjusted. The Company reflected the part of the imported gas price decrease, attributable to the year 2013, in the income tax declaration for the year 2013 (Note 13). Due to the reduction of imported natural gas price the Company accounted for the prepayment for natural gas suppliers, which is netted with the current natural gas supply payables, and the balance of the prepayment as at 30 June 2014 was LTL 250.5 million.

After the reporting period the Board of Directors of the Company adopted a decision to account for provision to cover potential additional expenses caused by the future natural gas price reduction to the non-household customers (Note 20).

Since the Company and NCCPE agreed, that the natural gas tariffs for household consumers for the period from 2014 II half till the end of 2016 will be decreased to reflect the decrease of imported natural gas prices, the Company accounted the provision of LTL 23.9 million for the onerous contracts relating to the loss making part of existing supply agreements subject to price reduction for the year 2015. The Company included the provision in natural gas purchase expenses in the income statement and accounted for deferred tax asset related to the provision (Note 13).

3 Accounting principles

The Company's interim condensed financial statements as at 30 June 2014 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

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

New standards, changes and interpretations, effective from 1 January 2014 are disclosed in the Company's and the Group's audited financial statements for the year ended 31 December 2013. There were no new standards, changes or interpretations, effective from 1 January 2014, which would have significant influence on the Company's interim condensed financial statements for the period ended 30 June 2014.

4 Intangible assets and property, plant and equipment

During the first half of the year 2014 the Company acquired intangible assets and property, plant and equipment for LTL 9,590 thousand (during the first half of the year 2013 the Company acquired intangible assets and property, plant and equipment for LTL 61,281 thousand, thereof LTL 15,770 thousand attributable to continued operations).

During the first half of the year 2014 the Company sold and wrote off intangible assets and property plant and equipment with the net book value of LTL 129 thousand (during the first half of the year 2013 the Company sold and wrote off intangible assets and property, plant and equipment with the net book value of LTL 60 thousand, thereof the net book value of the assets attributable to continued operations sold and written off amounted to LTL 60 thousand). The profit from sale of assets during six months of 2014 amounted to LTL 263 thousand (during the six months of 2013 – LTL 314 thousand).

According to the Company's accounting policy a property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The Company estimates the recoverable value of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. The legal, functional and organizational unbundling of distribution activities indicates the need for impairment testing for the separate activities. As at 31 December 2013 the Company performed calculation of recoverable value at the entity level.

On 30 June 2014 the General Meeting of Shareholders assigned the Board of Directors of the Company to assess alternative methods of unbundling the supply and distribution activities and on 21 July 2014, the Board of Directors of the Company adopted a decision that the distribution and supply activities will be unbundled by selling the Company's supply activity as a complex of assets to a company controlled by Lietuvos Energija, UAB.

As further steps in the unbundling process were taken, less uncertainty remained regarding the methods and ways of separation of distribution and supply activities. Both the distribution and supply activities are considered as separate cash generating units (CGU). The recoverable value of both CGUs was assessed, resulting in the impairment of assets of distribution activities. Discounted cash flows of distribution activity were calculated based on the management best estimate of the future tariff for distribution activity based on legal acts and methodologies in effect as of date of these financial statements.

Pre-tax WACC of 7,09 % was used in discounting cash flows. This resulted in an impairment loss in the amount of LTL 196 million, which the Company recorded in other expenses caption in the income statement. The Company also decreased the related deferred tax liability (Note 13) and reduced the carrying value of property, plant and equipment, by attributing the impairment loss to the asset groups as follows:

	Buildings	Distribution networks and related installations	Machinery and equipment	Total
Carrying value before impairment, LTL million	54	679	16	749
Impairment, LTL million	-15	-180	-1	-196
Carrying value after impairment, LTL million	39	499	15	553

5 Investment into joint venture

During the first half of the year 2014 and 2013 the results of the joint venture were immaterial.

6 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.

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.

On 31 July 2013, the natural gas transmission activity carried out by the Company was unbundled. The transmission activity carried out by the Company was reflected as discontinued operations in the financial statements for the year ended 31 December 2013.

The segment information for the periods ended 30 June 2014 and 2013 is presented below:

Six months period ended 30 June 2014	Distribution	Supply	Other activity	Total
Sales	96,997	601,183	839	699,019
Profit before tax	(175,634)	325,184	276	149,826
Assets	626,128	433,937	11,181	1,071,246

Six months period ended 30 June 2013 (not audited)	Transmission	Distribution	Supply	Other activity	Total*
Sales	81,630	93,045	776,859	864	870,768
Profit before tax	9,415	12,120	30,552	370	43,042
Assets	1,705,184	799,796	153,754	3,857	957,407

*Total exclusive of transmission activity.

During the first half of the year 2014 the Company generated its entire revenue from Lithuanian customers, while during the first half of the year 2013 the Company earned over 98 % in revenue from Lithuanian customers.

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

AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014
(all amounts are in LTL thousand unless otherwise stated)

7 Discontinued operations

The revenue earned and expenses incurred by transmission activity during the six months period ended 30 June 2013 had been attributed to discontinued operations.

	<u>Six months period ended 30 June 2013 (not audited)</u>
Sales	81,630
Other income	1,707
Expenses	<u>(72,565)</u>
Profit from operations	10,772
Financial activity	<u>(1,357)</u>
Profit before tax from discontinued operations	9,415
Income tax	<u>1,613</u>
Current period income tax	172
Deferred income tax	<u>1,441</u>
Net profit from discontinued operations	<u>11,028</u>

The reconciliation of the total net cash flows of the Company with the cash flows from (to) the discontinued operations and the continuing operations as at 30 June 2013.

	<u>Six months period ended 30 June 2013 (not audited)</u>
Discontinued operations	
Net cash flows from operating activities	46,876
Net cash flows (to) investing activities	(43,556)
Net cash flows from financial activities	<u>1,150</u>
Net increase in cash and cash equivalents	<u>4,470</u>
Cash and cash equivalents at the beginning of the period	<u>20,913</u>
Cash and cash equivalents at the end of the period	<u>25,383</u>
Continuing operations	
Net (decrease) in cash and cash equivalents	<u>(31,981)</u>
Cash and cash equivalents at the beginning of the period	<u>91,504</u>
Cash and cash equivalents at the end of the period	<u>59,523</u>
Total net (decrease) in cash and cash equivalents of the Company	<u>(27,511)</u>
Cash and cash equivalents at the beginning of the period	<u>112,417</u>
Cash and cash equivalents at the end of the period	<u>84,906</u>
Earnings per share from discontinued operations	
	<u>As at 30 June 2013 (not audited)</u>
Net profit from discontinued operations attributable to the shareholders (in LTL thousand)	11,028
Weighted average number of shares in thousands	<u>469,068</u>
Basic earnings per share from discontinued operations (in LTL)	<u>0.023</u>

8 Goods for resale (including natural gas)

Goods for resale amounted to LTL 32,968 thousand as at 30 June 2014 (as at 31 December 2013 – LTL 40,424 thousand). Goods for resale decreased due to lesser quantities of natural gas purchased and significantly decreased price of natural gas due to discount provided by OAO Gazprom.

9 Prepayments

Prepayments amounted to LTL 251,323 thousand as at 30 June 2014 (as at 31 December 2013 – LTL 572 thousand), thereof LTL 250,522 thousand of prepayments related to retrospective natural gas import price reduction by OAO Gazprom for the period from 1 January 2013 till 1 March 2014, as indicated in Note 2.

10 Trade receivables

Trade receivables amounted to LTL 63,252 thousand as at 30 June 2014 (as at 31 December 2013 – LTL 139,706 thousand). Trade receivables decreased mainly due to lesser quantities of natural gas sold in relation to the end of heating season and decreased price of natural gas for non-household customers since 1 May 2014.

11 Trade payables

	As at 30 June 2014	As at 31 December 2013
Suppliers of natural gas	-	129,139
Other	9,295	7,176
	9,295	136,315

As at 30 June 2014 the Company did not owe to the suppliers of natural gas, since, as described in Notes 2 and 9, due to retrospectively reduced price by OAO Gazprom for imported natural gas the Company accounted for prepayments, which are netted with payables for purchases of natural gas.

12 Advances received

Advances received amounted to LTL 25,601 thousand as at 30 June 2014 (as at 31 December 2013 – LTL 9,012 thousand).

Advances received increased mainly due to difference of declared and consumed natural gas quantities by household customers.

13 Income tax

Income tax expenses for the period include current period income tax and deferred income tax. The profit for the first half of the year 2014 and for the year 2013 is taxed at an income tax rate of 15 % according to the Law on Income Tax of the Republic of Lithuania.

The income tax for the first half of the year 2014 amounted to LTL 57,913 thousand, thereof the income tax liability of the Company for the year 2013 increased by LTL 36,340 thousand due to retrospectively decreased price by OAO Gazprom for imported natural gas. When calculating the income tax for the first half of the year 2014, the Company applied the investment incentive for the property plant and equipment, complying with the criteria set out in Law on Income Tax and reduced income tax expenses by LTL 827 thousand.

Income from deferred income tax amounted to LTL 34,253 thousand for the first half of the year 2014, thereof LTL 29,400 thousand deferred income tax liability decrease from impairment accounted and deferred tax asset in the amount of LTL 3,589 thousand from provision for onerous contracts with household customers accounted.

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14 Provisions

As at 30 June 2014 short-term provisions of the Company amounted to LTL 23,928 thousand representing provision for onerous contracts (Note 2). As at 31 December 2013 the Company did not have short-term provisions.

15 Other payables and current liabilities

The Company's other payables and current liabilities mainly consisted of VAT payable, which amounted to LTL 9,345 thousand as at 30 June 2014 (as at 31 December 2013 the Company's VAT payable amounted to LTL 19,189 thousand).

16 Earnings per share

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

	As at 30 June 2014	As at 30 June 2013 (not audited)
Net profit attributable to the shareholders (in LTL thousand)	126,166	49,011
Net profit from continuing operations attributable to the shareholders (in LTL thousand)	126,166	37,983
Weighted average number of shares in thousands	290,686	469,068
Basic earnings per share (in LTL)	0.434	0.104
Basic earnings per share from continuing operations (in LTL)	0.434	0.081

The Company additionally calculated basic earnings per share from continuing operations for six months of 2013, by evaluating profit from continuing operations and share capital, attributable to continuing operations, which amounted to 290,686 thousands of shares.

	As at 30 June 2013 (not audited)
Net profit from continuing operations attributable to the shareholders (in LTL thousand)	37,983
Number of shares attributable to continuing operations as at 30 June 2013 (in thousands)	290,686
Basic earnings per share from continuing operations (in LTL)	0.131

17 Contracts for the acquisition of non-current assets

As at 30 June 2014 the Company had the contracts for the acquisition of non-current assets, which are not recognised in these financial statements and amount to LTL 12,933 thousand (as at 31 December 2013 - LTL 4,254 thousand).

18 Commitments and contingencies

Legal disputes

On 25 March 2011 the Ministry of Energy of the Republic of Lithuania, which at the date held 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 to 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 cannot be reasonably estimated.

19 Related party transactions

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

The related parties of the Company, transaction amounts and debts as at 30 June 2014 and 30 June 2013 were as follows:

- The Ministry of Energy of the Republic of Lithuania, since 21 February 2014 - Lietuvos Energija, UAB, and its Group companies, hereinafter - Lietuvos Energija, UAB (one of the major shareholders of the Company until 21 May 2014, main Shareholder since 21 May 2014);
- E.ON Ruhrgas International GmbH (one of the major shareholders of the Company, until 21 May 2014);
- OAO Gazprom (one of the major shareholders of the Company, until 19 June 2014);
- UAB Palangos Perlas (subsidiary of the Company, liquidated at 2 August 2013);
- UAB GET Baltic (joint venture where the Company has an interest);
- AB Amber Grid (common shareholder, until 19 June 2014);
- AS Latvijas Gaze (common shareholder, until 19 June 2014).

The tables below present the Company's transactions and balances with related parties as at 30 June 2014 and 30 June 2013. Transactions of the Company with Lietuvos Energija, UAB, sales-purchases are disclosed for the period 1 March 2014 – 30 June 2014. Transactions of the Company with OAO Gazprom, AB Amber Grid and AS Latvijas Gaze, sales-purchases are disclosed for the period 1 January 2014 – 30 June 2014. Trade payables to OAO Gazprom, AB Amber Grid and AS Latvijas Gaze and trade receivables from before mentioned companies as at 30 June 2014 are not disclosed as for the end of the period above mentioned companies are not related parties of the Company.

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19 Related party transactions (cont'd)

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.

As at 30 June 2014	Purchases	Sales	Accounts receivable	Accounts payable
OAo Gazprom*	219,395	(1,293)	-	-
AB Amber Grid	14,894	5,832	-	-
AS Latvijas Gaze	639	-	-	-
UAB GET Baltic	97	7	19,999	-
UAB Lietuvos energija	214	1,973	466	56
	235,239	6,519	20,465	56

*The Company has evaluated corrections during 2014 regarding discount received from OAo Gazprom (see Note 2).

As at 30 June 2013 (not audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAo Gazprom	751,407	17,497	2,446	45,997
UAB Palangos perlas	-	4	-	-
AS Latvijas Gaze	786	-	-	-
UAB GET Baltic	1	587	313	-
	752,194	18,088	2,759	45,997

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 2014 the Company has not accounted for any allowance for receivables from related parties.

20 Events after the reporting period

As at 21 July 2014 the Board of Directors of the Company adopted a decision that distribution and supply activities will be segregated by selling complex of assets of the Company (part of the Company), i.e. natural gas supply activity with its allocated assets, rights and obligations. Since the decision was made and the likelihood of a sale of the supply activity became high only after the end of the reporting period, but before issue of these interim condensed financial statements, the event is not an adjusting and the Company did not apply IFRS 5 for the supply activity presentation in these financial statements.

As at 21 July 2014 the Board of Directors of the Company adopted a decision to account for provision to cover potential additional expenses during the period 1 January 2015 – 31 December 2016 amounting to LTL 281,100 thousand in relation to possible obligation of the Company to attribute the part of imported natural gas price reduction effect to the commercial customers. The provision was not accounted for in these financial statements.

As at 22 July 2014 the Extraordinary General Meeting of Shareholders approved profit distribution of the year ended 31 December 2013 and decided to pay dividends for the shareholders in amount of LTL 53,280 thousand (LTL 0.183 for one ordinary share with nominal value of each being LTL 1) and transfer the amount of LTL 328,013 thousand from other reserves to retained earnings.