AKCINĖ BENDROVĖ „LIETUVOS DUJOS“
JOINT STOCK COMPANY LIETUVOS DUJOS
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CONFIRMATION OF RESPONSIBLE PERSONS

26 March 2014 No 7-31-335

Following Art. 21 of the Law on Securities of the Republic of Lithuania and the Rules for the Drawing up and the Submission of Periodic and Additional Information approved by the Board of the Bank of Lithuania, we, Viktoras Valentukevičius, General Manager and Giedrė Glinskienė, Deputy General Manager – Chief Financial Officer of AB Lietuvos Dujos, hereby confirm that to the best of our knowledge, the attached AB Lietuvos Dujos Company's and Group's Financial Statements for the Year Ended 31 December 2013 Prepared According to International Financial Reporting Standards as Adopted by the European Union, Presented together with Independent Auditor's Report presents a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Lietuvos Dujos Company and the Group; and AB Lietuvos Dujos Annual Report 2013 presents a true and fair review of the business development and business activities, the Company's status including the description of the key risks and uncertainties.

General Manager — Viktoras Valentukevičius

Deputy General Manager– Chief Financial Officer — Giedrė Glinskienė

AB LIETUVOS DUJOS

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

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

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

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Qualified Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Asta Štreimikienė
Auditor's license No. 000382

The audit was completed on 4 March 2014.

Statements of financial position

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

(cont'd on the next page)

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

Statements of financial position (cont'd)

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

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

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

Income statements

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

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

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

Statements of comprehensive income

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

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

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

Statements of changes in equity

Company	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2012		**469,068**	**38,908**	**1,450,635**	**95,686**	**2,054,297**
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Dividends declared	24	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	75,964	75,964
Net profit for the year		-	-	-	*75,964*	*75,964*
Balance as at 31 December 2012		**469,068**	**43,692**	**1,469,537**	**75,964**	**2,058,261**
Transfer from other reserves		-	-	(160,000)	160,000	-
Transfer to legal reserve		-	3,215	-	(3,215)	-
Transfer to other reserves		-	-	15,749	(15,749)	-
Dividends declared	24	-	-	-	(217,000)	(217,000)
Total comprehensive income		-	-	-	63,276	63,276
Net profit for the year		-	-	-	*63,276*	*63,276*
Unbundling of transmission activity	31	(178,382)	(17,838)	(997,273)	(9,996)	(1,203,489)
Balance as at 31 December 2013		**290,686**	**29,069**	**328,013**	**53,280**	**701,048**

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

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

Statements of changes in equity (cont'd)

Group	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2012		**469,068**	**39,100**	**1,452,540**	**94,632**	**2,055,340**
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(1,482)	1,482	-
Dividends declared	24				(72,000)	(72,000)
Total comprehensive income		-	-	-	74,506	74,506
Net profit for the year		-	-	-	*74,506*	*74,506*
Balance as at 31 December 2012		**469,068**	**43,884**	**1,469,960**	**74,934**	**2,057,846**

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

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

Statements of cash flows

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

(cont'd on the next page)

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

Statements of cash flows (cont'd)

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

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

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

Notes to the financial statements

1 General information

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

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

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

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

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

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

The Company has 5 branches.

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

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

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

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

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

1 General information (cont'd)

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

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

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

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

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

Unbundling of the Company's activities

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

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

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

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

Administration of funds of Liquefied natural gas terminal

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

2 Accounting principles

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

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

2.1. Basis of preparation

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

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

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

Standards issued but not yet effective

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

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.1 Basis of preparation (cont'd)

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

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

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

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

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

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

2.2. Measurement and presentation currency

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

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

2.3. Principles of consolidation

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

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

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

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

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

2 Accounting principles (cont'd)

2.4. Investment in a joint venture

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

2.5. Intangible assets

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

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

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

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

2.6. Property, plant and equipment

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

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

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

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

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

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

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

2 Accounting principles (cont'd)

2.7. Financial assets

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

The measurement categories relevant to the Company include:

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

2.8. Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

2 Accounting principles (cont'd)

2.9. Inventories

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

2.10. Cash and cash equivalents

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

2.11. Borrowings

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

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

2.12. Borrowing costs

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

2.13. Grants (deferred revenue)

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

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

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

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

2.14. Non-current employee benefits

Defined benefit plan – post employment benefits

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

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

2 Accounting principles (cont'd)

2.14 Non-current employee benefits (cont'd)

Other long-term employee benefits

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

2.15. Income tax

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

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

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

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

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

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

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

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

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

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

2.16. Revenue recognition

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

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

2 Accounting principles (cont'd)

2.17. Foreign currencies

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

2.18. Fair value measurements

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

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

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

2.19. Impairment of assets

Financial assets

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

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

Other assets

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

2 Accounting principles (cont'd)

2.20. Use of estimates in the preparation of financial statements

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

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

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

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

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

2.21. Contingencies

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

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

2.22. Events after the reporting period

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

2.23. Offsetting

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

3 Segment information

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

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

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

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

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

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

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

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

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

3 Segment information (cont'd)

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

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

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

4 Discontinued operations

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

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

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

Earnings per share

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

Reconciliation of cash flows from discontinued operations

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

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

4 Discontinued operations (cont'd)

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

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

5 Intangible assets

Movement of intangible assets for the current and prior periods:

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

5 Intangible assets (cont'd)

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

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

6 Property, plant and equipment

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

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

6 Property, plant and equipment (cont'd)

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

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

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

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

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

6 Property, plant and equipment (cont'd)

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

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

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

7 Investment into subsidiary

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

8 Non-current accounts receivable

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

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

9 Inventories

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

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

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

10 Accounts receivable

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

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

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

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

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

10 Accounts receivable (cont'd)

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

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

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

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

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

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

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

11 Other current assets

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

12 Cash and cash equivalents

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

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

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

13 Reserves

Legal reserve

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

Other reserves

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

Profit distribution

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

14 Borrowings

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

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

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

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

15 Grants (deferred revenue)

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

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

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

16 Non-current employee benefits

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

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

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

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

17 Trade payables

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

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

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

18 Other payables and current liabilities

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

19 Natural gas transmission service expenses

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

20 Other income

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

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

21 Financial activities

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

22 Income tax

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

22 Income tax (cont'd)

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

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

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

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

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

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

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

23 Earnings per share

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

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

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

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

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

24 Dividends declared

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

* In the year when the dividends are declared.

25 Cash flows from investing and financing activities

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

26 Capital investment commitments

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

27 Financial assets and liabilities and risk management

Liquidity risk

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

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

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

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

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

Credit risk

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

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

The Company does not guarantee obligations of other parties.

Foreign currency risk

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

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

Interest rate risk

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

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

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

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

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

Gas import price fluctuation risk

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

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

Fair value of financial assets and liabilities

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

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

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

28 Commitments and contingencies

Legal disputes

On 25 March 2011 the Ministry of Energy of the Republic of Lithuania, which holds 17.7 percent of the Company's shares by the right of trust, applied to Vilnius Regional Court with an action for an investigation of activities of a legal person and indicated AB Lietuvos Dujos, the Company's board members delegated by OAO Gazprom and the general manager as defendants. This action requests initiation of an investigation of AB Lietuvos Dujos activities and satisfaction of the respective claims specified in the action, provided that the activities of the company AB Lietuvos Dujos and/or the above board members and/or the general manager are found inadequate. Following the investigation of the action regarding the initiation an investigation of activities of a legal person lodged by the claimant, the Ministry of Energy of the Republic of Lithuania, the Vilnius Regional Court by its ruling as of 3 September 2012 granted the claim and decided to start investigation of the AB Lietuvos Dujos activities. The Company lodged an appeal against the ruling of the Court of First Instance with the Court of Appeal of the Republic of Lithuania. The Court of Appeal of the Republic of Lithuania upheld the ruling of the Vilnius Regional Court. On 29 April 2013, the Company lodged a cassation appeal with the Lithuanian Supreme Court requesting reversal on appeal of the judgment of the Lithuanian Court of Appeal as of 21 February 2013 and requesting that the action brought by the plaintiff be either left unconsidered or dismissed altogether. On 20 November 2013, the Lithuanian Supreme Court rendered a judgment to suspend the lawsuit unless the issue of acknowledgement of the decision of the Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter referred to as "the Arbitration Decision") is settled and the permit to satisfy the Arbitration Decision is given. The Arbitration Decision indicates that the courts of the Republic of Lithuania are entitled consider the lawsuit regarding the investigation of activities of AB Lietuvos Dujos. However, all the issues related to the natural gas supply and transit to the district of Kaliningrad, including prices and tariffs shall be subject to the exclusive competence of Arbitration. While examining the issue of acknowledgement of the Arbitration Decision, the Lithuanian Supreme Court appealed to the Court of Justice of the European Union requesting to award a preliminary (explanatory) judgement regarding the interpretation and application of the legal rules related to the acknowledgement of the Arbitration Decision. The outcome of the case is uncertain and can not be reasonably estimated.

28 Commitments and contingencies (cont'd)

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

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

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

29 Related party transactions

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

The related parties of the Company, transaction amounts and debts as at 31 December 2013 and 2012 were as follows:

- E.ON Ruhrgas International GmbH (one of the major shareholders of the Company);
- OAO Gazprom (one of the major shareholders of the Company);
- Ministry of Energy of the Republic of Lithuania (one of the major shareholders of the Company);
- UAB Palangos perlas (subsidiary of the Company, liquidated as at 2 August 2013);
- UAB GET Baltic (joint venture);
- AS Latvijas Gaze (the same shareholders);
- AB Amber Grid (the same shareholders);
- OAO Beltransgaz (same ultimate shareholder);
- UAB Kauno termofikacijos elektrinė (same ultimate shareholder, related party until 14 March 2013).

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

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

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

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

29 Related party transactions (cont'd)

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

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

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

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

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

Management remuneration

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

30 Capital management

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

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

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

31 Spin-off balance sheet

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

(cont'd on the next page)

31 Spin-off balance sheet (cont'd)

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

32 Events after the reporting period

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

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

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

LIETUVOS DUJOS

ANNUAL REPORT 2013

APPROVED
by AB Lietuvos Dujos Board of Directors Meeting
of 27 March 2014

APPROVED
by AB Lietuvos Dujos General Meeting of Shareholders
of 30 April 2014

Vilnius
2014

CONTENTS

REPORTING PERIOD FOR WHICH THE REPORT WAS PREPARED

The Year 2013.

In the implementation of requirements of the European Union and national laws, AB Lietuvos Dujos (hereinafter referred to as “the Company”, “LD”) successfully unbundled natural gas transmission activity by 31 July 2013 and, on the basis of assets, rights and obligations attributed to this activity, it established a new company – natural gas system operator AB Amber Grid. Given the fact that after unbundling natural gas transmission activity, this activity is continued by AB Amber Grid, annual report for 2013 presents information and data to the extent it is related to natural gas supply and distribution activity continued by the Company.

MAIN DATA ABOUT THE ISSUER

Name	AB Lietuvos Dujos
Legal form	public company
Date of registration and the register	23 November 1990, State Enterprise Centre of Registers
Company code	120059523
Administrator of Register of Legal Entities	State Enterprise Centre of Registers
Authorized capital	LTL 290,685,740
Registered office address	Aguonų str. 24, LT-03212 Vilnius, Lithuania
Telephone number	+370 5 236 0210
Fax number	+370 5 236 0200
E-mail address	ld@lietuvosdujos.lt
Website	www.dujos.lt

MAJOR DEVELOPMENTS OF THE REPORTING PERIOD

Up to 31 July 2013 the activities carried out by AB Lietuvos Dujos also included the natural gas transmission activity. Major developments of this period were published in the interim report for the first half of 2013. Information about them can be found in the Central Database of Regulated Information www.crib.lt and the Company website www.dujos.lt.

On 1 August 2013 transfer deed was signed pursuant to the Terms and Conditions of the Spin-off of AB Lietuvos Dujos approved by the decision of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos on 11 June 2013. On the basis of the aforesaid transfer deed, AB Amber Grid took over the assets, rights and obligations of AB Lietuvos Dujos attributed to the natural gas transmission activity.

Major developments after the performed unbundling of the transmission activity

- On 20 August AB Lietuvos Dujos and AB Amber Grid signed the Final Spin-Off Balance Sheet as at 31 July 2013 pursuant to the Terms and Conditions of the Spin-off of AB Lietuvos Dujos approved by the decision of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos on 11 June 2013. Since the Terms and Conditions of the Spin-off were drawn up on the basis of financial statements as at 31 October 2012, the aforesaid balance sheet adjusted the amounts of assets, equity and liabilities transferred to AB Amber Grid reflecting the changes impacted by AB Lietuvos Dujos economic activities that took place by the date of their actual transfer to AB Amber Grid, i.e. by 31 July 2013.

- On 24 October, the National Control Commission for Prices and Energy (hereinafter referred to as “the NCCPE”) determined AB Lietuvos Dujos natural gas distribution price cap for 201-2018.

- On 30 October, the Board of Directors of LD adopted the decision to establish a subsidiary, the legal form of which is a private limited liability company and to which the natural gas distribution activity of the Company will be later transferred together with the assets, rights and obligations attributed to such activity. The decision to establish a subsidiary was adopted in accordance of the provisions of the Law on Natural Gas of the Republic of Lithuania and other legal acts regulating the unbundling of the distribution activity.

- On 14 November, the NCCPE approved natural gas distribution prices to be effective from 1 January 2014, which were determined by the Board of Directors of the Company on 30 October 2013. The prices were published on www.dujos.lt.

- On 28 November, the NCCPE disapproved AB Lietuvos Dujos natural gas tariffs for household customers that were supposed to come into effect from 1 January 2014, which were set by the Board of Directors of AB Lietuvos Dujos on 22 November 2013. By its unilateral decision the NCCPE set higher AB Lietuvos Dujos natural gas tariffs for household customers. Natural gas tariffs were published online at www.dujos.lt.

All public notices that in accordance with law are subject to publication are posted in the electronic publication of the Administrator of Register of Legal Entities. Notifications on convening a General Meeting of Shareholders of the Company as well as other material events are posted in accordance with procedure established by the Law on Securities of the Republic of Lithuania on the Central Database of Regulated Information www.crib.lt and the Company's website www.dujos.lt. Where shareholders' holdings entitle them to at least 10% of the total voting rights, notices to such shareholders on convening a General Meeting of Shareholders are sent in accordance with procedure established by the Bylaws of the Company.

MAJOR DEVELOPMENTS AFTER THE REPORTING PERIOD

- 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 the arbitration proceedings, including, but not limited to, the purchase 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 with the aim to improve the conditions of supply of gas to the Company. The arbitration proceedings will 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.

- On 14 February 2014, it became known to AB Lietuvos Dujos that on 12 February 2014 the Government of the Republic of Lithuania adopted a resolution, which decided:

- To transfer to the Ministry of Finance of Republic of Lithuania 51,454,638 (fifty one million four hundred fifty four thousand six hundred and thirty eight) non-material ordinary registered shares of AB Lietuvos Dujos, the nominal value of each of which is equal to LTL 1 (one) 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 and were managed by the right of trust by the Ministry of Energy of the Republic of Lithuania to be managed, used and disposed of by the right of trust.

- To establish that, increasing the authorised capital of UAB Lietuvos Energija, 51,454,638 (fifty one million four hundred fifty four thousand six hundred and thirty eight) non-material ordinary registered shares of AB Lietuvos Dujos, the nominal value of each of which is equal to LTL 1 (one) 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, shall be transferred to UAB Lietuvos Energija as an additional contribution. The value of the contributed shares is equal to the weighted average market price within 6 months until the date of payment of newly issued shares of UAB Lietuvos Energija by appropriate shares.

- 20 February 2014, the Ministry of Energy, implementing 12 February 2014 Resolution No 120 of the Government of the Republic of Lithuania "On Investing the State Property and Increasing the Companies' Authorised Capital", by the transfer-acceptance deed 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.

- On 21 February 2014, the Ministry of Finance of the Republic of Lithuania, implementing 12 February 2014 Resolution No 120 of the Government of the Republic of Lithuania "On Investing the State Property and Increasing the Companies' Authorised Capital", transferred to Lietuvos Energija, UAB (company code 301844044, address Žvejų str. 14, Vilnius) 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.

NATURAL GAS BUSINESS ENVIRONMENT

Implementation of the Third Energy Package

Pursuant to the Law on Natural Gas and the Law on Implementation of the Law on Natural Gas transposing into the national law provisions of the Third Energy Package of the EU, in 2011, the Government of the Republic of Lithuania (hereinafter referred to as “the GoRL”) passed respective resolutions providing for the Company’s actions to be taken with regard to the reorganization of the Company: the Resolution No. 1239 “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” as adopted by the GoRL on 28 October 2011 and the Resolution No. 1417 “On Approval of the Description of the Procedure for Unbundling of the Activities and Control of Natural Gas Undertakings that do not Conform to the Requirements of the Law on Natural Gas of the Republic of Lithuania” as adopted by the GoRL on 7 December 2011.

Pursuant to the provisions of laws of the Republic of Lithuania, on 31 January 2013 the Company submitted for the NCCPE’s approval Terms and Conditions of the Spin-Off approved by the Board of Directors of AB Lietuvos Dujos on 30 January 2013, which were drawn up following the Resolution of the Extraordinary General Meeting of Shareholders of the Company held on 28 May 2012 and the Resolution of the NCCPE No. O3-145 “On the Action Plans for the Unbundling of AB Lietuvos Dujos Transmission and Distribution Activities and Control” of 15 June 2012.

On 28 February 2013, the NCCPE approved the Terms and Conditions of the Spin-Off of the Company, which were published on 7 March 2013.

On 11 June 2013, the Extraordinary General Meeting of Shareholders approved the Terms and Conditions of the Spin-Off of LD and decided, in accordance with the terms and conditions thereof, to unbundle the spin-off part (the activity of natural gas transmission of AB Lietuvos Dujos) and, on the basis of the assets, rights and obligations assigned to this part, to establish a new company AB Amber Grid.

On 18 July 2013, the NCCPE adopted a decision to revoke the LD’s natural gas transmission licence as from 1 August 2013 and issue to AB Amber Grid a fixed-term natural gas transmission license as from 1 August 2013.

On 1 August 2013, a transfer deed was signed, on the basis of which AB Amber Grid took over the assets, rights and obligations of AB Lietuvos Dujos attributed to natural gas transmission activity.

On 20 August 2013, AB Lietuvos Dujos and AB Amber Grid signed the Final Spin-Off Balance Sheet as at 31 July 2013. Since the Terms and Conditions of the Spin-Off were drawn up on the basis of the financial statements as at 31 October 2012, the said balance sheet revised the amounts of the assets, equity and liabilities transferred to AB Amber Grid reflecting the changes impacted by AB Lietuvos Dujos economic activities that took place by the date of their actual transfer to AB Amber Grid, i.e. by 31 July 2013.

After the successful completion of the first stage of the reorganization of the Company – unbundling of the transmission activity, the process of unbundling of the distribution activity was started.

In the implementation of the provisions of the Law on Natural Gas and other legal acts of the Republic of Lithuania on the unbundling of legal, functional and organizational aspects of the natural gas distribution activity, on 30 October 2013, the Board of Directors of the Company adopted the decision to establish a subsidiary, the legal form of which would be a private limited liability company and to which the natural gas distribution activity of the Company would be later transferred together with the assets, rights and obligations attributed to such an activity. The Board of Directors of the Company also established that the authorized capital of the subsidiary would be LTL 1.000.000. The Company’s administration was entitled to prepare and submit incorporation documents of the subsidiary to the Company’s Board of Directors for approval by 1 April 2014.

Legal, functional and organization unbundling of the distribution activity is scheduled for completion no later than by 31 October 2014, as provided by legal acts.

Law on the Liquefied Natural Gas Terminal

On 27 June 2013, the Seimas (Parliament) passed the Law Amending Articles 5, 10 and 11 of the Law on Liquefied Natural Gas Terminal establishing that all fixed operating costs of the LNG terminal necessary for the ensurance of operations of the LNG terminal shall be covered by the funds of all transmission system users. This law establishes the obligation for regulated electricity and (or) heat energy producers, to whom subsidized electricity production volumes are allocated and/ or whose prices for the energy produced are regulated by the state – in the first instance to purchase natural gas volumes imported through the LNG terminal matching the mandatory volume of the LNG terminal. Electricity and heat producers are obliged to enter into purchase – sales contracts with the designated suppliers at least for a 5-year period. These provisions of the Law may have an adverse effect on the Company's performance results, as they are limiting the competition in the natural gas market.

In accordance with the Law on the LNG Terminal and decision of the NCCPE, the Company was performing the functions of the LNG terminal administrator from 1 January 2013 till 31 July 2013 and was collecting from the system users the LNG terminal funds by applying the LNG terminal surcharge established by the NCCPE. As from 1 August 2013, the administration of the LNG terminal funds was taken over by Amber Grid.

Licensing

The Law on Natural Gas stipulates that the activities of natural gas distribution and supply carried out by the Company are subject to licensing. Licences are issued and the supervision of the licensed activities is executed by the NCCPE. The natural gas distribution licence grants the Company the right to distribute gas in the territory of 41 municipalities (out of 60). The natural gas supply licence grants the Company the right to engage in the natural gas supply business in the territory of the Republic of Lithuania.

The Company was also engaged in the licenced natural gas transmission activity until 31 July 2013. In the implementation of the unbundling of activities, on 1 July 2013 the Company submitted to the NCCPE a notification on the revocation of the natural gas transmission license from 31 July 2013, 24:00. On the same day, the newly established company AB Amber Grid submitted to the NCCPE the request to issue a fixed-term license for the natural gas transmission activity.

On 18 July 2013, the NCCPE adopted the decision to revoke the natural gas transmission license of LD as from 1 August 2013 and issue a natural gas transmission license to AB Amber Grid as from 1 August 2013.

Pricing

Natural gas distribution service tariffs applicable to all customers are subject to regulation. Price caps of the regulated service tariffs are set for a five-year regulation period and by the NCCPE decision may be adjusted, however not more often than once a year in cases provided for by the Law on Natural Gas. Year 2013 was the last year of the 2009-2013 regulatory period. On 13 September 2013, the NCCPE approved the Methodology for Setting Regulated Prices in the Natural Gas Sector by its Resolution No. O3-367, pursuant to which it determined the AB Lietuvos Dujos natural gas distribution price cap for 2014-2018 regulatory period by its Resolution No. O3-653 of 24 October 2013.

The natural gas supply activity is not subject to regulation.

Natural gas distribution prices are set by the Company once per year. Natural gas tariffs for household customers are set once every six months. Natural gas distribution prices and tariffs for household customers are submitted to the NCCPE for approval.

On 1 January 2013, new natural gas distribution service prices and natural gas tariffs for household consumers set by the Board of Directors of the Company and approved by the NCCPE took effect. As compared to the tariffs valid in Half 2 of 2012, the variable component of the tariff was reduced by 8 Lithuanian cents/m^3 for all household customers. The fixed component of the tariff remained unchanged. The decrease of the variable component of the natural gas tariff for household customers could be even more significant and amount to 12 Lithuanian cents/m^3 due to positive changes in global oil and currency markets and respectively reduced natural gas import price. However, due to resolutions adopted by national authorities, from 1 January

2013 the tariff increased by 4.5 Lithuanian cents/m^3 because a component for financing works of the construction of the liquefied natural gas terminal was included therein.

With due consideration of the changes in the imported natural gas prices in Half 1 of 2013 and global tendencies and forecasts in oil and currency markets, on 25 April 2013 the Board of Directors of AB Lietuvos Dujos decided not to change applicable natural gas tariffs for household customers, i.e. from 1 July 2013 to apply the same tariffs which were in effect in Half 1 of 2013. On 24 May 2013, these tariffs were approved by the NCCPE.

Natural gas prices for non-household customers are recalculated each month, depending on the changes in the gas import prices. Natural gas import price depends on oil and gasoil prices in international market, the USD/EUR exchange rate set by the European Central Bank and the actual calorific value of natural gas. In 2013, prices for energy resources in international markets and the value of EUR in respect of USD stabilised, thus, natural gas prices for non-household consumers were gradually decreasing in 2013.

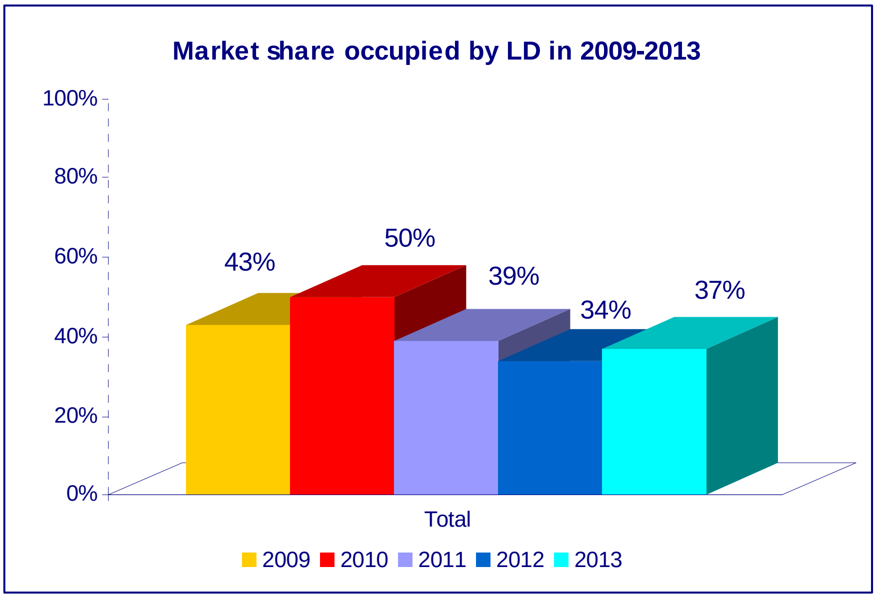
On 30 October 2013, the Board of the Company set specific natural gas distribution service prices to take effect as from 1 January 2014, which were approved by the NCCPE by its Resolution No. O3-686 of 14 November 2013.

Seeking for a solution during the maximum natural gas consumption period favourable to the Company's customers, on 22 November 2013, the Board of Directors of the Company approved lower natural gas tariffs for household consumers effective from 1 January 2014. The variable part of the tariff approved by the Board of Directors of the Company for different subgroups of consumers decreased by 9 to 30 cent/m^3 (including VAT). The constant part of the tariff remained unchanged. Tariffs of Half 1 of 2014 included the compensation of differences in natural gas import price for consumers for the entire 2013 (actual data for 10 months and forecast for 2 months). In its meeting of 28 November 2013, the NCCPE unilaterally set higher gas tariffs for AB Lietuvos Dujos customers effective from 1 January 2014. Setting tariffs for Half 1 of 2014, the NCCPE assessed only the actual impact of price difference of Half 1 of 2013. Impact of the difference of gas import prices of Half 2 of 2013 will be evaluated when calculating natural gas supply tariffs for household customers for Half 2 of 2014.

For more detailed information on the prices of services provided by LD and on tariffs for household consumers visit the Company's website www.dujos.lt.

Market

Besides LD, natural gas to Lithuania is also imported by other natural gas market participants. In 2013, the market share of AB Lietuvos Dujos in the total natural gas market of Lithuania accounted for 37%.



From 1 August 2013 gas supply services to household customers connected to AB Lietuvos Dujos distribution system had been provided by a new market participant – UAB Sky Energy Group. By 15 December 2013, this

company was supplying natural gas to about 400 household customers. Due to violations of licenced activities, the natural gas supply licence of this company was revoked as from 16 December 2013 by the Resolution No. O3-733 of the NCCPE of 10 December 2013. In order to evade interference with the supply to former customers of UAB Sky Energy Group, LD promptly proposed to conclude standard gas supply contracts.

RISK MANAGEMENT

The Company has implemented a Risk Management System which is a constituent part of LD activities. The Risk Management Process is carried out according to a Methodology that has been approved by the Company. The Risk Management working group has been set up by the Company to coordinate, monitor and supervise the risk management process. The risk management activities are aimed at maintaining an adequate business process control level, minimizing the probability of occurrence of events that may cause risks and minimizing their possible negative effects, ensuring that risks would not exceed the levels acceptable to LD and at implementing the Company's objectives.

The Risk Management Process comprises the following steps: risk identification, analysis, assessment and establishing the risk control measures, developing the Risk Management Action Plan and implementation of measures of the Risk Management Action Plan, monitoring and supervision of the Risk Management Process.

The main risks faced by the Company as it pursues its business are as follows: competition-related risk, regulation-related risk, organizational structure-related risk, natural gas import price fluctuation risk, credit risk, technology-related risk.

The information on the gas import price fluctuation risk, the credit risk and other financial risks is presented in the financial statements of the Company and of the Group for year 2013.

The competition-related risk

In the performance of its activities the Company faces competition both in the fuel (energy) as well as natural gas sectors. In 2013, the NCCPE issued 11 natural gas supply licenses. A total of 27 companies have been issued with licenses for the supply of gas. In 2014, the competition is expected to increase in the natural gas supply market.

The National Energy (Energy Independence) Strategy (hereinafter referred to as the "NES") provides for the construction of a liquefied natural gas terminal by the end of 2014, which will provide opportunities for the diversification of natural gas imports. On 27 June 2013, the Seimas (Parliament) of the Republic of Lithuania approved the updated version of the Law on the Liquefied Natural Gas Terminal, the provisions of which, among other amendments, provide for an obligation for the state regulated electricity and (or) heat energy producers (Energy companies) to use the natural gas imported through the LNG terminal by the order of priority. Energy companies will have to conclude long-term agreements with one specific supply company licensed to supply gas, and purchase from such a company at least 540 million m^3 per year, regardless of the price level in the gas market. This provision will close up a part of the gas market, it will limit the competition. The planned division and closure of the market may have an adverse effect on the Company's performance results.

The Company competes with suppliers of alternative fuels, primarily biofuel. High gas import price level affects the decrease of natural gas competitiveness in the Lithuanian fuel market and, correspondingly, the transition of consumers to the use of alternative energy sources. The NES provides for the promotion of the increase of the share of renewable energy sources in the country's energy balance at the expense of fossil fuels (primarily of natural gas). The majority of large natural gas consumers producing heat and electric power have the necessary technologic equipment and can use alternative energy sources replacing natural gas without any additional investments. The use of biofuel (wood waste, straw) in the production of heat energy is increasing. During the period from 2007 to 2013, the amount of about LTL 220 million was allocated for the promotion of investment projects from the EU structural funds.

Energy produced by using renewable energy sources is bought up in the priority order, its production is subsidized though the application of Public Service Obligations (PSO) mechanism.

In order to retain and expand its market share, to secure safe natural gas supplies to consumers and meet the set customer service quality standard requirements, the Company implements the development of gas systems, continuously carries out gas system maintenance, repair and modernization works, improves its sales and marketing strategies, carries out market research, upgrades its customer service and implements a consistent programme for business process optimization and cost-cutting. LD follows the principles of transparency and fair competition in its business activities.

The regulation-related risk

The regulation-related risk is linked to unfavourable changes in the legal environment and decisions taken by regulatory authorities.

The core activities of the Company are natural gas distribution and supply (the Company was also engaged in natural gas transmission activity until 1 August 2013). Licenses are issued for the execution of these activities. Natural gas distribution service prices and investments into the natural gas distribution systems are regulated by the state. Frequently changed legal framework and regulatory regime create uncertainty of the business environment, aggravate the Company's relations with its customers and impede its ability to plan for long-term.

The Company seeks to maintain constructive relations with regulatory authorities and to actively participate in the legal act drafting process.

The organizational structure risk

In the fulfilment of the requirements of the Law on Natural Gas and other legal acts, the Company has successfully unbundled the natural gas transmission activity – it transferred the assets, rights and obligations allocated for the transmission activity to AB Amber Grid as of 31 July 2013.

After the completion of unbundling of the transmission activity, the process of unbundling of the distribution activity was started. For this purpose, the Company has adopted an organizational structure, which ensures coordination of the necessary actions and their timely execution. With a view to a proper preparation and submission of all the required documentation, the Company's actions are coordinated with the external controlling bodies well in advance.

The timely restructuring of the Company also depends on whether all the authorities related to the unbundling of the Company's activities will execute their actions sticking to statutory deadlines.

The technology-related risk

The technical condition of gas systems owned by the Company is passable, but quite a few of the Company's pipelines are 30-40 years old. One of the main objectives of the Company is to ensure the safety and reliability of its gas systems. The Company implements this objective by:

- acting in strict compliance with the provisions of applicable legal acts, the applicable construction, operation and maintenance rules, work execution procedures;
- ensuring a high technical and technological level of the gas systems;
- ensuring an adequate level of preparedness for accidents, emergencies and extreme situations;
- improving the management of the operation processes, improving the organization of the maintenance works;
- using state-of-the-art information technologies;
- monitoring the technical condition of the gas systems and eliminating any established defects;
- investigating, analysing malfunctions, assessing any possible risks of accidents or malfunctions and planning and implementing respective preventive measures;
- informing the public about the rules of safe behaviour in the vicinity of gas pipelines and measures for ensuring safety of gas consumption;
- attracting, training and retaining the necessary staff, ensuring their adequate competence levels.

FINANCIAL PERFORMANCE

In the implementation of the provision of the Third Energy Package of the EU on the unbundling of the transmission activity, assets, rights and obligations of the transmission activity related to the activity unbundled from the Company as of 31 July 2013 were transferred to a newly established company AB Amber Grid. Below are presented **performance results of the continued activities of LD**.

In 2013 the subsidiary of the Company UAB Palangos Perlas was liquidated, and due to insignificance of its operating results for the year 2013, separate Group financial statements are not prepared, the coincide with Company's financial statements. The overview of the financial results of the Company is presented below.

Key performance indicators

	2013	2012	2011
Performance indicators			
Volumes of distributed natural gas, M m^3	856.3	982.1	1,066.1
Volumes of natural gas sales, M m^3	1,035.3	1,125.6	1,317.8
Number of customers that have concluded natural gas supply agreements as of the end of the year, thousand			
Household customers	552.5	550.3	548.2
Non-household customers	6.5	6.2	5.9
Length of gas pipelines operated, thousand km			
Distribution pipelines	8.3	8.2	8.1
Employees			
Number of employees at the year-end (in 2011-2012 including the transmission activity)	1,364	1,690	1,686

Key financial indicators

	2013	2012	2011
Financial results			
Sales, M LTL	1,532.6	1,703.1	1,663.5
Earnings before interest, taxes, depreciation and amortization (EBITDA), M LTL	97.2	88.4	102.6
Profit from operations, M LTL	56.3	48.6	83.4
Profit before tax, M LTL	57.1	50.5	65.7
Net profit, M LTL	53.3	47.0	55.0
Investments, M LTL	48.9	46.9	27.7
Assets at the end of the year, M LTL*	1,050.5	1,272.6	1,264.8
Equity at the end of the year, M LTL	701.0	843.0	845.0
Financial debt M LTL	0.0	0.0	0.0
Profitability ratios			
EBITDA margin, %	6.3	5.2	6.2
Profit from operations margin, %	3.7	2.8	5.0
Profit before tax margin, %	3.7	3.0	3.9
Net profit margin, %	3.5	2.8	3.3
Average return-on-assets ratio (ROA), %**	4.6	3.7	4.3
Average return-on-equity ratio (ROE), %	6.9	5.6	6.4
Return on capital employed (ROCE), %	7.9	5.8	7.5
Liquidity*			
Overall liquidity	1.4	1.9	2.0
Quick ratio	1.2	1.6	1.8
Leverage*			
Equity to asset ratio, %	66.7	66.2	66.8
Market value ratios* **			

Price-earnings ratio (P/E)****	11.95	12.06	10.34
Basic earnings per share, LTL****	0.18	0.16	0.20
Dividend payment ratio, %*****	-	285.7	75.2
Dividends per share for the current year, LTL*****	-	0.46	0.15

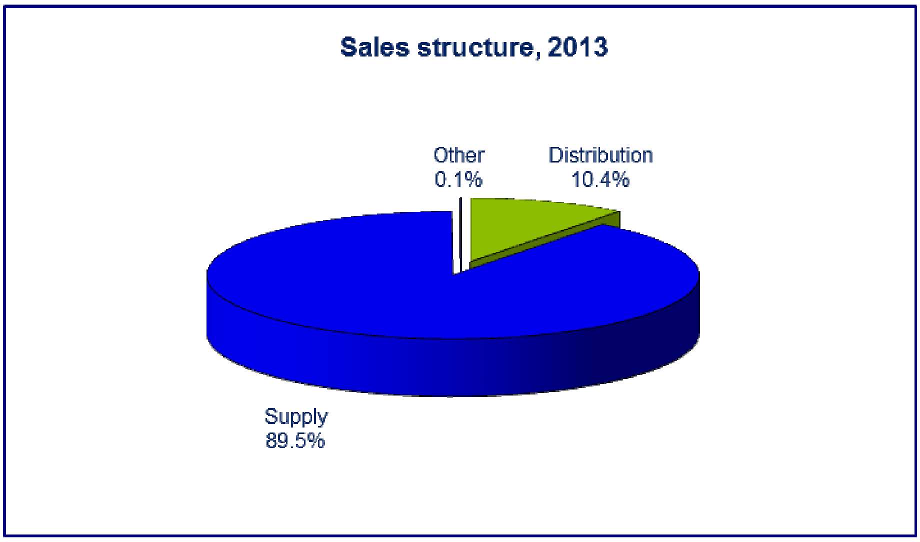
* The 2011 indicator calculated taking into account amounts receivable from the discontinued (transmission) activity.
** The 2011 and 2012 indicator calculated taking into account amounts receivable from the discontinued (transmission) activity
*** The 2011 and 2012 indicator calculated taking into account the discontinued (transmission) activity
**** The 2013 indicator calculated taking into account profit of the continued activity and authorized capital of the continued activity, which remained unchanged in 2013 and amounted to LTL 290,686 thousand.
***** During Company's Annual General Meeting of Shareholders, which was held on 30 April 2014 decision regarding Approval of the Profit Appropriation of AB Lietuvos Dujos for 2013 was not adopted.

Revenues

In 2013, the revenues of the Company, compared with 2012, decreased by 9.9% (LTL 169.8 million) and amounted to LTL 1,537.3 million Lt. The sales accounted for the largest part of the revenues (99.7%).

The decrease of the sales (by LTL 170.5 million, or 10.0%) was caused by the decrease in revenues from the supply activity (from LTL 1,526.6 million to LTL 1,371.2 million, or 10.2%), the drop in which was mainly determined by continually decreasing volumes of gas sold to customers. The reduction of supply revenues was also affected by lower gas sales prices to non-household customers. The drop in price was caused by the reduction in the natural gas import price due to decreasing prices of oil and its products in global markets.

Gas distribution revenues decreased by 8.8%, from LTL 174.8 million to LTL 159.5 million. The distribution price cap adjusted as from 1 January 2013 increased by 7.7%. Also, concrete prices by customer groups (except for customer of group 4, 5 and 6) were increased, however, due to lower volumes of distributed gas, gas distribution activity revenues decreased.



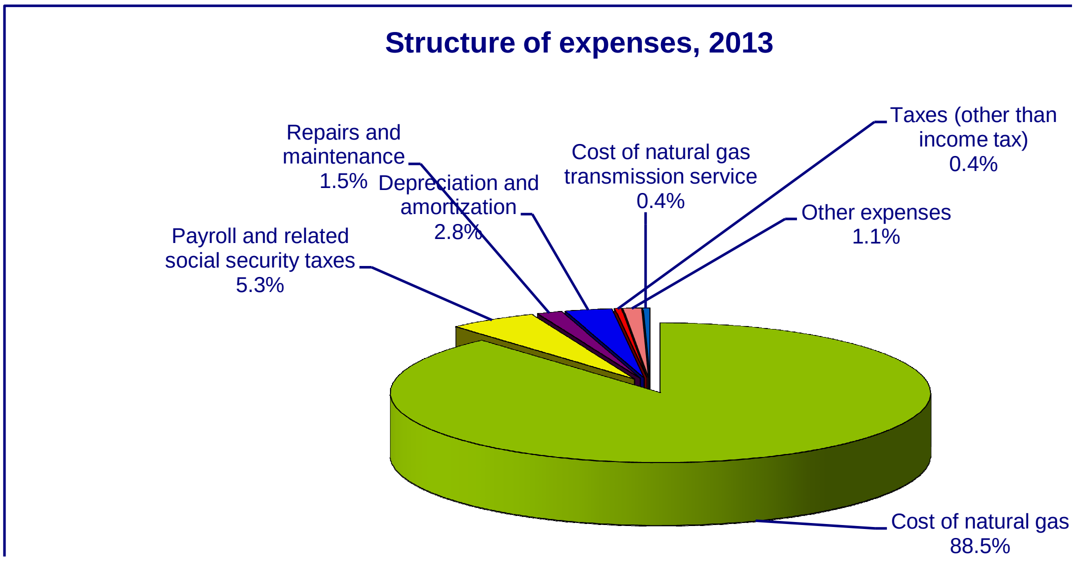
Expenses

The Company's expenses, compared to 2012, decreased by 10.7% (LTL 177.5 million) and amounted to LTL 1,481.0 million. Decrease of expenses was determined by the decrease in the natural gas cost by 12.6% (LTL 189.8 million) due to lower volumes of gas sold and dropped natural gas import price. In the total expenses breakdown, cost of natural gas accounted for 88.5%.

In 2013, natural gas transmission service expenses in the amount of LTL 7.3 million were incurred (one agreement including gas transportation and supply was signed with household and a part of non-household customers. After unbundling of the Company's transmission activity, as from 1 August 2013 transmission service for aforementioned customers and for own needs is purchased from AB Amber Grid).

In 2013, the remaining relatively fixed expenses amounted to LTL 163.3 million, or 11.0% of total expenses, which represents an increase of LTL 5.0 million (3.2%). The largest rise was in other expenses (LTL 1.9 million, or 13.8%), mostly due to the effect of the unbundling of the transmission activity. Depreciation expenses in connection with the investments in individual infrastructure facilities increased (by LTL 1.7 million, or 4.2 %).

In 2013, the Company continued to increase operational efficiency - cost optimization policy was being consistently implemented.



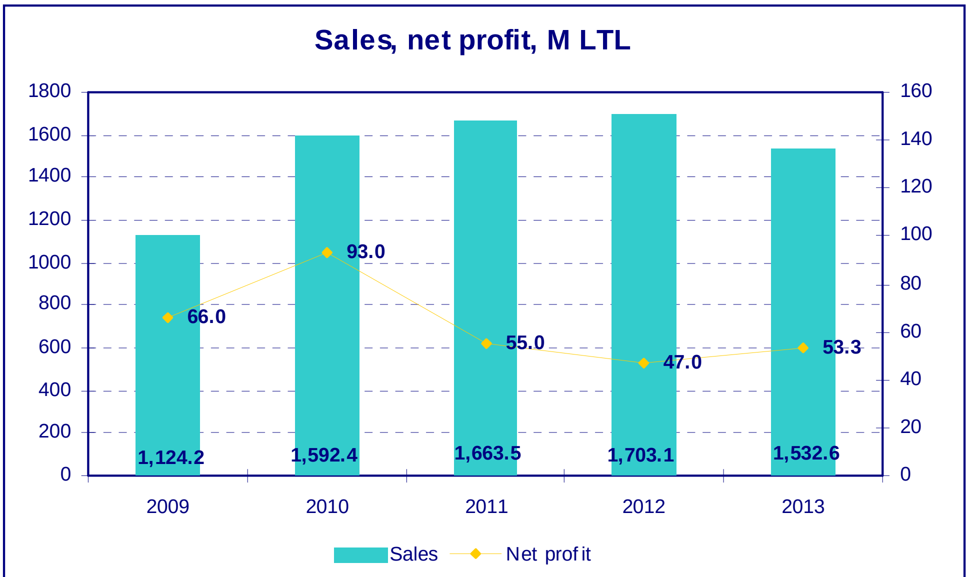
Activity results

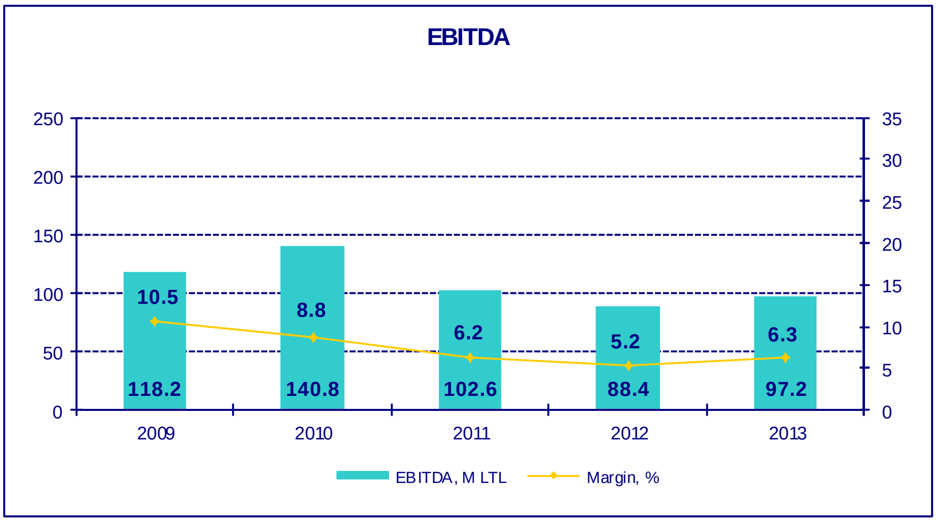
The increase in profit before tax from LTL 50.5 million in 2012 to LTL 57.1 million in 2013 (or by 13.2%) was mainly determined by better results of the supply activity. In 2012, the result of the abovementioned activity was significantly adversely affected by the difference in the gas price included in the pricing for household consumers and actual gas import price. In 2013, compensation was received for loss incurred in this activity in 2012. The distribution activity incurred a pre-tax loss (in 2012 it generated profit). The earnings before interest, taxes, depreciation and amortization (EBITDA) of 2013 increased by LTL 8.8 million (10.0%) and amounted to LTL 97.2 million, in 2012, it was LTL 88.4 million.

The net profit decreased by LTL 12.7 million and amounted to LTL 63.3 million. The net profit also includes the transmission activity result (LTL 10.0 million) prior to unbundling this activity (on 31 July 2013) (the net result of the discontinued transmission activity amounted to LTL 29.0 million in 2012).

In 2013, the net profit of continued activity accounted for LTL 53.3 million (in 2012 it was LTL 47.0 million). The net profit of the activity continued by LD reflects the income tax exemption for investments as provided for by the Law on Income Tax - LTL 4.0 million (in 2012, the exemption for investments in the net profit of the continued activity amounted to LTL 3.0 million).

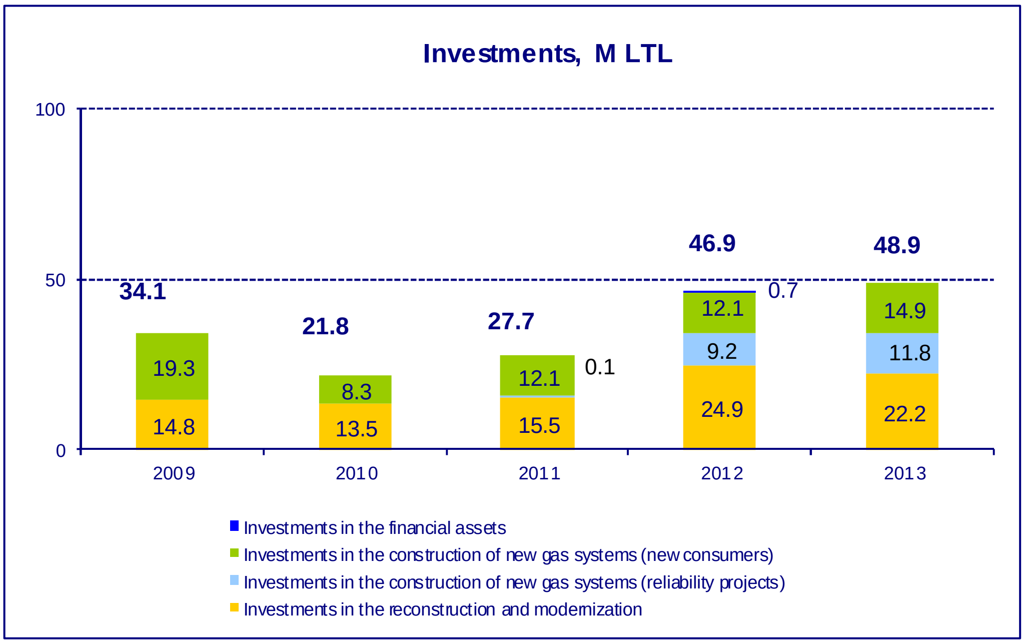
The Company is one of the biggest tax payers in Lithuania. According to the State Tax Inspectorate data of 2013, it was the fifth largest tax payer in Lithuania.





Investments

In 2013, the Company's investments of the continued activity amounted to LTL 48.9 million, i.e. LTL 2.0 million, or 4.3%, more as compared to 2012. In 2013, 54.6% of the total investment amount was invested in the construction of new gas system facilities, whereas 45.4% were invested in the reconstruction of the gas systems and modernization. In 2013, compared with 2012, investments into the construction of new gas systems increased: more funds were used for both the construction of distribution system reliability projects and the construction of other distribution pipelines connecting new consumers.



Assets

Over the year 2013 the value of assets decreased by LTL 1,878.1 million mainly due to the fact that assets of the discontinued transmission activity in the amount of LTL 1,656.0 accounted for in the assets at the end of 2012 were transferred to AB Amber Grid as of 31 July 2013. After the elimination of the assets of the discontinued transmission activity, the assets of activity continued by LD decreased by LTL 222.1 million and amounted to LTL 1,050.5 million at the end of 2013.

At the end of 2013 non-current assets accounted for 75.8%, current assets 24.2% of the total assets of the Company. During 2013 non-current assets of the activity continued by LD increased by LTL 0.1 million and amounted to LTL 796.3 million at the end of 2013. The value of current assets respectively decreased by 46.6% (or by LTL 222.2 million: from LTL 476.4 million to LTL 254.2 million) mainly due to the lower short-term investments (in 2012 they accounted for LTL 150.0 million, while there were no short-term investments in 2013).

Equity and liabilities

The Company's equity decreased by LTL 1,357.2 million mainly due to the fact that equity of the discontinued transmission activity in the amount of LTL 1,215.2 million accounted for in the equity at the end of 2012 was transferred to AB Amber Grid as of 31 July 2013. Equity of the activity continued by LD decreased by LTL 142.0 million and at the end of 2013 was LTL 701.0 million, i.e. 66.7% of the total assets of the Company. Upon the decision of the General Meeting of Shareholders of 25 April 2013, after the reallocation of reserves formed over the previous years, spare funds of the Company were paid out as dividends to its shareholders.

Liabilities decreased by LTL 520.8 million, mainly due to the fact that liabilities of the discontinued transmission activity in the amount of LTL 440.7 million at the end of 2012 were transferred to AB Amber Grid as of 31 July 2013. Liabilities of the continued activity of LD decreased by LTL 80.1 million and amounted to LTL 349.5 million at the end of 2013. Trade payables decreased the most due to changes settlement terms of part of suppliers, due to lower purchased natural gas volumes and due to lower purchase prices. At the end of 2013, there were no financial debts to credit institutions.

Cash flows

Operating cash flows from the Company's continued activity decreased by LTL 8.0 million (12.4%) and accounted for LTL 56.8 million.

More information on the Company's financial results is disclosed in the financial statements of the Company and the Group for 2013.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company's research and development activities are aimed at securing adequate capacities of the natural gas distribution systems, at economic and safe operation and maintenance, meeting the customers' demand, securing an adequate level of services provided to the customers and environmental protection.

The Company is engaged in the research into technical condition of infrastructure facilities, environmental protection, and other fields.

Drawing on the research findings and the gas system condition assessment results, the Company carries out respective works for the reconstruction and modernization of its gas systems, prepares market development investment projects.

In 2012, a pilot project was implemented for a remote metering of natural gas consumption by gas customers: installation of the necessary software enabled continuous monitoring of data on gas consumption by gas consumers. Having analysed the results of the pilot project of a remote metering of gas consumers, it was decided to extend the project throughout the Company in 2014 by installing the necessary gas meter reading equipment for 210 household gas consumers and 375 small businesses using gas in their production.

BUSINESS PLANS AND FORECASTS

Special attention is drawn to a proper and timely implementation of the provisions related to the restructuring of the Company laid down in the Law on Natural Gas, the Law on the Implementation of the Law on Natural Gas as well as other legislation. Stage 1 of the restructuring – establishment of a TSO company – was completed on 1 August 2013. In 2014, Stage 2 of the restructuring will be carried out (unbundling of the natural gas distribution and supply activities) – establishment of a DSO company – is scheduled for completion on 31 October 2014.

In 2014 there are plans to connect approx. 2.2 thousand new customers to the natural gas grid, but this number may be corrected by future developments in the economic situation of Lithuania.

In 2014, great attention will be paid to the safety and reliability of the gas distribution pipelines, i.e. for the implementation of the pipeline connection to circular systems projects. The reconstruction works of the gas distribution pipelines will also be carried out, and the reconstruction of the gas pressure regulating devices and the buyback of local natural gas systems of common use will continue.

It is planned to implement several large-scale projects ensuring the reliability and safety of the gas distribution system by connecting gas pipelines to circular systems of the town of Kaunas and of Karmėlava and Ramučiai settlements in Kaunas district and the towns of Vilnius, Lentvaris and Trakai, and to carry out several small-scale projects ensuring the reliability and safety of the gas distribution system.

According to the long-term plan the reconstruction of the distribution pipelines by inserting the new polyethylene pipes into the old steel ones in the Old Town of Vilnius (3.95 km) and Vilijampolė district of Kaunas (4.7 km) will continue, and other small-scale pipeline works for the reconstruction of gas pipelines will also be carried out.

In 2014, projects for the Company's operating efficiency and cost optimization will continue.

MANAGEMENT OF THE COMPANY

Information on the observance of the Code of Governance

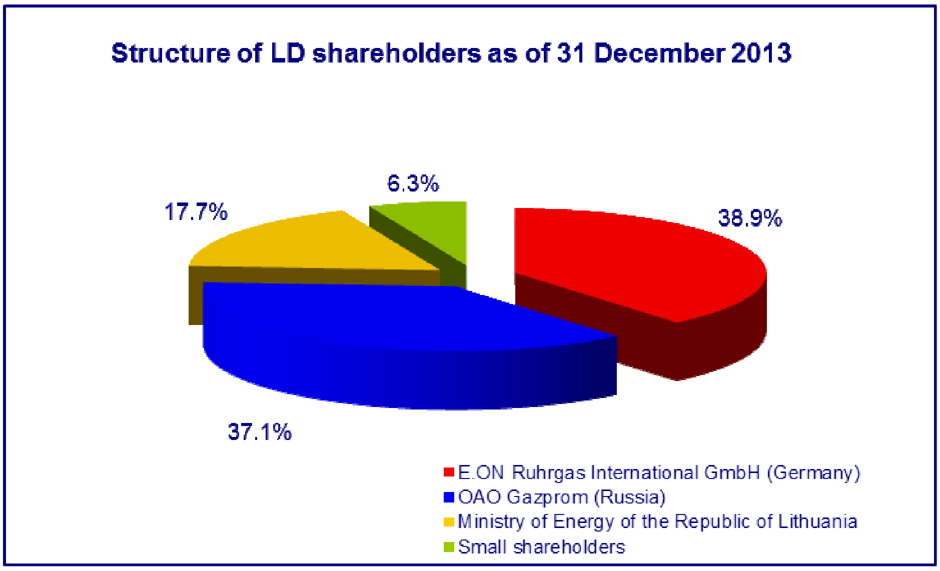
The Company has disclosed the information regarding the observance of the provisions of the Code of Governance. All the information is available on the Company's website www.dujos.lt and the Central Database of Regulated Information www.crib.lt.

Shareholders and shares

The authorized capital of the Company consists of 290,685,740 ordinary registered shares with par value of LTL 1 each. During 2013, the par value of a share remained unchanged. All the shares are fully paid. During the unbundling of the natural gas transmission activity, a part of the Company's authorized capital (LTL 178,382,514) was transferred to AB Amber Grid.

AB Lietuvos Dujos shares entitle to equal property and non-property rights. In accordance with the Bylaws of the Company, decisions on issuing new shares and on acquisition of own shares shall be adopted exclusively by a resolution of the General Meeting of Shareholders of LD.

In 2013, the value of the authorized capital and the structure of shareholders did not change. Shares of AB Amber Grid and AB Lietuvos Dujos continuing its activities after unbundling were distributed to all shareholders in proportion to their share in the authorized capital of AB Lietuvos Dujos.



Shareholder	Company code	Registered office address	Number of shares held, pcs / share in the authorized capital, LTL As of 31 December 2013
E.ON Ruhrgas International GmbH (Germany)	HRB 21974	Brüsseler Platz 1, 45131 Essen, Germany	113,118,140
OAO Gazprom (Russia)	1027700070518	16 Nametkina str., Moscow, Russian Federation	107,734,925
Ministry of Energy of the Republic of Lithuania*	302308327	Gedimino av. 38, Vilnius, Lithuania	51,454,638
Small shareholders	-	-	18,378,037
Total:			**290,685,740**

* On 20 February 2014 Ministry of Energy has transferred to the Ministry of Finance to be managed, used and disposed of by the right of trust shares of AB Lietuvos Dujos, which belong to the state by the right of ownership, and on 21 February 2014 Ministry of Finance shares of AB Lietuvos Dujos, as a contribution in kind to pay for the newly issued shares of Lietuvos Energija, UAB, transferred to Lietuvos Energija, UAB.

E.ON Ruhrgas International GmbH is a holding company, which is a part of concern E.ON SE. E.ON SE is one of the world's largest electricity, gas, utility and renewable energy companies.

OAO Gazprom is a global energy company engaged in geological exploration, production, transmission, storage, processing and marketing of gas and other hydrocarbons, as well as production and supply of electricity and heat power. OAO Gazprom possesses the world's largest confirmed natural gas reserves.

The Ministry of Energy of the Republic of Lithuania is a state institution in charge of the energy sector public administration functions delegated to it by laws and other legislation and the implementation of state policies in the energy sector.

The Company has not acquired its own shares and it did not conclude any transactions related to weather acquisition or disposal of its own shares in 2013.

As of 31 December 2013, LD was controlled by 2,768 shareholders holding LD shares by the right of ownership; the majority of them were small shareholders.

The shareholders of the Company E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania, whose shares were held in trust by the Ministry of Energy of the Republic of Lithuania till 20 February 2014, together controlled 93.7% of the shares of the Company and had a casting vote when adopting decisions at the General Meeting of Shareholders. The aforesaid major shareholders have concluded a shareholders' agreement. This agreement is confidential.

The Company is not aware of any restrictions on the disposal of the shares possessed by E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania, whose shares were held in trust by the Ministry of Energy of the Republic of Lithuania till 20 February 2014.

To the best of the Company's knowledge, there exist no shareholders arrangements that might serve as grounds for the securities disposal restrictions and/or voting right restrictions.

Data about trading in the Issuer's securities on the regulated markets

The Company's shares are traded on the regulated market; they are quoted on the Main List of the stock exchange NASDAQ OMX Vilnius.

Main data about LD shares	
ISIN code	LT0000116220
Abbreviation	LDJ1L
Number of shares (pcs.)	290,685,740

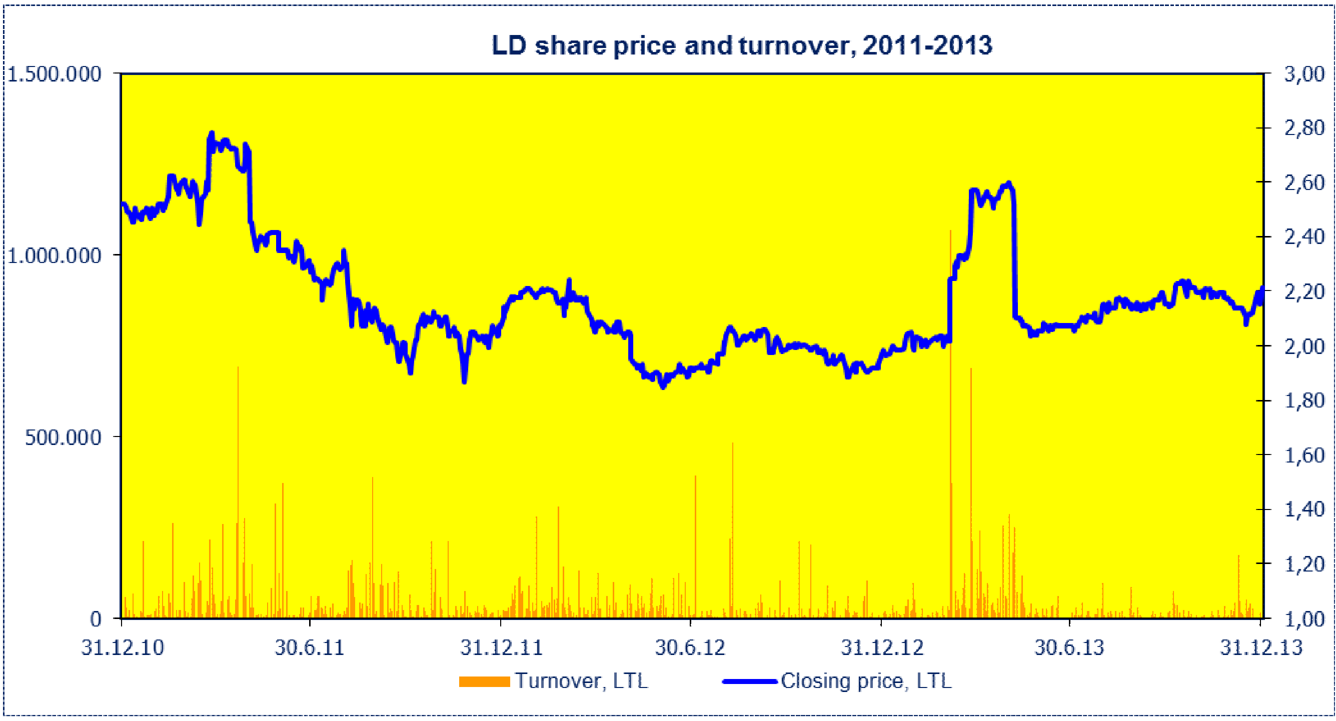
In 2013, the turnover of the trading in the Company's shares amounted to LTL 8.7 million (2012: LTL 8.6 million). Through the transactions that were concluded, 3,832,815 shares were disposed of (in 2012 – 4,194,387).

In 2013, the stock markets of all the three Baltic States recorded a growth. Over the year 2013, the OMX Baltic Benchmark PI and OMXV indices of the stock exchange NASDAQ OMX Vilnius (reflecting stock price developments of securities of all companies listed on the Baltic States and Vilnius stock exchanges) showed respective rises by 7.0% and 18.7% (in 2012 there was an increase of 20.3% and 18.8%). Meanwhile, the value of LD shares increased by 11.5% in 2013 (it decreased by 6.7% in 2012).

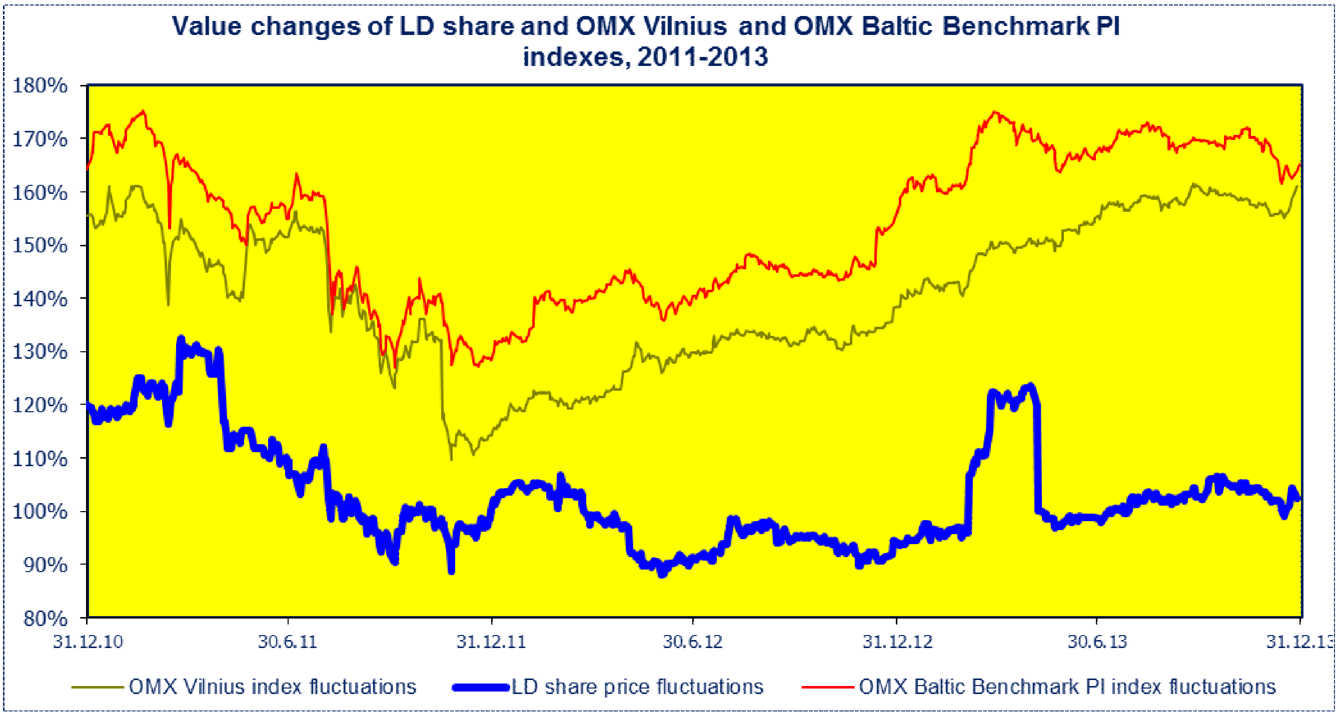
Share price dynamics at NASDAQ OMX Vilnius, 2011–2013

	Period		
	2013	2012	2011
Highest price per share, LTL	2.607	2.244	2.828
Lowest price per share, LTL	1.930	1.830	1.730
Weighted average price per share, LTL	2.277	2.040	2.336
Price per share as at the end of the period, LTL	2.151	1.930	2.068
Market capitalization as at the end of the period, M LTL	625.3*	905.4	970.1

*The change affected by unbundling of the transmission activity and its transfer to AB Amber Grid.

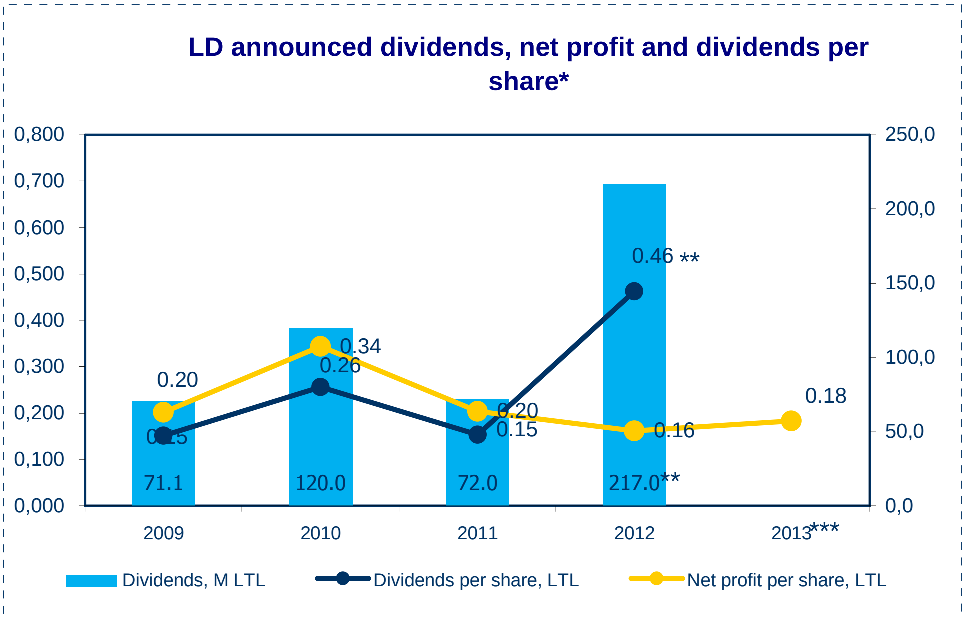


The OMX Baltic Benchmark PI and OMXV indices are total return indices that include all the shares listed on the Main and Secondary lists of the stock exchange. The indices do not include the share prices of companies where one shareholder controls 90% or more of issued shares. The aim of the indices is to reflect the current situation and developments on the Baltic States and Vilnius stock exchanges.



Dividends

During Company's Annual General Meeting of Shareholders, which was held on 30 April 2014 decision regarding Approval of the Profit Appropriation of AB Lietuvos Dujos for 2013 was not adopted.



*2009–2012 taking into account the discontinued (transmission) activity.
**After the reallocation of reserves formed in previous years, in 2013 dividends of 46 Lithuanian cents per share were allocated.
***During Company's Annual General Meeting of Shareholders, which was held on 30 April 2014 decision regarding Approval of the Profit Appropriation of AB Lietuvos Dujos for 2013 was not adopted.

Agreements with intermediaries of public trading in securities

On 16 March 2012 AB Lietuvos Dujos concluded an agreement with AB SEB bank regarding the accounting for securities and the provision of services related to securities accounts, with effect from 1 April 2012.

AB SEB bank details	
Company code	112021238
Bank license No.	2 (on 29 November 1990 issued by the Bank of Lithuania with its subsequent amendments)
Registered office address	Gedimino pr. 12, Vilnius, Lietuva
Telephone number	+370 5 268 2800, short number 1518
E-mail address	info@seb.lt
Website	www.seb.lt

Management structure

The Company is a vertically integrated enterprise. The activities of the Company are governed by the Law on Companies of the Republic of Lithuania, the Law on Securities of the Republic of Lithuania, the Bylaws of the Company as well as other applicable legal acts of the Republic of Lithuania. The competence of the General Meeting of Shareholders of the Company, the shareholders rights and their implementation procedure are as prescribed by the Law on Companies and the Bylaws of the Company.

The Company has five natural gas distribution branches in regions of Lithuania: Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys.

The Bylaws of the Company provide for a possibility of amending the Bylaws by a decision of the General Meeting of Shareholders taken by a majority vote of 2/3 of shareholders attending the General Meeting of Shareholders.

The Bylaws provide for the following governing bodies:
- The Board of Directors,
- The Chief Executive Officer – General Manager.

According to the Bylaws, the Company's Board of Directors consists of 5 (five) members elected for a period of three years in accordance with procedure provided for in the Law on Companies. Members of the Board of Directors elect the Chairman of the Board of Directors. The Chairman of the Board of Directors and his Deputy are elected for a period of two years by rotation. Members of the Board of Directors may be re-elected for another term. The powers of the Members of the Board of Directors and the fields of activity of the Chief Executive Officer of the Company are as prescribed by the Law on Companies and the Bylaws of the Company, there are no exceptions with regard to any powers of the Members of the Board of Directors or the Chief Executive Office subject to additional notification.

In accordance with the Law on Audit, since 2009, the Company has an Audit Committee in place. The powers and duties of the Audit Committee are as provided for by the regulations of the formation and activities of this supervisory body of the Company and are in compliance with legal provisions. The term of office of the Audit Committee coincides with the term of office of the Board of Directors by which the members of the Audit Committee were nominated. The main functions of the Audit Committee consist of the analysis of the correctness of the accounting methods applied by the Company, monitoring the independence of the external audit company and the audit process, the analysis of the efficiency of internal control, internal audit and risk management systems.

Composition of the Board of Directors from 23 April 2012 until 25 April 2013

No.	Full name	Position title	Start and end of term
Member of the Board of Directors:			
1.	Dr Peter Frankenberg*	Chairman of the Board of Directors***	April 2010–June 2012
2.	Dr Achim Saul**	Chairman of the Board of Directors ***	July 2012–April 2013
3.	Dr Valery Golubev	Deputy Chairman of the Board of Directors ***	April 2010–April 2013
4.	Uwe Fip	Member of the Board of Directors	April 2010–April 2013
5.	Kirill Seleznev	Member of the Board of Directors	April 2010–April 2013
6.	Kęstutis Žilėnas	Member of the Board of Directors	December 2011–April 2013

* Resigned with effect from 30 June 2012.
** Elected member of the Board of Directors with effect from 1 July 2012, elected Chairman with effect from 4 July 2012.
*** Chairman of the Board of Directors and his Deputy are elected by rotation for a two-year term.

Composition of the Board of Directors from 25 April 2013

No.	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr Valery Golubev	Chairman of the Board of Directors	April 2013–April 2016
2.	Dr Achim Saul	Deputy Chairman of the Board of Directors	April 2013–April 2016
3.	Uwe Fip	Member of the Board of Directors	April 2013–April 2016
4.	Kirill Seleznev	Member of the Board of Directors	April 2013–April 2016
5.	Valdas Lastauskas	Member of the Board of Directors	April 2013–April 2016

Note: On 11 June 2013 the Extraordinary General Meeting of Shareholders was held, which approved the Board of Directors of such composition the term of office of which will last till April 2016.

In 2013, tantiemes paid to the members of the Board of Directors totalled LTL 540 thousand, averaging LTL 108 thousand per member of the Board of Directors.

Information on the start and end of the term of the Audit Committee

No.	Full name	Position title	Place of employment	Start and end of term
Audit Committee:				
1.	Juozas Kabašinskas	Independent member	UAB JK GĖRIMŲ NAMAI, UAB JKP Namai, J. Kabašinskas Consultancy	April 2010–April 2013 April 2013–April 2016
2.	Agnė Žičiūtė	Member	AB Lietuvos Dujos	April 2010–April 2013 April 2013–April 2016

Information on the start and end of the term of the top executives

No.	Full name	Position title	Start and end of term
Top executives:			
1.	Viktoras Valentukevičius	General Manager	From 28 June 2002; April 2010–April 2013; April 2013–April 2016*
2.	Dr Joachim Martin Hockertz	Deputy General Manager – Director of Commerce	From 1 July 2002
3.	Jonas Janiulionis	Deputy General Manager – Technical Director	From 13 September 2002 till 4 March 2013.
4.	Tomas Šidlauskas**	Deputy General Manager – Technical Director	From 27 March 2013
5.	Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase	From 3 May 2004.
6.	Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	(1 January 2004–1 January 2008: Chief Financial Officer) From 1 January 2008

* For the term in office of the Board of Directors by which he was appointed.
** From 5 March 2013 till 26 March 2013 Tomas Šidlauskas temporarily served as Deputy General Manager - Technical Director.

In 2013, payouts to the top executives of the Company totalled LTL 3,555 thousand, averaging LTL 623.7 thousand per top executive, excluding severance pay.

Participation of members of the governing bodies in the authorized share capital

Full name	Position title	Participation in the capital of the Issuer	
		Share of the authorized capital held, %	Share of the votes held, %
Board of Directors (as of 31 December 2013)			
Dr Valery Golubev	Chairman of the Board of Directors	–	–
Dr Achim Saul	Deputy Chairman of the Board of Directors	–	–
Uwe Fip	Member of the Board of Directors	–	–
Kirill Seleznev	Member of the Board of Directors	–	–
Valdas Lastauskas	Member of the Board of Directors	–	–
Audit Committee (as of 31 December 2013)			
Juozas Kabašinskas	Independent member	–	–
Agnė Žičiūtė	Member	0.000	0.000
Top executives (as of 31 December 2013)			
Viktoras Valentukevičius	CEO – General Manager of the Company	0.013	0.013
Dr Joachim Martin Hockertz	Deputy General Manager – Director of Commerce	–	–
Tomas Šidlauskas	Deputy General Manager – Technical Director	–	–
Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase	–	–
Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	–	–

Subsidiaries and joint ventures

According to the data of 31 December 2013, AB Lietuvos Dujos jointly with the Finnish company Gasum Oy and AB Amber Grid controls UAB GET Baltic.

UAB GET Baltic particulates	
Legal form	Private limited company
Date and place of registration	13 September 2012 State Enterprise Centre of Registers
Company code	302861178
Registered office address	Aguonų str. 24, Vilnius, Lithuania
Telephone number	+370 5 2360 000
Telephone number	+370 5 2360 001
E-mail address	info@getbaltic.lt
Website	www.getbaltic.lt
Authorised capital	2.000.000 Lt
Share of the authorised capital controlled by AB Lietuvos Dujos	34%
Average number of employees in 2013	2

During 2013 the authorized capital of UAB GET Baltic remained unchanged, it consisted of 2,000,000 ordinary shares, the par value of each of which was LTL 1. 34% of UAB GET Baltic shares are owned by AB Lietuvos Dujos, 34% - by Gasum Oy and 32% - by AB Amber Grid. The main activity of the Company is licensed natural gas market operator activity; on 9 November 2012 the NCCPE issued to UAB GET Baltic a license for this activity. As from 21 January 2013 the company started officially acting as a natural gas market operator.

On 30 January 2013 the Board of Directors of AB Lietuvos Dujos adopted a decision to liquidate its subsidiary UAB Palangos Perlas. All assets of the subsidiary UAB Palangos Perlas were transferred to the Company in

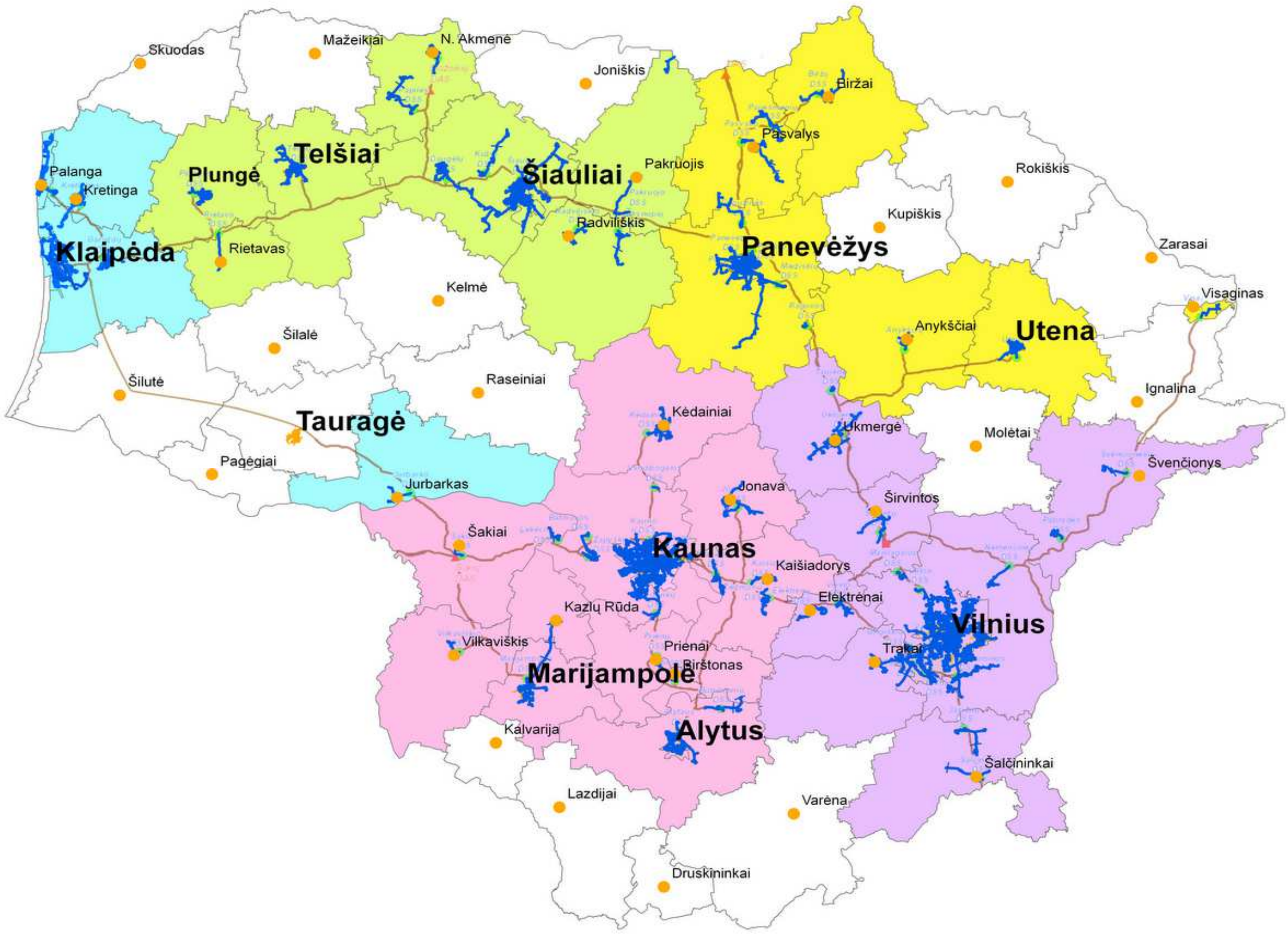
May 2013. On 2 August 2013, the subsidiary UAB Palangos Perlas was liquidated and removed from the Register of Legal Entities on 8 August 2013.

Transactions of associated parties

Information is presented in the financial statements of the Company and of the Group for 2013.

During the reporting period, the Issuer has not concluded any detrimental transactions (non-compliant with the Company’s objectives, the existing normal market conditions, in breach of interests of the shareholders or other groups of persons, etc.) or transactions concluded in presence of the conflict of interest between the obligations to the Issuer of the executives, controlling shareholders or other related parties of the Issuer and (or) their private interest and (or) other obligations.

The Company's Natural Gas Distribution System



Gas distribution pipelines

Municipalities that do not have gas distribution infrastructure or it does not belong to LD

	Length of gas pipelines operated, km	Gas pressure regulating devices, unit	Volume of distributed natural gas, MCM
Vilnius branch	2.5	321	159.1
Kaunas branch	2.6	234	263.7
Klaipėda branch	1.0	71	173.7
Šiauliai branch	1.3	104	95.4
Panevėžys branch	0.9	97	164.4
Total	**8.3**	**827**	**856.3**

The length of gas distribution pipelines operated by the Company is **8.3 thousand km**.

Core business activity of the Company:

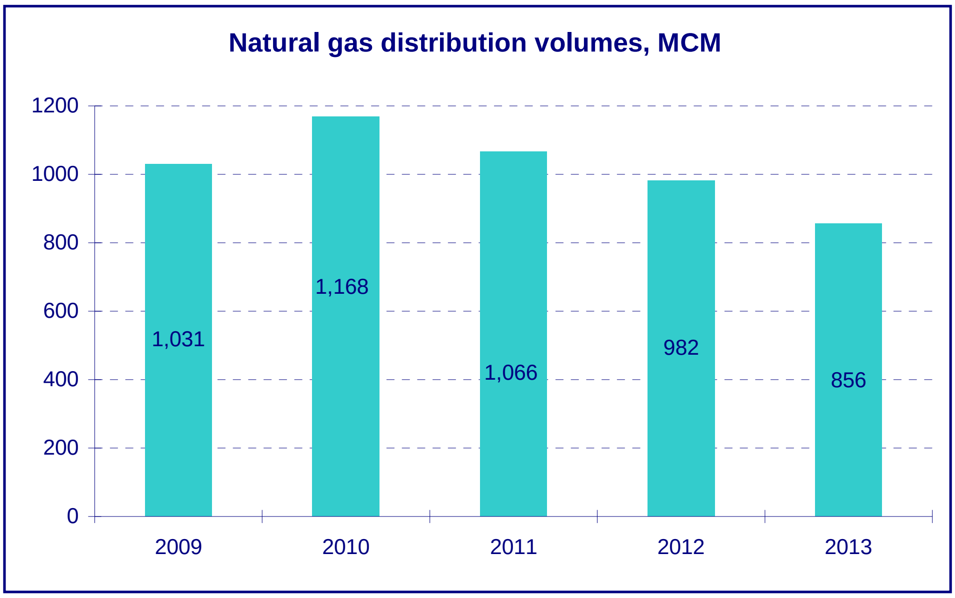
- **Distribution:** transportation of natural gas via gas distribution pipelines, designed for the delivery of natural gas to consumers, except for the supply.

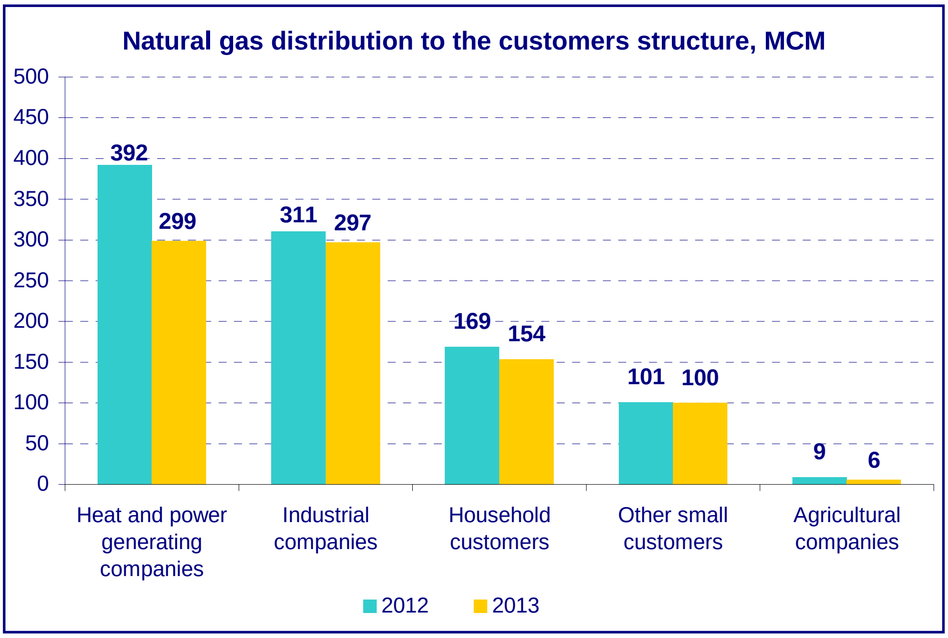
- **Supply:** gas selling and/or reselling to customers and gas delivery to the natural gas system.

DISTRIBUTION OF NATURAL GAS

In 2013, the Company transported via the distribution pipelines 856.3 million m^3 of natural gas – 12.8% less than in 2012 (982.1 million m^3).

Compared to 2012, in 2013 the natural gas distribution volumes decreased mainly due to the lower gas consumption by the heat and power production plants, substitution of natural gas for other types of fuels and state subsidies granted to renewable energy resources and renovation (the number of consumers who have installed the biofuel and alternative fuel boilers increased).





Investments in the distribution system

In 2013, the investments in the construction of new gas distribution systems amounted to LTL 26.7 million (2012: LTL 21.3 million); 88.5 km of new distribution pipelines were constructed. Of this total, LTL11.8 million was allocated for the projects of 15.9 km pipeline – to ensure the reliability of gas supply by connecting gas pipelines to circular systems. This ensured the continuous and reliable supply of natural gas, whereas the probability of termination of gas supply to consumers during accidents and repairs was completely reduced.

In 2013, 3 thousand new customers were connected to the natural gas system, i.e. 36% more than in 2012 when 2.2 thousand customers were connected. The country's economic recovery and the reduction in connection fees caused this growth. In 2013, investments in the connection of new customers amounted to LTL 14.9 million.

In 2013, investments in the reconstruction of the distribution system amounted to LTL 11.8 million, LTL 11.3 million were invested in 2012. In 2013, largest amounts were invested in the reconstruction of pipelines by inserting the new polyethylene pipes into the old steel ones.

LTL 1.2 million were used for the reconstruction of gas pressure regulating devices.

Works for the modernization and installation of the cathodic protection, telemetry, telecommunications systems and gas metering devices were performed, on which the Company spent about LTL 3.6 million.

In accordance with the procedure approved in 2011 by the order of the Minister of Energy of the Republic of Lithuania, the Company continued with the buyback of local natural gas systems of common use belonging to other legal and natural entities. In 2013, 79 local natural gas systems of common use with the total length of 45.1 km were bought back.

Maintenance of the distribution system

The Company acting in accordance with legal act provisions and performing the distribution system operator's functions ensures the reliable, effective and secure maintenance of gas distribution systems, localisation and liquidation of accidents and troubles, and provision of adequate quality gas distribution services to customers.

In 2013, the Company devoted a lot of attention to the procurement of state-of-the-art equipment, instruments and tools used in the gas distribution system maintenance procedures and to the training/instructing LD staff how to use them. To facilitate the upgrading of LD workforce qualifications, the real-world process simulation facility equipped at Panevežys branch has been effectively used.

Gas system maintenance works are carried out according to the maintenance schedules drawn up by the Company. Any defects established during the regular maintenance procedures are either eliminated forthwith, or, alternatively, included into the yearly distribution system repairs and reconstruction programme that is drawn up by the Company.

SUPPLY OF NATURAL GAS

In 2013, LD purchased natural gas from OAO Gazprom according to a long-term (until 2015 incl.) natural gas supply agreement, on the UAB GET Baltic Natural Gas Exchange, from AB Amber Grid for technical transmission system balancing.

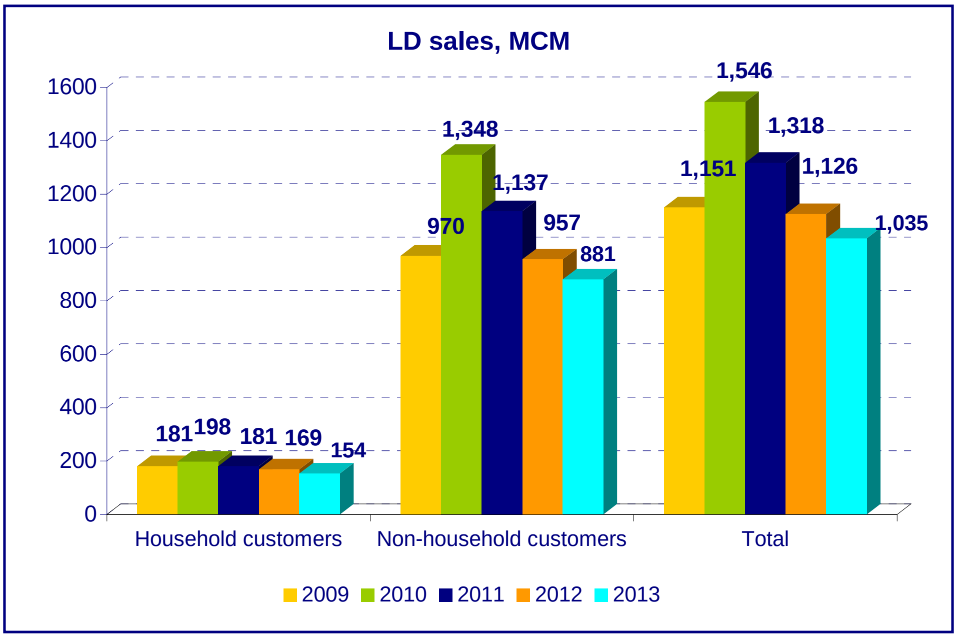
By fulfilling the requirements of the legislation, the Company stores contingency gas reserve volumes in the Incukalns (the Republic of Latvia) Underground Gas Storage Facility. In the event of incidents and/or extreme situations the accumulated gas volumes would ensure the uninterrupted gas supplies to the so-called vulnerable consumers (all the household and non-household customers with annual gas consumption of up to 20,000 m^3) for at least 30 days.

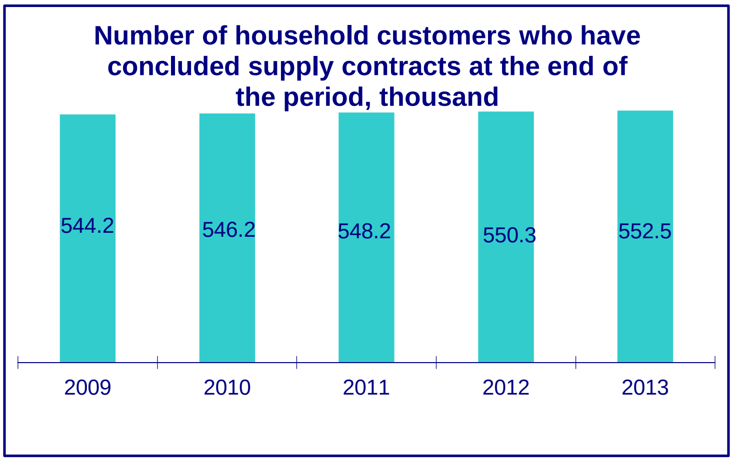
Customers

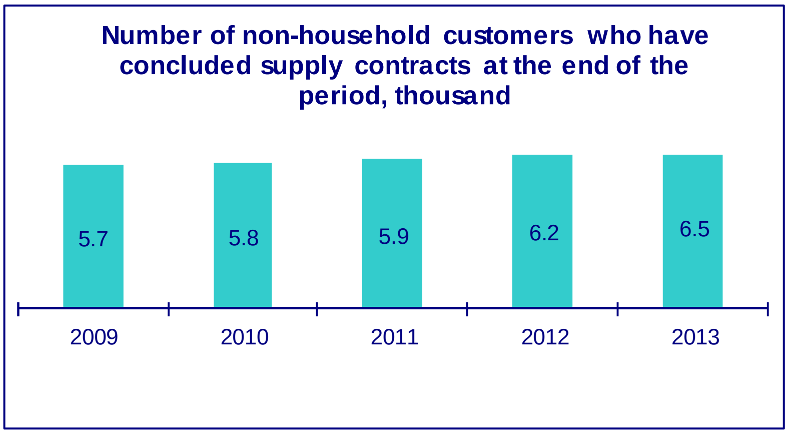
All natural gas consumers are divided into the household consumers (natural persons buying gas for their private needs, for their family or household needs) and the non-household consumers (legal persons).

In 2013, LD supplied to gas consumers 1,035.3 million m^3 of natural gas or 8% less than in 2012 when it was supplied 1,125.6 million m^3 of natural gas. The volume of natural gas supplied to the non-household consumers amounted to 881.4 million m^3 and the volume of natural gas supplied to the household consumers amounted to 153.9 million m^3. The sold volumes of natural gas decreased mainly as a result of installation of biofuel and alternative fuel boilers by separate non-household consumers and household consumers, and the electricity production quota reductions.

According to data as of 31 December 2013, the Company sold natural gas to 559 thousand non-household and household consumers, i.e. to energy companies, industrial and other enterprises, organizations and households. In 2013, the share of LD on the household customers' market which comprises about 6% of the natural gas amount consumed throughout Lithuania was almost 99%.



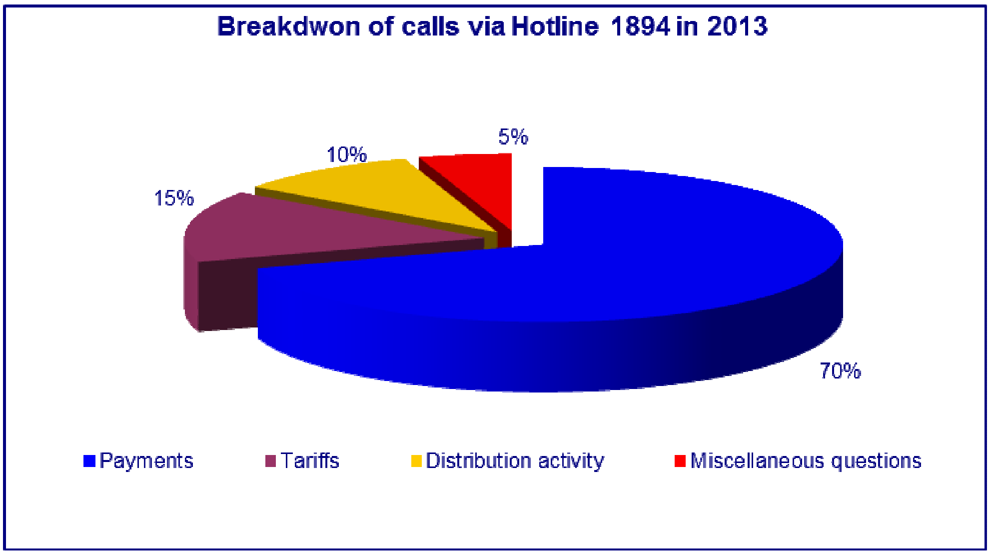




Customer service

In 2013, natural gas customers were serviced by the Company's employees at their own premises either by phone, e-mail or at the Company's divisions more than 600 thousand times.

More than 130 thousand customer calls were received by Call Centre via Hotline 1894. This shows an increase in consumer confidence and effectiveness of this service. Detailed breakdown of calls is presented in the chart.



In 2013, the number of inquiries of customers by e-mail continued to rise. In 2013, the number of inquiries received from the customers by e-mail of the Company was 33% higher, compared with 2012, and compared with 2011 – even higher by 125%. The number of inquiries by SMS messages in which the customers inquired or transmitted short relevant information – declared the actual meter readings, or requested to send by e-mail passbooks and the like increased by 16%.

The number of non-household customers who gave up paper bills and started to receive gas bills by e-mail increased by 3.3% (up to 85.9%).

The number of customers wishing to connect to the natural gas system also increased. 4,281 applications to connect to the Company's gas system (i.e. 14.7% more than in 2012) were submitted in 2013. In total 3.0 thousand new natural gas customers were connected to the Company's gas system, i.e. 36% more than in 2012.

In 2013, more than 130 customers across Lithuania were provided with advice on issues of efficient gas consumption, and thermal images were taken in their premises to identify the areas with the highest loss of thermal energy. It should be noted that the thermal images were taken only at the beginning of 2013, as because of bad weather conditions at the end of the year it was impossible to take them.

Customer service quality improvement

In 2013, the Company continued to implement a staff training programme in the field of rendering customer services during which training was provided to over 250 technical support employees servicing customers.

In order to maintain a high level of customer service and to improve it further, the Company has carried out the research of "mystery customers" and internal service quality. After the analysis of specific customer service situations, the employees were given feedback – comments and suggestions on how to improve customer service in the future. Teams of professional customer service consultants composed of employees from different departments are created in all branches of the Company. Consultants are actively involved in internal service quality assessments and provide advice to other employees on how to solve customer service problems.

During the customer satisfaction survey on the quality of the customer service rendered by the Company's staff and conducted in November 2013, new customers who in 2013 became natural gas customers were questioned. The survey results showed that the Company's service quality is as high as the average score of 9.3 out of 10 and the ratings of almost 90% of customers participating in the survey on the quality of the customer services rendered to them were good, very good or excellent.

ENVIRONMENTAL PROTECTION

LD in 2008 implemented the environmental management system, which in 2012 was certified by an accredited institution, UAB Bureau Veritas. Non-compliances with the requirements of ISO 14001 Standard were not identified during the audit of the environmental protection system of the Company carried out in 2013.

Every year the Company conducts environmental performance evaluation and identifies significant environmental aspects on the basis of the results of which environmental objectives are set and integrated into the strategic objectives of LD, and then the tasks for their implementation are formed.

One of the main objectives of the Company in the field of control and minimization of atmospheric pollution using technical measures consists in the control of any possible gas leaks in the process of natural gas distribution. In order to ensure the reliability of the gas systems, the Company carries out maintenance, repair, reconstruction and modernization of gas pipelines and equipment, supervises excavation works, distributes information about the earthworks in the pipeline protection zone and so on.

Due to the very nature of the natural gas operation maintenance system and because of the occupational safety system requirements for carrying out repair and maintenance works, a small proportion of gas volumes are emitted from the gas pipeline system into the atmosphere.

Gas consumption for technological needs related to gas emissions into the atmosphere (MCM)	
2013	**2012**
10.8	12.6

In 2013, there were no accidents or failures in the natural gas systems resulting in high emissions of gas into the atmosphere or major environmental damage. Some gas transportation interruptions occurred due to the fault of third parties; however, gas emissions into the atmosphere were not significant.

In order to minimize the pollution of the atmosphere from mobile sources, LD uses in its business economical cars and every year renovates its car park so that the rate of emissions would correspond to the high requirements of quality standards.

It is very important to maintain, enhance, and improve the skills of workers and raise their environmental awareness, especially of technical personnel, as the smooth operation and security of the Company depends on their quality of work and mistakes made. Relevant seminars, professional skills competitions, trainings are held periodically to employees and preventive materials are distributed so that to prevent employee actions that could cause serious damage to the surrounding environment.

Natural resources are conserved in carrying out various administrative activities, for instance, the non-household consumers started to use electronic bills; products from recycled materials are used; buildings are repaired to ensure higher energy efficiency class, and so on.

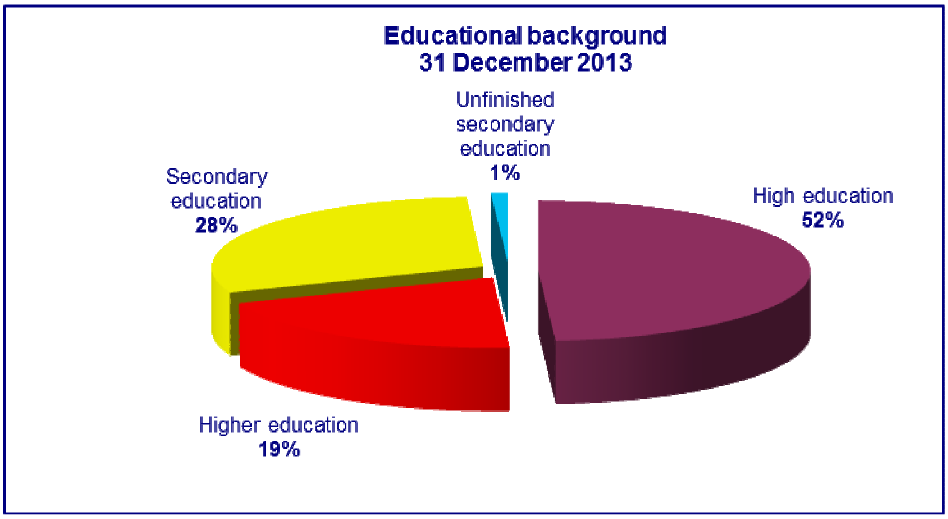
LD periodically contributes to social environmental projects by human resources and financial support. In 2013, the Company provided a support for the installation of recreational infrastructure on the Vecekrugo Dune in the Curonian Spit National Park.

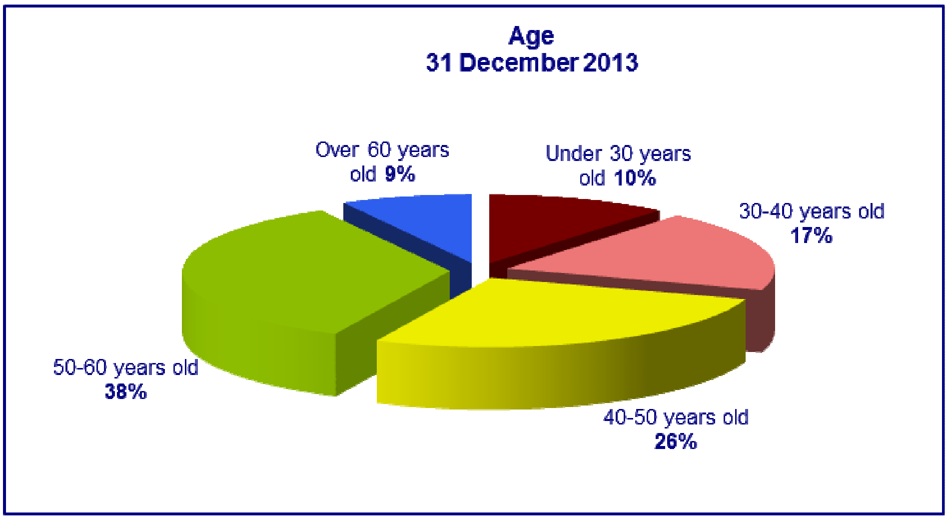
HUMAN RESOURCES

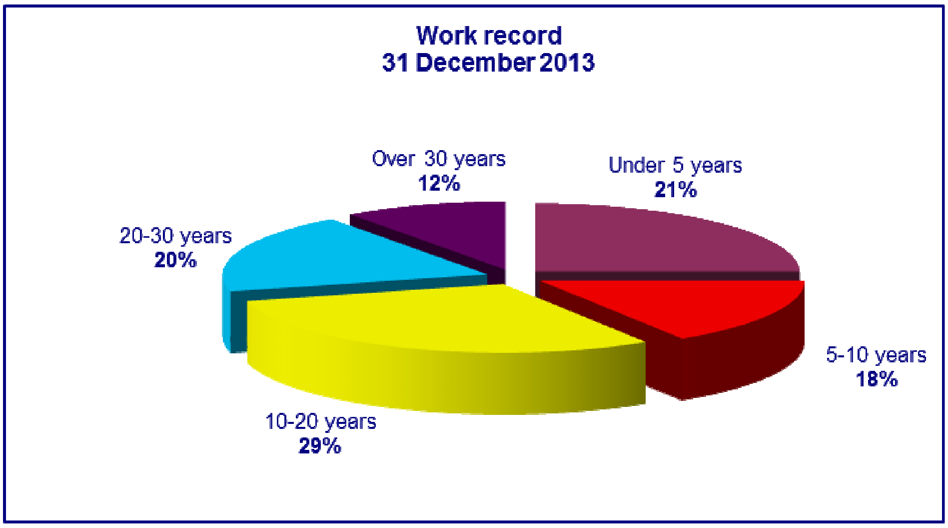
As of 31 December 2013, the number of employees on the roll of LD was 1,364, that is 19.3% less than at the end of 2012 when there were 1,690 employees in the Company. This important change in the number of employees, as the result of the unbundling of the transmission activity while implementing the EU's Third Energy Package and the relevant requirements of Lithuanian legislation.

At the end of 2013 the average age of the LD employees was 47 years and the average work experience was 16 years.

The majority of employees in the Company are men (67%), women (33%). This is determined by the specific activity of the Company: traditionally the engineering-technical jobs and hard outdoor jobs are more often chosen by men. The most women work in the administration and client service divisions.







Employees

The key asset of the Company is its human capital – people with their experience and ability to do their jobs. Employees' skills, knowledge, and abilities that meet the quality of provided services ensure a safe exploitation of natural gas distribution system. Staff skills, knowledge and professionalism of the company is determined by the quality of services provided to consumers.

LD draws special attention to the creation of adequate working conditions for its employees, to securing employees' salaries and social guarantees in line with the market conditions. To ensure an adequate business efficiency level, a good work climate and a high culture of work, we stick to the following values: competence and responsibility, mutual trust, fair assessment of both efforts and performance, and continuous personal improvement.

Performance Appraisal Interviews (hereafter referred to as "the PAI") is the most important part of the performance management system aimed at ensuring that employee performance targets are set according to the Company's strategic goals and the objectives of the worker units. The main objective of the PAI system is to achieve the improved performance through the management of employee activities in line with the Company's objectives and standards, provide employees with feedback on their performance, improve employee motivation, to find out their expectations vis-à-vis the Company and its executives, to set employee training and career guidelines. All managerial staff of all the levels and specialists attends the PAI.

Company's average monthly salary by employee categories, in LTL

Employees	Number of employees, 31.12.2013	Average monthly salary, LTL*
Managing staff	122	8,802
Specialists	831	3,357
Workers	411	2,625
Total:	**1,364**	**3,586**

*Average salary was calculated taking into account the activity accounting specifics, including salaries of employees who were employed by the Company till 31 July 2013 and were transferred to AB Amber Grid.

Collective Bargaining Agreement

LD branches have their trade union subunits that are united into a Lithuanian Gas Sector Employees Trade Union Association. The Collective Bargaining Agreement was signed at the company. This Agreement provides additional social security and other benefits for employees. Neither the labour contracts, nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees. The rights and duties that are provided by these documents are the ones usually applied in general practice. The continuous dialogue between the Company administration and trade union representatives ensures the social interests of the work team and the transparency and efficiency of solutions.

Company events

The day of the Gasman is traditionally celebrated in the Company; also there are held professional skills competitions and Christmas events for employees and their children. Sports events are held annually, the purpose of which is to strengthen the spirit of teamwork between employees, to maintain friendly relations, and to develop high level communication skills. To expand the international relations various events which are attended by representatives of natural gas companies from Germany, Latvia, Estonia, and Finland are held.

Professional development and training

Considering the existing competency module and organizational needs, training is organized and conducted for the Company's employees. Training is carried out purposefully and includes the development of general and professional competencies, stimulates employee involvement and creates a culture of a continuously learning organization.

Seeking to optimally use the funds allocated for qualification training programmes and to use the time of employees effectively, more and more remote training programmes are organized each year. In 2013, all employees of the Company attended training programmes. In 2013, training programmes of general flammable gas system, fire and some computer systems were carried out remotely.

The Company has an electronic library where a lot of technical literature can be found both in Lithuanian and in foreign languages, as well as management articles and short teachings developing managerial skills. Besides the electronic library, a large amount of books which can be read by all LD employees are accumulated. This encourages cooperation between various divisions as well as sharing of knowledge and experience.

The aim is to promote the sharing of knowledge and experience; therefore, the employees are given the opportunity to prepare the training materials themselves and teach courses organized by the Company. University students are offered with apprenticeship opportunities.

All employees of LD attended various educational programmes in 2013. Almost 800 employees were raising the level of management competency and participated in leadership, law, sales, personnel management, marketing, client service, stress management and other training programmes; more than 1.000 employees strengthened their technical knowledge and studied new technology.

Objects corresponding to present-day natural gas environmental conditions are equipped at the hands-on training facility at the Panevėžys branch where employees can perform many tasks in practice. Since the spring of 2013, 42 employees of the Company refined their practical skills there. In 2013, a new class for refining of welding work skills was equipped in Panevėžys.

A Certification Centre which was granted the right to carry out the energy workers certification according to energy facilities, the requirements indicated in the description of the certification process of employees installing and operating devices was established in the Company on 1 July 2013. 108 energy employees from various companies were certified during the second half of 2013.

MEMBERSHIP IN ASSOCIATED STRUCTURES AND INTERNATIONAL COOPERATION

The Company is a member of the following organizations:

- **The Lithuanian Gas Association** (www.dua.lt) is a voluntary alliance of legal entities of the Republic of Lithuania interested in economic and technical development of the Lithuanian gas sector and comprising the largest companies engaged in natural gas supply, transmission, and distribution, UAB SG Dujos engaged in the liquefaction of natural gas, and associated members engaged in natural gas activities: the Association Lietuvos Dujotiekio Statyba comprising 16 companies engaged in gas pipeline construction works and educational and scientific research institutions. The General Manager of LD Viktoras Valentukevičius is the President of this Association since 16 June 2008.
- **The Association "Eurogas"** (www.eurogas.com) is a non-governmental non-profit organization uniting European gas companies and promoting their cooperation, taking stance on issues of interest to the European countries' natural gas industries and problems of the EU energy structures with respect to natural gas business, as well as participating in the public opinion formation process. LD is its full member from 1 January 2009.
- **The Chamber of Commerce of Germany and the Baltic countries in Estonia, Latvia and Lithuania** (www.ahk-balt.org).
- **The association of the largest and most active investors in the economy of Lithuania "Investors' Forum"** (www.investorsforum.lt).

The Company does not participate in the capital of any of the aforesaid associated structures.

The member of The Chamber of Commerce of Germany and the Baltic countries (AHK) "E.ON Ruhrgas International GmbH" hold over 5% of shares of the Company.

SPONSORSHIP PROGRAMS

Just as in previous years, LD, in line with its well-articulated priorities continued its participation in various sponsorship programmes, took part in social-impact projects, thereby creating new life or business opportunities for organizations and establishments. In 2013, LD rendered support to more than 80 institutions, organizations or supported their individual projects and thus significantly contributed to the promotion of various communal initiatives:

- **Support to improve public health**: to the Vilnius University Hospital Santariškės Clinic (support for the implementation of medical equipment and technology upgrade project), to the Vilnius Maternity Hospital (for the partial refurbishment of the premises), etc.

- **Support for sports projects**: to the Lithuanian National Olympic Committee (support for the Lithuania's sportsmen's preparation for the Winter Olympic Games 2014); to the Lithuanian Olympic Sports Centre (support for the preparation of Lithuania's national tennis team for the FED-CUP 2014 (international tennis federation world ranking tournament); support to the Public Entity "Šarūnas Marčiulionis Basketball Academy" (programme for the development of young basketball players); to the Lithuanian Biathlon Federation (support to Lithuania's biathlon teams' participation in various world and European championships and World and European Cup events), etc.

- **Support of socially vulnerable public communities**: support to the Public Entity "Guboja" (support for the disabled young people education and training programme), support to the Vilnius Youth School "Gija" (support to students of this school who because of various social, psychological or other reasons were the odd ones out at other schools); to the Alma Adamkienė Charity and Support Fund (to the Fund-supported charity action for the acquisition of new books for rural schools and rural libraries and for the organization of a children's drawing contest); to the Vilnius "Feniksas" Sports Club for the Disabled (support to the participation of the club athletes in international volleyball tournaments), etc.

- **Support for art and cultural projects**: National Museum – Palace of the Grand Dukes of Lithuania (support for the organization of exhibitions and other projects); the Kernavė State Culture Reservation Direction (support for organizing the festival "Days of Live Archaeology in Kernavė"); to the PE Lithuanian Press Photo Club (support for organizing the annual exhibition "Lithuanian Press Photo 2013"), to the Lithuanian Artists Union (support for organizing an educational painting plain air event); the Lithuanian Association of Glass Producers (support for the glass artists for their participation in international exhibitions in Russia, Ukraine, Poland), etc.

SOCIAL RESPONSIBILITY

In pursuing socially responsible business practices, the Company lays a stress on the environmental protection, human rights and the Company's employees' rights, promotion of economic development and active participation in social life.

In pursuit of responsible business activities, the Company is focused on the review of its routine processes and procedures, on the internal audit of certain specific areas of its activity. On an ongoing basis, the Company implements various projects related to environmental protection, employee motivation improvement, customer service upgrading, and participation in communal activities which were disclosed in greater detail in other chapters of the present annual report.

Each year the employees of the Company voluntarily conduct socially responsible projects across Lithuania while devoting time to the socially disadvantaged, needy members of society – adults and children.

The Company's informal Veterans Club brings together professionals who have worked for many years in the Company; around 40 former LD employees actively participate in it. Former colleagues transfer their knowledge and experience to the younger generation. This support and mutual cooperation is very useful while carrying out the Company's activities, trying to collect historical materials of Lithuanian gas, and cherishing long-standing traditions.

In order to get an objective and representative assessment of LD performance by its customers and various social groups, on an annual basis, the Company conducts a representative public opinion survey. The survey includes questions on the Company's activities, services' quality, and clients' expectations. The responses of the various social groups and their analysis help the Company in the formation of tasks for the improvement of its activities.

Disclosure form concerning the compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

Pursuant to Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and Item 24.5 of the Listing Rules of NASDAQ OMX Vilnius, the public company AB Lietuvos Dujos discloses its compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius and with the specific provisions thereof. In case of instances of non-compliance with the Code or with certain specific provisions thereof it is indicated which specific provisions are not complied with and for what reasons:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The strategy of development and objectives of AB Lietuvos Dujos are set forth in the internal documentation by individual business activities. The Company updates its development plans depending on the market situation and the regulatory environment developments.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activities of the bodies of the Company are focused on the implementation of the strategic objectives as provided for by the Bylaws of the Company and other legal acts regulating the activities of the Company.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the Board of Directors and the General Manager of the Company. A Supervisory Board is not formed; interests of shareholders are represented by the Board of Directors of the Company, in regularly convened meetings in which information on the activities of the company is presented.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or related to the company's operation, are duly respected.	Yes	The Company seeks to secure interests of all the persons associated with the Company's activity. The publicity of the Company‘s activity forms for the interest holders conditions to participate in the governance of the Company in the manner prescribed by laws and in accordance with the Company‘s bylaws and internal procedure rules.
Principle II: Corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Meeting of Shareholders and the Chief Executive Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and	Yes	The governing bodies of the Company are the Board of Directors and the General Manager. A Supervisory Board is not formed in the Company. The General Manager of the Company is accountable to the Board of Directors. The General Manager is not a member of the Board of Directors. The division of competencies and responsibilities among the governing bodies of the Company is set forth by in the Bylaws of the Company, the regulations of the governing bodies of the Company and in the General Manager's employment contract as

transparent management process.		well as the Law on Companies of the Republic of Lithuania (hereinafter referred to as the 'Law on Companies').
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance.	Yes	The Company's Board of Directors is responsible for strategic management of the Company and makes essential corporate governance decisions provided for in the Company's Bylaws, appoints the General Manager of the Company, analyses and evaluates information about activities of the Company. Bylaws of the Company establish the competence of the Board of Directors.
A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	No	Supervisory Board is not formed in the Company. The General Manager of the Company is accountable to the Board of Directors of the Company, whose members are not involved in everyday operations of the Company.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for effective monitoring of the functions performed by the company's chief executive officer.	No	The Supervisory Board is not set up in the Company.
2.4. The collegial supervisory body to be elected by the General Meeting of Shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	Procedure for setting up a collegial body elected by the General Meeting of Shareholders of the Company ensures representation of interests of minority shareholders, accountability of this body to shareholders as well as objective supervision of the Company's activities and its management bodies. The Company's management system ensures proper and efficient functioning of a collegial body elected by the General Meeting of Shareholders, while the rights granted to it should ensure efficient supervision of the Company's management bodies and protection of interest of all shareholders of the Company. Supervisory Board is not set up in the Company, while the provisions of Principles III and IV are more applicable to those cases when the General Meeting of Shareholders elects the supervisory board. In the view of the Company's size (number of employees, number of units of assets and annual turnover) a collegial management body of the Company is made up of 5 members, thus a collegial management body itself carries out the functions assigned in recommendations for committees; also, the Audit Committee is formed, which is elected and the provisions of the activities of which are approved by the General Meeting of Shareholders. The Audit Committee carries out the functions established by the

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board **(e.g. formation of the committees)**, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

		Law on Audit. Also, please refer to the comment under Item 3.6.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Company's Board of Directors consists of 5 board members, who are not involved in everyday activities of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	Members of the Board of Directors of the Company are elected for the period of three years, without any restrictions on re-election. Procedure for removal of members of the Board of Directors is the same as that provided for by laws.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Company's Board of Directors and the General Manager is not the same person; the Chairman of the Board of Directors has not previously held the position of the General Manager of the Company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	In accordance with the Company's Bylaws, the collegial governing body of the Company - the Board of Directors - is elected by the General Meeting of Shareholders. On 25 April 2013, the Board of Directors was elected from candidates nominated by three shareholders of the Company, each of whom is not a controlling shareholder individually. The Board of Directors simultaneously performs the function of objective and impartial monitoring of the General Manager's performance through periodic hearings of information presented by the General Manager on key issues of the business activities of the Company.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background,	Yes	The Company discloses information in accordance with provisions of the Law on Companies. Information on positions held by members of the

[2] Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.		Board of Directors of the Company is disclosed on the Company's website and its Annual Report.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The Company publishes the composition of the Board of Directors and positions held in its Annual Report and on its website. Positions held by the candidates are indicated in the General Meeting of Shareholders.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	All members of the Company's Board of Directors are practicing, competent, experienced managers, four members of the Board of Directors hold executive positions in leading companies of the sector. Members of the Audit Committee of the Company are appointed with the goal that they, as a whole, would have the latest knowledge and relevant experience in the fields of finance and accounting and (or) audit for the stock exchange listed companies.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Please refer to the comment under Item 3.4.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	On the election day and later on, members of the Board of Directors held positions in shareholders having nominated them, except for a member nominated by the Republic of Lithuania. Shareholder OAO Gazprom and the Company have important business relations - OAO Gazprom is the main supplier of natural gas and the Company purchases gas from it.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases	Not applicable	Please refer to the comment under Item 3.6.

when a member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting		

services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Not applicable	Please refer to the comment under Item 3.6.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Not applicable	Please refer to the comment under Item 3.6.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	Please refer to the comment under Item 3.6.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	Please refer to the comment under Item 3.6.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[3]	Yes	According to the Bylaws of the Company, the Board of Directors of the Company approves the Company's Annual Report, analyses and evaluates the Company's annual financial statements, the draft profit (loss) appropriation, and presents them to the General Meeting of Shareholders together with the Annual Report. The Board of Directors analyses and evaluates quarterly reports on the economic activity of the Company presented by the General Manager.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial	Yes	According to the information available to the Company, all members of the Board of Directors act in good faith for the benefit and in the interests of the Company and are guided by the interests of the Company and not by their private interests or by

[3] See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).		interests of any third parties, and are seeking to maintain independence in decision-making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies [4]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure	Yes Yes	On the election day and later on, members of the Board of Directors held positions in shareholders having nominated them, except for a member

[4] See Footnote 4. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.		nominated by the Republic of Lithuania. Pursuant to the Law on Audit and Resolution No. 1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania On Requirements for Audit Committees, an Audit Committee has been formed at the Company. A Nomination Committee and a Remuneration Committee were not established at the Company, their functions were performed by the Board of Directors. The rights and duties of the Audit Committee are provided for by the Audit Committee Formation and Work Regulations as approved by the General Meeting of Shareholders.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees . Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	Please refer to comments under Items 2.4 and 4.6.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of	Yes	Please refer to comments under Items 2.4 and 4.6.

the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	Please refer to comments under Items 2.4 and 4.6. In accordance with Resolution No. 1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania 'On Requirements for Audit Committees', the Audit Committee is composed of two members. The Board of Directors of the Company consists of 5 members who are not involved in everyday activities of the Company.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	Please refer to comments under Items 2.4 and 4.6.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Please refer to comments under Items 2.4 and 4.6.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and	Not applicable	Please refer to comments under Items 2.4 and 4.6.

assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based	Not applicable	Please refer to comments under Items 2.4 and 4.6.

remuneration, and its implementation; 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department	Yes	Please refer to comments under Items 2.4 and 4.6. Pursuant to the Law on Audit and Resolution No. 1K-18 of 21 August 2008 of the Securities Commission of the Republic of Lithuania 'On Requirements for Audit Committees' an Audit Committee has been formed at the Company. Key functions of the Audit Committee: analysis of the relevance of the accounting methods used by the Company, analysis of the internal control, internal audit and risk management systems, monitoring the execution of its functions by external audit, monitoring the independence of the audit company as well as other audit committee functions prescribed by applicable legal acts of the Republic of Lithuania.

and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the		

internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The assessment of the Company's activities and ipso facto of the Board of Directors' activities is performed by the shareholders of the Company in accordance with the procedure prescribed by Law.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The activities of the Board of Directors are governed by the Regulations of Operation of the Board of Directors. The meetings of the Board of Directors are headed by the Chairman of the Board of Directors. The CEO of the Company helps to organize the activities of the Board of Directors. The Company provides all the necessary resources for proper organization of meetings of the Board of Directors.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.[5]	Yes	To secure uninterrupted resolution of the essential Company's governance issues, meetings of the Board of Directors are convened at least once per quarter. Every year at the last meeting of the Board of Directors, the Board of Directors adopts the time-table of meetings of the Board of Directors for the upcoming year.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Regulations of operation of the Board of Directors provide for the fact that the members of the Board of Directors receive information about the meeting being convened, the agenda of the meeting and all material relevant to the issues on the agenda no later than 10 working days prior to the meeting of the Board of Directors.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	At the Company, there is no Supervisory Board.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		

[5] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's authorized capital consists of ordinary registered shares which grant the same rights to all the Company's shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting [6]. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The competence of the Company's General Meeting of Shareholders and of the Board of Directors is regulated by the Law on Companies of the Republic of Lithuania and the Company's Bylaws. In accordance with the Company's Bylaws, decisions on entering into important transactions are adopted by the Board of Directors.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	Procedures for convening and conducting the General Meeting of Shareholders are regulated by the Law on Companies of the Republic of Lithuania and the Company's Bylaws. Shareholders are provided with equal opportunities to participate at the meeting and to exercise their property and non-property rights.
6.5. If possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The right of shareholders living abroad to access to information is ensured on the Company's website www.dujos.lt and through the informational system of the NASDAQ OMX Vilnius Stock Exchange, in Lithuanian and English, by publishing in advance the date and venue of the General Meeting of Shareholders, the record date of the meeting, the agenda of the meeting and draft resolutions. After the General Meeting of Shareholders, the resolutions adopted are published in the same manner.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders may exercise their right to participate in the General Meeting of Shareholders both in person and in absentia provided that the proxy has the due power of attorney or provided that the proxy is a party to the agreement on the cession of the voting right. The Company also provides its

[6] The Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

		shareholders with the right to vote in writing in advance.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	Not applicable	Given the Company's shareholders' structure and the valid Regulations for Organizing General Meetings of Shareholders, there is no need to implement any additional expensive IT systems.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the Board of Directors follow the provisions indicated in this recommendation. The Company is not aware of events when personal interests of the members of the Board of Directors would be in conflict with the Company's interests Prior to starting act as the member of the Board of Directors, each member of the Board of Directors entered in the confidentiality agreement.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Regulation of Operation of the Board of Directors provide for the fact that a member of the Board of Directors or his proxy shall not have the right to vote when decisions concerning his activity in the Board of Directors or his responsibility is voted at

		the meeting of the Board of Directors.
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company's remuneration policy is not published as this is not provided for by laws of the Republic of Lithuania, moreover, it is the Company's internal and confidential document. The Company's remuneration policy is formed with due regard for the results of analysis of the situation in the labour market of the country. Remuneration of members of the management bodies of the Company are published on the Company's website.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Please refer to comment under Item 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the	No	Please refer to comment under Item 8.1

establishment of the remuneration policy of the company concerned. 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Please refer to comment under Item 8.1
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;	No	Please refer to comment under Item 8.1

3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	At present, the Company's remuneration procedure does not provide for the payment of any variable remuneration components.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.6.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	Please refer to comment under Item 8.6.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	Please refer to comment under Item 8.6.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Yes	
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Yes	
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in	No	Please refer to comments under Item 4.6 and 8.1.

determination of the remuneration policy as well as the role of shareholders' annual general meeting.		
8.13. Shares should not vest for at least three years after their award.	Not applicable	The Company does not apply any schemes of remuneration in the Company's shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Please refer to comment under Item 8.13.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Please refer to comment under Item 8.13.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Please refer to comment under Item 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	In accordance with the Bylaws of the Company, the directors' remuneration amount setting issues are resolved by the Board of Directors.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Please refer to comment under Item 8.17.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	Currently, the Company does not have such remuneration schemes.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, since such discussion is not provided for by the Bylaws of the Company.

directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	The said issues were not discussed at the General Meeting of Shareholders, since such discussion is not provided for by the Bylaws of the Company.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	Please refer to comment under Item 8.6.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	Please refer to comment under Item 8.19.
Principle IX: The role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept *stakeholders* includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The compliance with this recommendation is ensured by meticulous supervision and control of the Company's business activities by the state regulatory authorities and the associated consumer organizations. The publicity of the Company's business activities creates conditions for the stakeholder participation in the corporate governance
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder		

participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		in accordance with the procedure established by Law and the Company's Bylaws and Internal Regulations. The governing bodies consult the employees on the issues of corporate governance and other important issues; the participation of employees in the Company's share capital is not limited.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) Financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and associated persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the	Yes	The information indicated in the recommendation is published on the Company's website www.dujos.lt, through the informational system of the NASDAQ OMX Vilnius Stock Exchange and press releases.

links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company discloses information through the information disclosure system applied by the NASDAQ OMX Vilnius Stock Exchange, in Lithuanian and English, in this way simultaneously providing all stakeholders with access to information. Information that may affect the price of securities issued by the Company is treated as confidential, therefore it is kept as secret information and is not disclosed, unless it is published through the informational system in the manner prescribed by laws.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company simultaneously and in the same scope discloses all the information designated to shareholders and investors in Lithuanian and English through the informational system of the NASDAQ OMX Vilnius Stock Exchange, and all information is published on the Company's website www.dujos.lt, in this way ensuring unbiased and inexpensive prompt access to information.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company follows this recommendation and information has been placed on the Company's website www.dujos.lt.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	An independent company of auditors conducts the audit of the Company's and consolidated Company's financial statements and assesses the conformity of the Annual Report with the financial statements.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	A candidate firm of auditors is proposed to the General Meeting of Shareholders by the Board of Directors taking into account the recommendation by the Audit Committee.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The audit company receives from the Company remuneration for consultations on tax and business issues which do not contradict the independence requirements as set forth by the Law on Audit of the Republic of Lithuania and normative acts of the Securities Commission of the Republic of Lithuania. On an annual basis the audit company notifies the Audit Committee on any non-audit services rendered to the Company.