



**AKCINĖ BENDROVĖ „LIETUVOS DUJOS“  
JOINT STOCK COMPANY LIETUVOS DUJOS**

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**CONFIRMATION OF RESPONSIBLE PERSONS**

28 November 2014 No 4-31-1413

Following Art. 22 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, Liudas Liutkevičius, Chief Executive Officer and Giedrė Glinskienė, Finance and Treasury Director of AB Lietuvos Dujos, hereby confirm that to the best of our knowledge, the attached AB Lietuvos Dujos Interim Condensed Financial Statements for the Nine Months Period Ended 30 September 2014 prepared according to International Financial Reporting Standards as adopted by the European Union presents a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows of AB Lietuvos Dujos.

Chief Executive Officer

Liudas Liutkevičius

Finance and Treasury Director

Giedrė Glinskienė



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Interim report of AB Lietuvos Dujos for nine  
months of 2014  
(pre-audited)

28 November 2014

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## Content

Key indicators of AB Lietuvos Dujos.....	3
A word from the Chief Executive Officer.....	4
Reporting period for which the report was prepared .....	5
Major developments of the reporting period .....	5
Analysis of financial and performance results .....	7
Investments.....	9
Dividends .....	9
Activities of AB Lietuvos Dujos .....	10
Natural gas business environment .....	12
Natural gas distribution .....	15
Risk management.....	15
The Company's share price dynamics and turnover .....	16
Structure of the Company's authorized capital, issued securities thereof.....	17
Changes in the structure of shareholders from the last reporting period .....	17
AB Lietuvos Dujos shareholder structure .....	17
Customer service.....	18
Research and development activity.....	18
Corporate governance and organizational structure .....	19
Supervisory Board .....	19
Audit Committee of the Company.....	20
Board of Directors of the Company .....	20
Human resources of the Company.....	24
Material events .....	25

## Key indicators of AB Lietuvos Dujos

Key performance indicators of AB Lietuvos Dujos					
		9 months of 2014	9 months of 2013	Change	
				+/-	%
<b>Performance indicators</b>					
Volume of gas distributed to customers	thousand m <sup>3</sup>	498.920	622.933	-124.013	-20%
Volume of gas sold to customers	thousand m <sup>3</sup>	595.197	737.540	-142.343	-19%
<b>Gas supply quality indicators</b>					
SAIDI, min. (including force majeure)	min.	0,14	0,08	0,06	70%
SAIFI, pcs. (including force majeure)	pcs.	0,0021	0,0014	0,0007	48,9%
<b>Note: The National Control Commission for Prices and Energy has set annual indicators for 2014 - 2018</b>					
		<b>Unplanned terminations</b>			
SAIDI, min. (at the responsibility of the operator)	min.	0,4410			
SAIFI, min. (at the responsibility of the operator)	pcs.	0,0056			
Key financial indicators of AB Lietuvos Dujos continuing operations					
		9 months of 2014	9 months of 2013	Change	
				+/-	%
Revenue	thousand LTL	125.843	118.422	7.421	6%
Cost of natural gas	thousand LTL	9.192	17.611	-8.419	-48%
Other expenses	thousand LTL	303.536	102.710		
Other expenses (after the elimination of impairment of long-term tangible assets)	thousand LTL	107.536	102.710	4.826	5%
EBITDA (1)	thousand LTL	37.564	27.845	9.719	35%
EBITDA margin (2)	%	29,8%	23,5%		
Net profit	thousand LTL	-157.427	1.570		
Net profit (after the elimination of impairment of long-term tangible assets)	thousand LTL	9.173	1.570	7.603	484%
Net profit (including the discontinued operations)	thousand LTL	-110.154	42.263		
Key financial indicators of AB Lietuvos Dujos					
		9 months of 2014	9 months of 2013	Change	
				+/-	%
Total assets	thousand LTL	1.068.806	1.001.540	67.266	7%
Equity	thousand LTL	467.849	680.035	-212.186	-31%
Financial debt	thousand LTL	0	0		
Net financial debt (3)	thousand LTL	-189.809	-47.403		
Return-to-equity ratio (ROE) (4)	%	-31,4%	8,3%		
Equity level (5)	%	43,8%	67,9%		

1) EBITDA (earnings before interest, taxes, depreciation and amortization) = profit (loss) before taxes + interest expenses - interest income - dividends received + depreciation and amortization expenses + impairment expenses + long-term tangible asset write-offs;

2) EBITDA margin = EBITDA / Revenue;

3) Net financial debt = financial debt - cash and cash equivalents - short-term investments and fixed-term deposits -- a share of other long-term financial assets comprising investments in debt securities;

4) Return on equity (ROE) = net profit (loss), recalculated annual expression/equity at the end of the period;

5) Equity level = equity at the end of the period/total assets at the end of the period.

## **A word from the Chief Executive Officer**

A culmination of the autumn of this year, distinguished by intensity of works, is the completion of the unbundling process of the Lithuanian gas distribution and supply activities. The unbundling was implemented in accordance with the provisions of the European Union Third Energy Package. Since 1 November 2014, the state-owned company AB Lietuvos Dujos has been operating as the natural gas distribution network operator responsible for natural gas distribution infrastructure, the maintenance and the development thereof, taking care of the attraction of new customers and their connection to gas pipelines and, if necessary, for the ensurance of guarantee gas supply to customers.

Currently, we are turning over a new leaf of the activities of AB Lietuvos Dujos. We are consistently moving to the next stage, where we will search for methods to increase the number of natural gas customers and seek for a better exploitation of the current gas distribution system.

Being a part of the largest state-owned energy group Lietuvos Energija, UAB, we will increase the company's efficiency, exploit synergy possibilities between similar natural gas and electricity distribution activities, ensure quality and reliable distribution of natural gas for current and future customers of the company. Gas customers of Vilnius are already served in a single centre, where they can also receive electricity-related services.

This year, the company returned to the ownership of the state will aim to improve the quality of the services provided so that our customers and the national economy receive the maximum benefit. Our goal is to become a model company managing strategic infrastructure and working reliably and seamlessly - without any disruptions.

In recent years, with the recovery of the national economy, we are already observing an increase in the number of new gas customers. During nine months of this year, the Company received about 3 600 new applications for connecting new customers to the gas distribution system managed by AB Lietuvos Dujos, which is more than last year.

By taking efforts to simplify and shorten the process of connecting new customers, we hope to become attractive to potential customers of natural gas - clean and convenient fuel, and to contribute to increasing competitiveness of the country.

Liudas Liutkevičius

Chairman of the Board and Chief Executive Officer  
AB Lietuvos dujos

### Reporting period for which the report was prepared

The report was prepared for January - September of 2014.

### Main data about the Company

Name	Public Company Lietuvos Dujos (hereinafter - the Company)
Legal form	Public company
Date and place of registration	23 November 1990, Register of Legal Entities
Legal entity code	120059523
Registrar of the Register of Legal Entities	SE Centre of Registers
Authorized capital	LTL 290 685 740
Registered office address	Aguonų str. 24, LT-03212 Vilnius, Lithuania
Telephone	+370 5 236 0210
Fax	+370 5 236 0200
E-mail address	<a href="mailto:ld@lietuvosdujos.lt">ld@lietuvosdujos.lt</a>
Website	<a href="http://www.lietuvosdujos.lt">www.lietuvosdujos.lt</a>

### Major developments of the reporting period

Natural gas tariffs for household customers unilaterally set by the National Control Commission for Prices and Energy (NCCPE) on 28 November 2013, which were greater than those set by the decision of the Board of Directors of the Company, took effect on January 1.

On 30 January 2014, the Extraordinary General Meeting of Shareholders decided to initiate arbitration proceedings against OAO Gazprom in order to reduce the price of gas supplied. General Manager of the Company was obligated to carry out all actions necessary for the initiation of the arbitration proceedings and proper execution thereof, and was authorized to negotiate with OAO Gazprom in order to improve natural gas supply conditions.

On 20 February, the Ministry of Energy transferred to the Ministry of Finance 51 454 638 state-owned ordinary registered shares of AB Lietuvos Dujos with a par value of LTL 1 each (granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos) to manage, use and dispose of them by the right of trust.

On 21 February, the Ministry of Finance transferred to Lietuvos Energija, UAB 51 454 638 state-owned ordinary registered shares of AB Lietuvos Dujos with LTL 1 par value each and granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos as a non-monetary contribution for paying for the newly issued shares of Lietuvos Energija, UAB.

Decisions to approve financial results of AB Lietuvos Dujos, elect an audit company, recall the member of the Board of Directors, representative of the Ministry of Energy Valdas Lastauskas and to elect Dr. Dalius Misiūnas, the Chairman of the Board and Chief Executive Officer of Lietuvos Energija, UAB as a member of the Board of Directors were adopted in the General Meeting of Shareholders of the Company held on 30 April.

In the implementation of decisions of the General Meeting of Shareholders and having received the powers of the Board of Directors, on 7 May AB Lietuvos Dujos signed an agreement with a natural gas supplier OAO Gazprom on a significant reduction of the price of natural gas imported by AB Lietuvos Dujos.

On May 19, the Competition Council of the Republic of Lithuania adopted a resolution whereby it allowed a concentration by Lietuvos Energija, UAB acquiring up to 100% of shares of AB Lietuvos Dujos and gaining a sole control of AB Lietuvos Dujos in accordance with a presented concentration notice,



and stated that the dominant position will not be created or enhanced, and competition in respective markets will not be significantly restricted due to the planned concentration.

On 21 May, Lietuvos Energija, UAB and E.ON Ruhrgas International GmbH concluded a contract on the purchase - sale of shares of AB Lietuvos Dujos in accordance with which Lietuvos Energija, UAB purchased from E.ON Ruhrgas International GmbH 113 118 140 shares of AB Lietuvos Dujos, which accounted for 38.9% of the authorized capital of AB Lietuvos Dujos.

On 22 May, the Company received a notice of Lietuvos Energija, UAB on its intention to submit a mandatory take-over bid for the redemption of the remaining 126 112 962 ordinary registered shares of the issuer with the par value of LTL 1 each. The Bank of Lithuania made a decision to approve the mandatory take-over bid circular for the redemption of the remaining ordinary registered voting shares of the issuer.

On 29 May, the NCCPE approved the reduced natural gas tariffs for household customers set by the Board of Directors of AB Lietuvos Dujos on 22 May 2014. The tariffs took effect on 1 July 2014.

The implementation of the mandatory take-over bid on the redemption of the issuer's shares of the Company's shareholder Lietuvos Energija, UAB was completed on 16 June. During the mandatory take-over bid, one of the major shareholders of the Company OAO Gazprom also submitted an application for the redemption of shares of the Company. Lietuvos Energija, UAB acquired from OAO Gazprom 107 734 925 ordinary registered shares, which accounts for 37.1% of the Company's authorized capital. After the mandatory take-over bid, Lietuvos Energija, UAB owns 96.6% and minority shareholders - 3.4% of shares of the Company.

Decisions to approve the resignation of members of the Board delegated by E.ON Ruhrgas International GmbH Dr. Achim Saul and Uwe Fip, to recall the members of the Board of Directors delegated by OAO Gazprom Dr. Valery Golubev and Kirill Seleznev and to elect for the remaining term of office of the Board of Directors of AB Lietuvos Dujos candidates Ieva Lauraitytė, Ilona Daugėlaitė and Mindaugas Keizeris nominated by Lietuvos Energija, UAB as members of the Board of Directors of the Company were made in the Extraordinary General Meeting of Shareholders held on 30 June.

Also, the Extraordinary General Meeting of Shareholders instructed the Board of Directors to assess alternative ways for the method of the unbundling of the Company's supply and distribution activities approved by decision of the General Meeting of Shareholders held on 28 May 2012 and, upon the identification of a more efficient method by the Board of Directors of AB Lietuvos Dujos, to adopt at its own discretion all decisions necessary for changing the method of the unbundling of the natural gas distribution activity and implementing the method selected by the Board of Directors of AB Lietuvos Dujos, including, but not limited to, decisions on the unbundled activity, its market value, method of unbundling, etc.

A resolution to elect Dr. Dalius Misiūnas as the Chairman of the Board was adopted in the meeting of the Board of Directors of AB Lietuvos Dujos held on 30 June.

In the implementation of the requirements of the Law on Natural Gas of the Republic of Lithuania and other legislation on the unbundling of natural gas distribution activity and the resolution of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos of 30 June 2014, on 21 July, the Board of Directors of the Company approved that the distribution and supply activities of the Company will be unbundled by selling the Company's complex of assets (part of enterprise), i.e. the natural gas supply activity with the assets, rights and obligations attributed thereto, to a company controlled by the main shareholder of the Company Lietuvos Energija, UAB under the purchase - sale agreement of a part of the Company.

During the Extraordinary General Meeting of Shareholder of AB Lietuvos Dujos held on 22 July, a decision was made to distribute the profit of 2013 and pay LTL 53.3 million, or 18.3 cents per share, in dividends. Also, in order to make uniform the principles of reserve formation applied in financial statements of all the companies of Lietuvos Energija Group, a decision was made at the General Meeting of Shareholders to transfer other reserves in the amount of LTL 328 million, which had been formed previously within several years by AB Lietuvos Dujos, to the Company's retained earnings.

On 24 July, the NCCPE adopted a resolution regarding the amendment to AB Lietuvos Dujos action plan for the unbundling of its distribution activity and instructed the Company to follow the methods and deadlines indicated in the amended unbundling plan in order to have legal, functional and organizational unbundling of the distribution activity carried out no later than by 31 October 2014. Upon the

implementation of the action plan approved with the NCCPE, AB Lietuvos Dujos remains a natural gas distribution company, while its supply activity is transferred to a natural gas supply company established by the main shareholder of the Company Lietuvos Energija, UAB.

On 11 August, the announcement was made about the reorganization of the management of AB Lietuvos Dujos in accordance with Corporate Governance Guidelines applicable in the entire state-owned energy group Lietuvos Energija. Pursuant to these Guidelines, a new Board of Directors of AB Lietuvos Dujos was formed.

Cooperation of national electricity and natural gas distribution as well as supply companies was started on 14 August seeking to optimise the services provided to customers. A centre for serving customers of Lietuvos Dujos was opened up in AB LESTO customer service centre located in Vilnius. Having evaluated synergy possibilities of both companies, integration of services provided to electricity and gas consumers is planned in the future.

On 8 September, Viktoras Valentukevičius, having managed the Company since 2002, resigned from his post as a General Manager. Mantas Mikalajūnas, Head of Strategic Development Department, was appointed as an Acting General Manager of AB Lietuvos Dujos.

On 30 September, the General Meeting of Shareholders of AB Lietuvos Dujos made a decision on the allocation of interim dividends for a period shorter than a financial year for shareholders of AB Lietuvos Dujos. Shareholders were allocated dividends of LTL 0.24 per share of AB Lietuvos Dujos.

### **Major developments after the reporting period**

In the implementation of requirements of the Law on Natural Gas and other legal acts on the unbundling of natural gas distribution activity and given the decisions made by the General Meeting of Shareholder and the Board of Directors of the Company, on 15 October, AB Lietuvos Dujos concluded a contract on the purchase - sale of a part of enterprise with UAB Lietuvos Duju Tiekimas. The Company sold its natural gas distribution activity with assets, rights and obligations attributed thereto at the market value determined by independent property appraisers. UAB Lietuvos Duju Tiekimas is a company owned by the main shareholder of the Company Lietuvos Energija, UAB.

Supervisory Board of AB Lietuvos Dujos, consisting of Director for Finance and Treasury of Lietuvos Energija, UAB Darius Kašauskas, Director for Organizational Development of Lietuvos Energija, UAB Ilona Daugėlaitė and an independent member Petras Povilas Čėsna, was appointed by the decision of the Extraordinary General Meeting of Shareholders of 29 October. The Board of Directors of the Company is accountable to the Supervisory Board.

On 1 November, the reorganization of management of AB Lietuvos Dujos in the natural gas sector completed the implementation of requirements of the EU Third Energy Package for unbundling of the natural gas supply and distribution activities. Upon the transfer of the natural gas supply activity to the new Lietuvos Energija Group company Lietuvos Duju Tiekimas, AB Lietuvos Dujos is engaged in the management of the natural gas distribution network and provision of distribution services.

New Board of Directors and the Chief Executive Officer of AB Lietuvos Dujos were elected on 3 November. Liudas Liutkevičius, who is also the Chairman of the Board of Directors of AB Lietuvos Dujos, became the Chief Executive Officer of the Company. Liudas Liutkevičius has previously worked as a member of the Board of Directors and Director for Production and Services at Lietuvos Energija, UAB. Giedrė Glinkienė, Head of Finance and Treasury Service, Tomas Šidlauskas, Head of Gas Network Service, Nemunas Biknius, Head of Service and Development Service and Valentina Birulienė, Head of Organization Development Service were elected as members of the Board of Directors of the Company.

On 20 November, the NCCPE approved natural gas distribution prices of AB Lietuvos Dujos to take effect as from 1 January 2015. The natural gas distribution price cap will increase by 16.7 percent, however, gas distribution prices for different consumer groups will increase by 5.1 - 9.5%. The main reason of the increase of natural gas distribution price is natural gas distribution volumes, which are planned to be 17 percent lower in 2015.

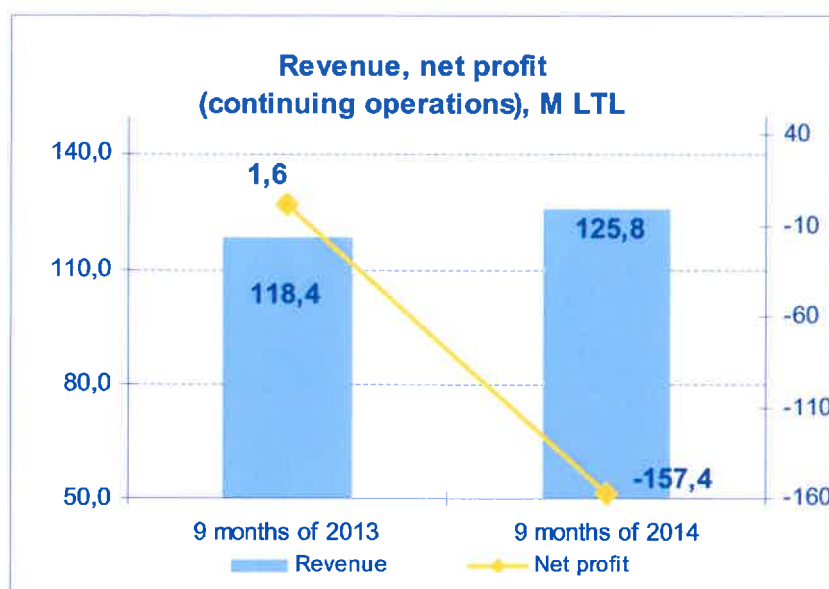
### **Analysis of financial and performance results**

In the implementation of the requirements of laws, AB Lietuvos Dujos finished the unbundling of its activities. On 31 July 2013, in the first stage of the reorganization, AB Lietuvos Dujos transferred to AB Amber Grid its natural gas transmission activity and on 31 October 2014, it transferred to UAB Lietuvos



Duju Tiekimas (100 percent of shares whereof are owned by Lietuvos Energija, UAB) the natural gas supply activity with assets, rights and obligations attributed thereto.

Pursuant to IFRS requirements, financial statements of AB Lietuvos Dujos for nine months of 2014 also include the data of discontinued (supply) operations. The result of 9 months of 2014 in the Company's Income statement also includes result of the supply activity, which is indicated in a separate line as net results of discontinued operations.



For comparison purposes of AB Lietuvos Dujos results of 9 months of 2014 and 9 months of 2013, the results of transmission and supply activities were attributed to the discontinued operations in the Income statement.

Revenue of the Company's continuing operations activity for 9 months of 2014, compared to respective period of last year, increased by 6 percent and amounted to LTL 125.8 million (9 months of 2013: LTL 118.4 million). Increased revenue came as a result of higher distribution service prices set upon the start of a new price regulatory period (2014 - 2018).

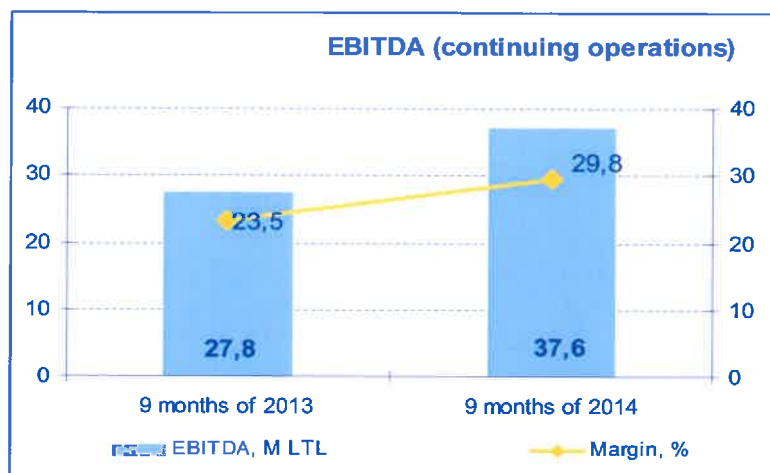
Expenses of the continuing operations of the Company for 9 months of 2014 increased and amount to a total of LTL 312.7 million (for the same period of last year: LTL 120.3 million). This increase was determined by a one-time impairment of long-term tangible assets used in the distribution activity in the amount of LTL 196 million, which was formed on 30 June 2014 and accounted for under other expenses, having calculated the value of long-term assets on the basis of discounted cash flows. Natural gas expenses of the continuing operations decreased due to the reduction of the price of imported natural gas, after the Company retrospectively applied the corrected formula used to calculate the price of imported gas.

Net loss of AB Lietuvos Dujos for 9 months of 2014 amounted to LTL 110.2 million (net profit for the same period of last year: LTL 42.3 million), including the loss of the continuing operations of LTL 157.4 million (net profit for the same period of last year: LTL 1.6 million). Net loss of the continuing operations was determined by the aforementioned one-time impairment of long-term tangible assets. Having eliminated the effect of the impairment of long-term tangible assets (LTL 166.6 million, after the assessment of the formation of deferred income tax assets), net profit of the continuing operations would amount to LTL 9.2 million in the reporting period.

EBITDA for 9 months of 2014 totalled LTL 37.6 million (EBITDA calculations do not take the impact of the impairment of long-term tangible assets into account) (EBITDA for 9 months of 2013: LTL 27.8 million).

During 9 months of 2014, revenue of the discontinued supply operations decreased due to the decrease of gas import price and lower sales volumes, and amounted to LTL 727.7 million (same period of last

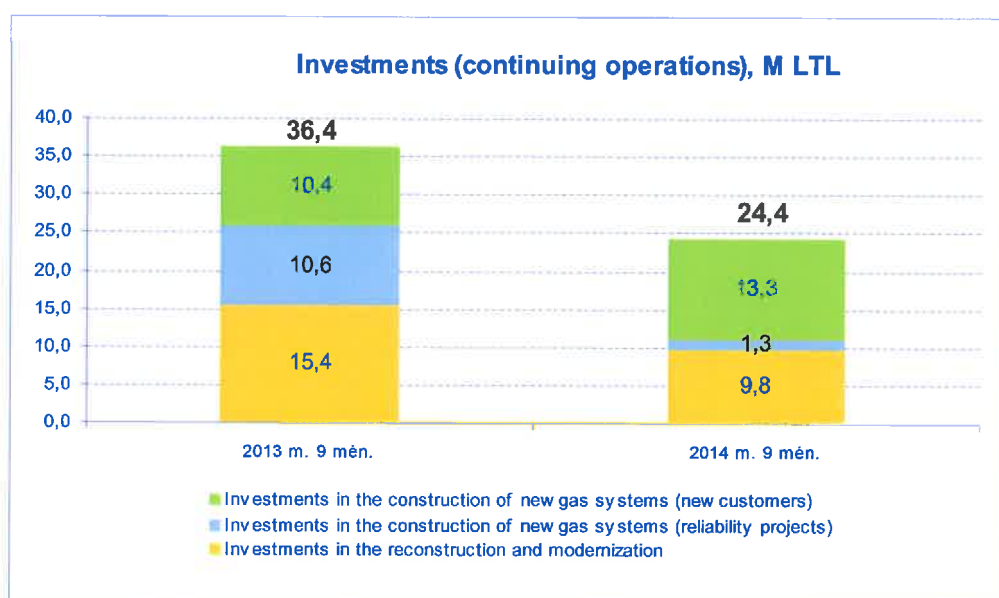
year: LTL 990.4 million). After the reduction of natural gas expenses, expenses of the discontinued supply operations decreased to LTL 670.2 million (same period of last year: LTL 954.9). Net profit of the discontinued supply operations totalled LTL 47.3 million (last year: LTL 30.7 million).



The result of 9 months of 2014 was positively affected by the reduction of imported natural gas price after the Company retrospectively applied the corrected formula used to calculate the price of imported gas.

### Investments

During 9 months of 2014, the investments of the continuing operations of AB Lietuvos Dujos amounted to LTL 24.4 million (during 9 months of 2013 they totalled LTL 36.4 million). After the implementation of several projects of a large scope in 2013, the decrease in investments was mainly determined by lower investments into the ensurance of the safety of gas distribution system and reliability of supply. This year, with the growing number of new customers connecting to the natural gas distribution system, the Company invested more funds into the construction objects of new gas systems.



For more information on the financial results of the Company see the condensed financial statements of the Company for nine months ended 30 September 2014.

### Dividends

On 22 July 2014, the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos made a

decision on the distribution of profit of 2013. LTL 53.3 million, or 18.3 ct per share, was allocated for dividends (LTL 217.0 million, or 46.3 ct per share, was paid for 2012).

On 30 September 2014, the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos made a decision on the allocation of dividends to shareholders of AB Lietuvos Dujos for a period shorter than the financial year. Shareholders were allocated dividends of LTL 0.24 per share.

### **Activities of AB Lietuvos Dujos**

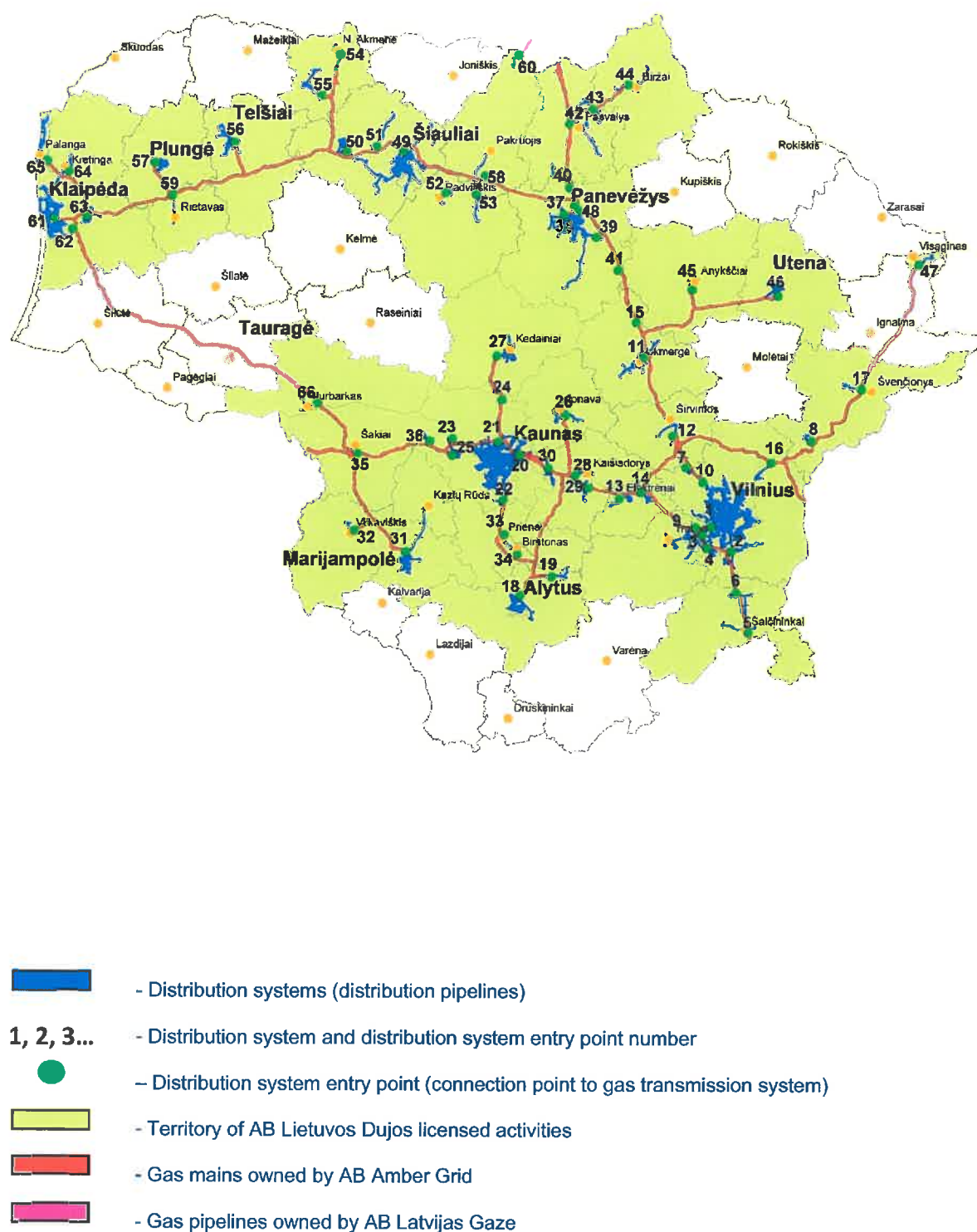
In the implementation of the provisions of the EU Third Energy Package establishing a requirement to unbundle gas sector activities, the unbundling of gas distribution and supply activities was completed on 1 November 2014.

Since 1 November, AB Lietuvos Dujos has been acting as a natural gas distribution operator responsible for gas distribution infrastructure, maintenance and development thereof, engaged in the attraction of new gas customers and their connection to gas pipelines and ensurance of guarantee gas supply to customers.

AB Lietuvos Dujos is a state-owned enterprise owned by the largest energy group in the country Lietuvos Energija, UAB.

AB Lietuvos Dujos operates 8.4 thousand km of distribution pipelines. In the implementation of the function of gas distribution network operator, the Company ensures a reliable, efficient and secure operation of distribution systems and the quality of distribution services provided. Distribution gas pipelines under the Company's control supply gas to more than 560 thousand customers. In order to increase the number of distribution network customers, the Company has a goal to create a favourable environment for attracting new customers. By reviewing its customer service processes, AB Lietuvos Dujos is exploring possibilities for shortening and facilitating the connection to gas distribution network for new customers.

### Natural gas distribution system operated by the Company



#### Subsidiaries and joint ventures

According to the data of 30 September 2014, AB Lietuvos Dujos jointly with the Finnish company Gasum Oy and AB Amber Grid controls UAB GET Baltic.

The authorized capital of UAB GET Baltic did not change during 9 months of 2014, it consists of 2 000 000 ordinary registered shares with the par value of LTL 1 per share. 34 % of shares of UAB GET Baltic 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.



<b>Key information of UAB GET Baltic</b>	
Legal organizational form	Private limited company
Date and place of registration	13 September 2012, State Enterprise Centre of Registers
Company code	302861178
Registered office address	Aguonų g. 24, Vilnius, Lithuania
Telephone	+370 5 2360 000
Fax	+370 5 2360 001
E-mail	<a href="mailto:info@getbaltic.lt">info@getbaltic.lt</a>
Website	<a href="http://www.getbaltic.lt">www.getbaltic.lt</a>
Authorized capital	LTL 2 000 000
Share of the authorized capital owned by AB Lietuvos Dujos	34 %
Number of employees as at 30 September 2014	2

### **Natural gas business environment**

Upon the fulfilment of the requirements of the EU Third Energy Package providing for the separation of gas sector activities, the management of the Lithuanian gas sector was established. Natural gas transmission network is managed and maintained by the Lithuanian natural gas transmission system operator AB Amber Grid, natural gas distribution network is under management and supervision of the Lithuanian natural gas distribution network operator AB Lietuvos Dujos, while the natural gas supply to customers is ensured by UAB Lietuvos Dujų Tiekimas and other suppliers operating in the Lithuanian market. AB Lietuvos Dujos and UAB Lietuvos Dujų Tiekimas are owned by the largest energy group Lietuvos Energija, UAB.

### **Natural gas supply market research**

Pursuant to the Law on Energy of the Republic of Lithuania, the NCCPE conducts market research aimed at the ensurance of efficient competition in the energy sector and preventing the abuse of power of highly influential persons in a certain market. By its Resolution of 29 April 2014, the NCCPE approved the Natural Gas Supply Market Research Report. The Report stated that the greatest share of the natural gas supply market is occupied by AB Lietuvos Dujos; also, the natural gas supply market research did not show that the economic entity AB Lietuvos Dujos was applying excessive prices or using price pressure due to a lack of effective competition, thus causing damage to market participants.

### **Description of the Natural Gas Accounting Procedure**

Description of the Natural Gas Accounting Procedure approved by Order of the Minister of Energy of the Republic of Lithuania of 27 December 2013 and subsequent amendments thereto establish a new essential requirement for gas companies, biogas production companies, system users and gas consumers to have gas volume in the natural gas transmission system accounted for in units of volume (m<sup>3</sup>) and units of energy (kWh) and gas volume in the natural gas distribution system accounted for in units of volume (m<sup>3</sup>) and/or units of energy (kWh) calculated using gas upper calorific value starting from 1 January 2015. When paying for gas and the provided gas transportation services, non-household customers and system users shall account for the gas volume consumed in units of energy (kWh), while household customers shall account for the gas volume consumed in units of volume (m<sup>3</sup>), just like it was done before.

### **Licensing**

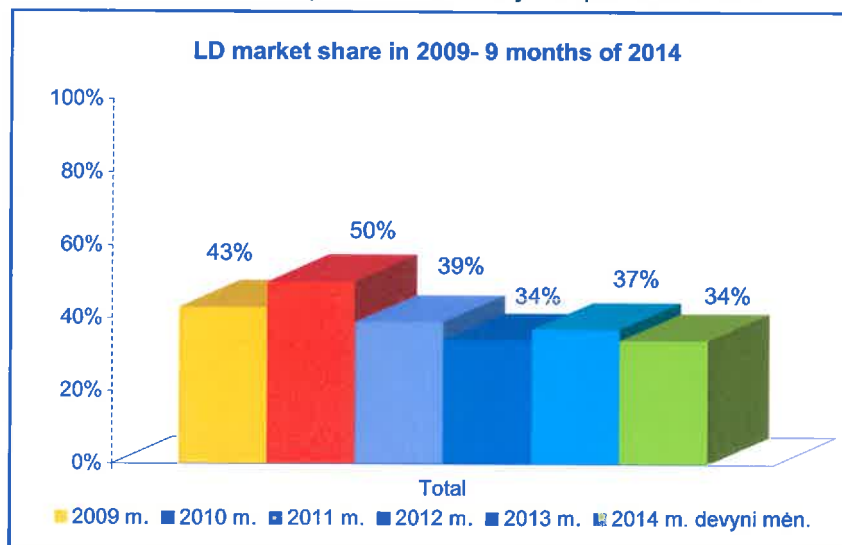
The Law on Natural Gas stipulates that the activities of natural gas distribution and supply carried out by the Company are subject to licensing. Licences are issued and the supervision of the licensed activities is executed by the NCCPE. The natural gas distribution licence grants the Company the right to engage in the gas distribution activities 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.



### Situation in the gas market

Main factors affecting natural gas consumption is the development of the use of renewable energy sources and the promotion thereof as well as the price level of competing energy sources (biofuel, oil, etc.). The National Energy Independence Strategy establishes that by 2020 renewable energy sources (RES) shall constitute at least 23 percent in the final energy consumption (at least 20 percent in electricity sector, at least 60 percent in district heating sector and at least 10 percent in transport sector). RES development is subsidized both at the EU and the national level, using support provided by EU structural funds, etc., and a large share of energy sector and business companies is actively investing in the replacement of the fuel used, transferring to the use of RES, which leads to decreased consumption of natural gas in Lithuania. During 9 months of 2014, 1 801.1 MCM of natural gas was imported to Lithuania, which is 13.1 percent less than during the same period of 2013, when 2 073.7 MCM was imported. The decrease in the volumes of natural gas supplied by AB Lietuvos Dujos was also mainly determined by RES development. During 9 months of 2014, 595.2 MCM of natural gas was supplied to AB Lietuvos Dujos customers, which was 19.3 percent less than during 9 months of 2013, when 737.5 MCM of gas was supplied. During 9 months of 2014, AB Lietuvos Dujos transported via its distribution networks 498.9 MCM of natural gas, or 19.9 percent less than during the same period of 2013.

Besides AB Lietuvos Dujos, there were other natural gas market participants importing natural gas to Lithuania during nine months of this year. The market share of AB Lietuvos Dujos in the overall natural gas market of Lithuania accounted for 34 percent in January - September of 2014.



### Pricing system and natural gas prices

Natural gas distribution service prices applicable to all customers are subject to regulation. Regulated price caps are set for a five-year regulatory period and may be adjusted by a decision of the NCCPE, but no more often than once per year and in cases provided for in the Law on Natural Gas. The activity of natural gas supply is not subject to regulation.

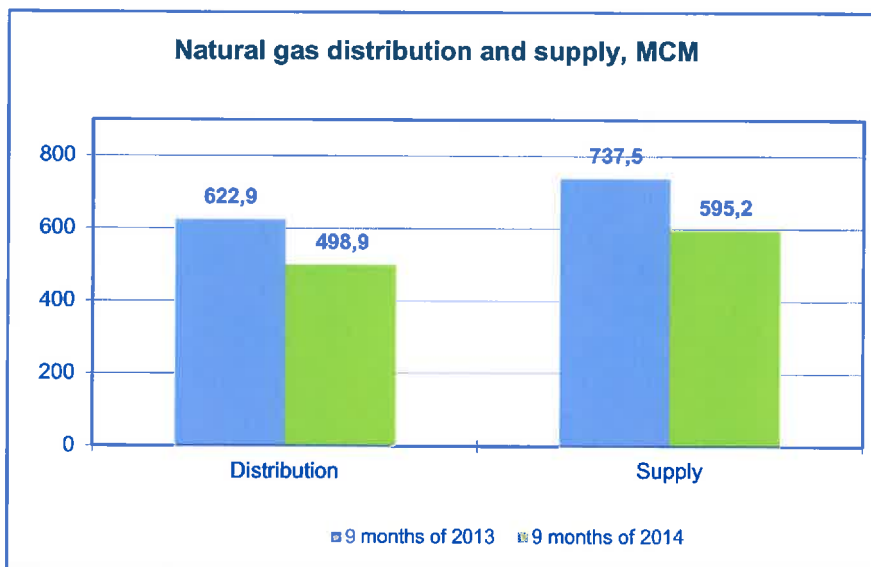
The Company sets specific natural gas distribution prices once per year. Natural gas tariffs for household customers are set once every six months. Specific natural gas distribution prices and tariffs for household customers are submitted for the NCCPE's approval.

Natural gas tariffs for household customers of AB Lietuvos Dujos unilaterally set by the NCCPE on 28 November 2013 took effect from 1 January 2014. Compared to tariffs valid in Half 2 of 2013, the set variable tariff component decreased for different subgroups of household customers from 4 to 24 ct/m<sup>3</sup> (inclusive of VAT). The fixed tariff component remained unchanged.

On 22 May 2014, the Board of Directors of the Company approved lower natural gas tariffs for household customers to take effect from 1 July 2014. The variable tariff component approved by the Board of Directors of the Company for different household customer subgroups decreased by an average of 40 ct/m<sup>3</sup> (inclusive of VAT). The variable component of the natural gas tariff for household customers decreased for all customer subgroups due to the decreased gas purchase price and applied compensation for 2013. The fixed gas tariff component remained unchanged. The NCCPE approved these tariffs on 30 May 2014.

Natural gas price for non-household customers is recalculated each month. The 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 2013-2014, the prices of oil and oil products in international markets and the value of EUR against USD stabilised, thus natural gas prices for non-household customers were gradually declining in January - April 2014. When the Company reached an agreement with the gas supplier OAO Gazprom on the reduction of the price of natural gas imported by the Company in May 2014, the Company made offers to all 6.5 thousand non-household customers to amend conditions of their natural gas purchase-sale contracts, which resulted in a significantly lower natural gas price for non-household customers as from May 2014.

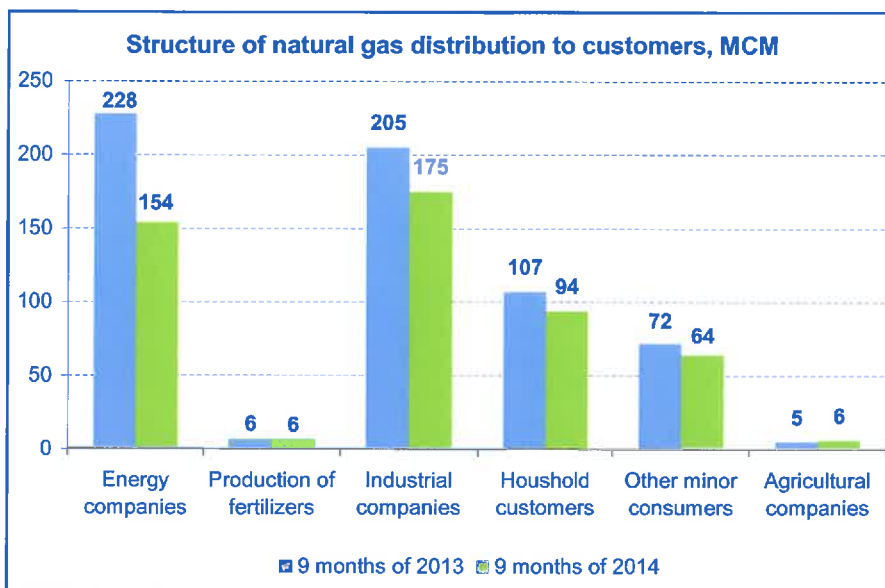
For more detailed information on the prices of gas distribution services provided by the Company, see the Company's website [www.dujos.lt](http://www.dujos.lt), while for information on household customer tariffs, visit the website of UAB Lietuvos Duju Tiekimas [www.ldtiekimas.lt](http://www.ldtiekimas.lt).



During the reporting period of 2014, AB Lietuvos Dujos purchased natural gas from a single supplier – OAO Gazprom. In the implementation of requirements of the resolution of the Government of the Republic of Lithuania, the Company stores the set volume of gas in Incukalns (Latvia) underground storage facility. In cases of accidents and emergencies, this accumulated volume of gas would ensure uninterrupted supply of gas to vulnerable customers (all household and non-household customers consuming up to 20 000 m<sup>3</sup> of natural gas per year) for the period of at least 30 days.

According to the data of 30 September 2014, the Company sold natural gas to more than 560 thousand non-household and household customers. These were energy, industrial and other companies, organizations and residents.

## Natural gas distribution



During 9 months of 2014, AB Lietuvos Dujos transported 498.9 MCM of natural gas via its distribution network, which was 19.9 percent less than during the same period of last year.

As compared to the same period of 2013, natural gas distribution volumes during 9 months of 2014 decreased mainly due to the decreased electricity and heat production in heat and electricity production companies, replacement of natural gas with other types of fuel and state subsidies for renewable energy sources and renovation (a share of customers having biofuel and alternative fuel boilers installed increased).

### Business plans and forecasts

After the recovery of the country's economy, a growth in the number of new customers has been observed in recent years. During 9 months of 2014, 3 600 applications for connecting to natural gas systems were received as compared to 3 200 applications in the same period of last year.

AB Lietuvos Dujos will continue the development of the distribution system taking into consideration consumer needs and ensuring the reliability of the distribution system. In the development of the distribution system, the plan is to connect about 3.7 thousand new customers and to build about 95 km of distribution pipelines in 2014.

One of the major investment projects into the construction of new gas systems started in 2014 is the medium pressure pipeline to a residential block Zujūnų, Varnės, Smalinės, Karaliaučiaus streets in the northern part of Pilaitė district, Vilnius. 4.6 km of gas distribution system was built during this project, investing LTL 0.5 million therein and connecting 37 new customers. Later development of the project will be made depending on customer needs.

Also, in 2014 the development of gas distribution system infrastructure in Vismaliukai is planned by building 4.2 km of a medium pressure gas pipeline and investing LTL 0.9 million therein. The completion of this project is planned this year.

The Company will continue implementing the launched projects aimed at increasing operational efficiency, optimizing costs and exploiting synergy opportunities in Lietuvos Energija Group.

### Risk management

The Company has implemented a Risk Management System, which is a constituent part of activities of AB Lietuvos Dujos. The Risk Management process is carried out according to a Methodology that has been prepared by the Company. The Risk management working group has been set up by the Company to coordinate, monitor, supervise and assure the risk management process. The risk management activities aim at maintaining an adequate business process control level, at minimizing the probability of occurrence of events that may cause risks and minimizing their possible negative effects, at 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;
- risk analysis, assessment and establishment of control measures;
- development of the Risk Management Action Plan and implementation of measures thereof;
- monitoring and supervision of the Risk Management Process.

Main risks that the Company faces in its activities include the following: competition-related risk, regulation-related risk, organizational structure-related risk, gas import price fluctuation risk, credit risk and technical risk.

### The Company's share price dynamics and turnover

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

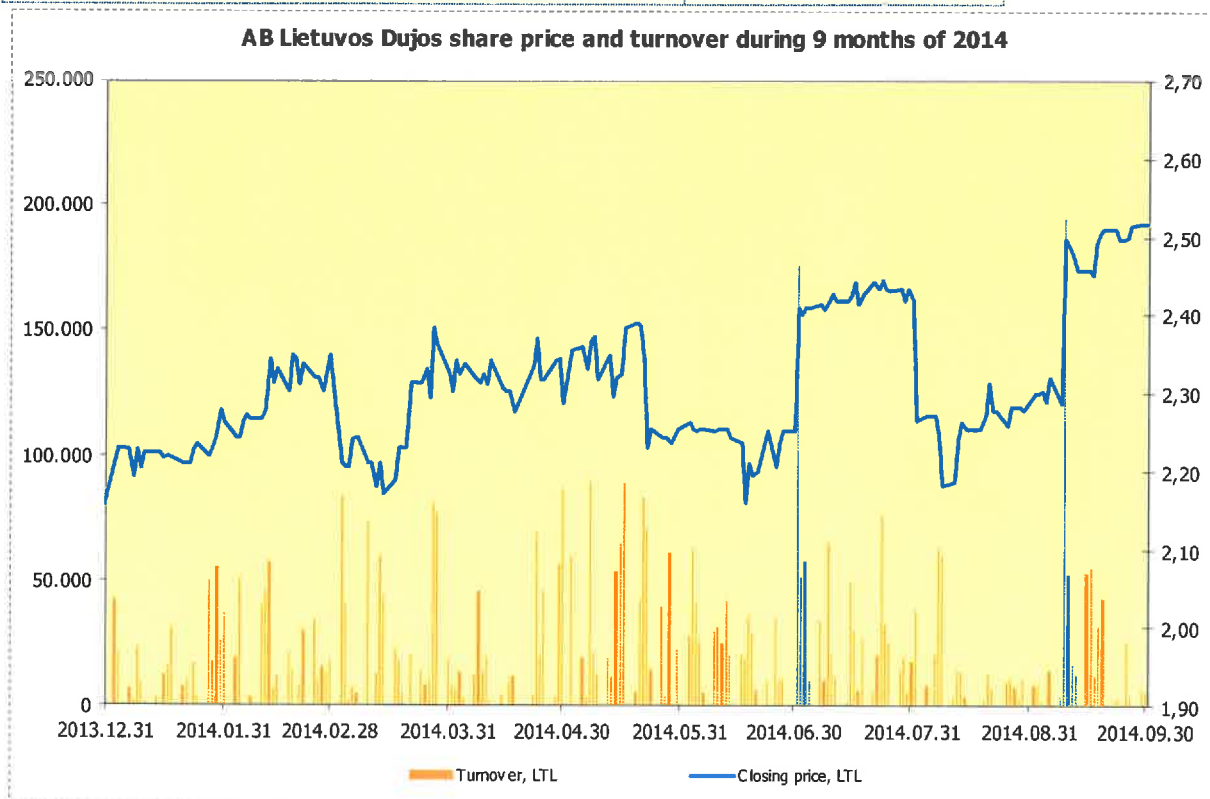
As of 30 September 2014, the capitalization of the Company's shares amounted to LTL 732.1 million. During 9 months of 2014, the total turnover of trading in the Company's shares on the NASDAQ OMX Vilnius amounted to LTL 4.7 million, 2 045 561 shares were disposed of through the concluded transactions.

The Company is not aware of any made shareholders' agreements, which may restrict the disposal of its securities and/or voting rights.

The Company has not acquired its own shares and during 9 months of 2014 had not concluded any transactions related to the acquisition or disposal of own shares.

#### Share price dynamics at NASDAQ OMX Vilnius during 9 months of 2014

Price per share as of 31 Dec 2013	LTL 2.151
Highest price per share during 9 months of 2014	LTL 2.517
Lowest price per share during 9 months of 2014	LTL 2.161
Price per share as of 30 September 2014	LTL 2.517





### Structure of the Company's authorized capital, issued securities thereof

The Company's authorized capital amounts to LTL 290 685 740.00 and consists of 290 685 740 fully paid ordinary registered shares with the par value of LTL 1 each.

As of 30 September 2014, there were 290 685 740 ordinary registered shares of the Company on the NASDAQ OMX Vilnius Main List with par value of LTL 1 each (ISIN code LT0000116220); the total par value of the shares amounted to LTL 290 685 740.

According to data of 30 September 2014, the total number of shareholders was 2 453. All AB Lietuvos Dujos shares entitle to equal property and non-property rights.

### Changes in the structure of shareholders from the last reporting period

As at 1 January 2014, the shareholders of the Company E.ON Ruhrgas International GmbH, OAO Gazprom and the Republic of Lithuania, whose shares are held in trust by the Ministry of Energy of the Republic of Lithuania, together controlled 93.7% of shares of AB Lietuvos Dujos.

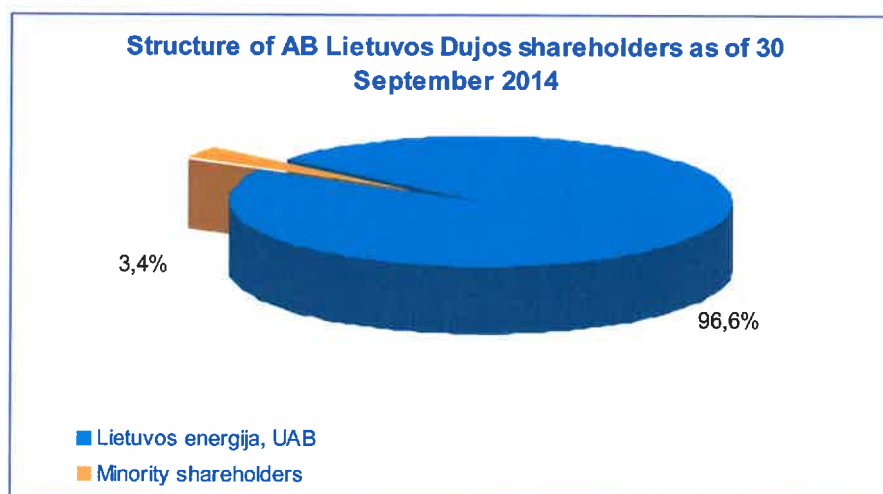
On 20 February, in the implementation of Resolution No. 120 of the Government of the Republic of Lithuania *On Investing the State Property and Increasing Authorized Capital of Companies* of 12 February 2014, the Ministry of Energy transferred by a deed of acceptance- hand-over to the Ministry of Finance 51 454 638 state-owned ordinary registered shares of AB Lietuvos Dujos (granting 17.7% of votes in the General Meeting of Shareholders of AB Lietuvos Dujos) to manage, use and dispose of them by the right of trust, while on 21 February 2014, the Ministry of Finance of the Republic of Lithuania transferred them to Lietuvos Energija, UAB as a non-monetary contribution for paying for the newly issued shares of Lietuvos Energija, UAB.

On 21 May 2014, Lietuvos Energija, UAB and E.ON Ruhrgas International GmbH concluded a contract on the purchase-sale of shares of AB Lietuvos Dujos in accordance with which Lietuvos Energija, UAB acquired from E.ON Ruhrgas International GmbH 113 118 140 shares of AB Lietuvos Dujos, which constituted 38.9 percent of the authorized capital of AB Lietuvos Dujos. After this transaction, Lietuvos Energija, UAB owned 56.6 percent of shares of AB Lietuvos Dujos, OAO Gazprom – 37.1 percent and minority shareholders - 6.3 percent of shares of AB Lietuvos Dujos.

On 27 May 2014, the Bank of Lithuania approved the mandatory take-over bid circular for the redemption of the remaining ordinary registered voting shares of AB Lietuvos Dujos. During the mandatory take-over bid (2 June 2014 - 16 June 2014), applications for the redemption of the shares was presented by OAO Gazprom and some minority shareholders. Lietuvos Energija, UAB purchased from OAO Gazprom 107 734 925 shares of AB Lietuvos Dujos, which accounted for 37.1 percent of the authorized capital of AB Lietuvos Dujos. After the implementation of the mandatory take-over bid, Lietuvos Energija, UAB owns 96.6 percent and minority shareholders - 3.4 percent of shares of AB Lietuvos Dujos.

### AB Lietuvos Dujos shareholder structure

96.6 percent of shares of AB Lietuvos Dujos are owned by Lietuvos Energija, UAB, and the remaining 3.4 percent - by minority shareholders.





### 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 of the securities issued by the Company and the provision of services related to the securities accounts, with effect from 1 April 2012.

AB SEB bank requisites	
Company code	112021238
Banking licence No.	2 (issued by the Bank of Lithuania on 29 November 1990, as subsequently amended)
Registered office address	Gedimino pr. 12, Vilnius, Lithuania
Telephone numbers	+370 5 268 2800, short number 1518
E-mail	info@seb.lt
Website	www.seb.lt

### Customer service

As at 30 September 2014, the Company had 554 thousand contracts signed with household natural gas customers and 6.5 thousand - with non-household natural gas customers.

In 2014, the Company started reorganization of its customer service divisions throughout Lithuania. In cooperation with the Lithuanian electricity distribution network operator AB LESTO, a joint AB LESTO and AB Lietuvos Dujos customer service centre was established in Vilnius in the month of August. Here customers are provided with services of both companies in one visit. During the first nine months of 2014, customers visited customer service divisions on supply-related issues more than 93 thousand times.

In 2014, the number of customers served by general customer information line 1894 increased: during the first nine months of 2014, almost 108 thousand calls were answered, as compared to 96 thousand calls during the same period of 2013, i.e. the number of answered calls increased by 11.7 percent.

During nine months of 2014, the number of applications for connecting to the natural gas distribution system also increased. There were 3 653 applications submitted during this period, which is 13 percent more than during the same period of last year.

During the first nine months of 2014, the Company's employees inspected readings of natural gas meters of more than 274 thousand customers. As compared to the respective period of last year, the number of inspections decreased by 2 percent.

### Customer service rating

The quality of customer service of Gas Metering and Metrology departments in customer domain was rated. Survey results showed that service quality received a score of 89 percent (average fulfilment of requirements). Requirements are considered almost or fully fulfilled when the score is 90 or more percent. The survey was conducted by UAB „Slapto pirkėjo tyrimai (DIVE Lietuva).

The data of the Company's customer survey of customers served by e-mail, which was conducted online, revealed that during the first nine months of 2014, the average rating of customers served by e-mail was a score of 9.27 out of 10, while as many as 89 percent of survey respondents gave a score of 10 or 9 out of 10 for the Company's e-mail service.

### Research and development activity

In order to achieve efficient development of natural gas distribution system and connection of new customers, information about potential new customers is collected, real estate market development trends, formation of new residential, commercial and production territories are observed. Also, analysis of applications for connecting to gas networks is conducted and customers are surveyed seeking to clear up their needs for connecting to gas networks and to encourage them to do that. Moreover, the analysis of the connection process of new customers is conducted and new methods for shortening thereof are searched for.

### **Membership in associated structures**

The Company is a member of the following organizations:

- the Lithuanian Gas Association;
- Association Eurogas;
- the Chamber of Commerce of Germany and the Baltic countries (AHK) in Estonia, Latvia and Lithuania;
- the association of the largest and most active investors in the economy of Lithuania Investors' Forum;
- the Lithuanian Association of Thermal Engineers;
- the Lithuanian Welders Association.

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

### **Corporate governance and organizational structure**

The activities of the Company are governed by laws of the Republic of Lithuania and Bylaws of the Company. The competence of the General Meeting of Shareholders, procedure for the convocation and decision-making thereof is as prescribed by laws, other legal acts of the Republic of Lithuania and the Bylaws of the Company.

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

In the beginning of the reporting period (1 January 2014) the Company had the following governing bodies: the General Meeting of Shareholders, collegial executive body - the Board of Directors and the sole executive body - Chief Executive Officer of the Company - General Manager.

The Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos held on 29 October 2014 approved a new version of Bylaws of the Company registered on 30 October 2014.

On the day of signing the report, according to the Bylaws of the Company, the governing bodies of the Company comprise the General Meeting of Shareholders, collegial supervisory body - the Supervisory Board, collegial executive body - the Board of Directors and the sole executive body - General Manager.

### **General Meeting of Shareholders of the Company**

The General Meeting of Shareholders of the Company is the supreme body of the Company.

The competence of the General Meeting of Shareholders of the Company, procedure for the convocation and decision-making thereof is as prescribed by laws, other legal acts and the Bylaws of the Company.

During the reporting period, shareholders of the Company had equal (property and non-property) rights established by laws, other legal acts and the Bylaws of the Company. None of the shareholders of the Company had any special control rights; all shareholders have equal rights.

### **Supervisory Board**

The Supervisory Board of AB Lietuvos Dujos is a collegial supervisory body.

The competence, procedure for decision-making, election and recall of its members is as prescribed by laws, other legal acts and the Bylaws of the Company. The Supervisory Board of AB Lietuvos Dujos comprises three members elected by the General Meeting of Shareholders for the term of office of four years. Independent members form at least one third of the Supervisory Board of AB Lietuvos Dujos.

The Supervisory Board elects the Chairman of the Supervisory Board from among its members.

The Supervisory Board of AB Lietuvos Dujos was elected by the decision of the General Meeting of

Shareholders held on 29 October 2014 for the term of office of 4 (four) years.

Seq. No.	Full name	Position title	Date of appointment
<b>Members of the Supervisory Board*:</b>			
1.	Darius Kašauskas	Chairman of the Supervisory Board	29 October 2014
2.	Ilona Daugėlaitė	Member of the Supervisory Board	29 October 2014
3.	Petras Povilas Čėsna	Independent Member of the Supervisory Board	29 October 2014

### Audit Committee of the Company

In accordance with the Law on Audit, since 2009, the Company has an Audit Committee in place, which consists of 2 (two) members, one of whom is an independent member and another member of the Audit Committee is appointed from non-executive employees of the Company's administration.

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, which have been adopted by the decision of the General Meeting of Shareholders, and are in compliance with the requirements of legal acts. The main functions of the Audit Committee include 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 the internal control, the internal audit and the risk management systems. Audit Committee members may be rewarded for functions performed by them. The amount of the reward and procedure for the payment thereof is set by the Board of Directors.

During the reporting period, the composition of the Audit Committee members remained unchanged. Pursuant to the provision of Article 52(6) of the Law on Audit of the Republic of Lithuania establishing that a public interest entity which is a subsidiary and the financial statements whereof are consolidating may waive the requirements of this Article (to have an Audit Committee formed in the company), if the parent company thereof is registered in the Republic of Lithuania or in any member state and forms the Audit Committee, the Extraordinary General Meeting of Shareholders held on 29 October 2014 made a decision to abolish the Audit Committee.

### Data of the start and end of the term of office of the Audit Committee

Seq. No.	Full name	Position title	Place of employment	Date of appointment	Date of recall
<b>Audit Committee:</b>					
1.	Juozas Kabašinskas	Independent member	J. Kabašinskas consultancy	25 April 2013	29 October 2014
2.	Agnė Butkevičienė (Žičiūtė)	Member	AB „Lietuvos Dujos“	25 April 2013	29 October 2014

### Board of Directors of the Company

The Board of Directors of AB Lietuvos Dujos is a collegial executive body of the Company.

The competence of the Board of Directors of the Company, procedure for the convocation and decision-making thereof is as prescribed by laws, other legal acts and the Bylaws of the Company. The Board of Directors of AB Lietuvos Dujos consists of five members elected by the General Meeting of Shareholders for the term of office of three years (according to the version of the Bylaws approved on 29 October 2014 - by the Supervisory Board for the term of office of four years). The Board of Directors elect the Chairman of the Board of Directors from the members thereof.

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 laws and 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.

#### Composition of the Board of Directors from 25 April 2013 to 30 April 2014

Seq. No.	Full name	Position title	Date of appointment
1.	Dr. Valery Golubev	Chairman of the Board of Directors	25 April 2013
2.	Dr. Achim Saul	Deputy Chairman of the Board of Directors	25 April 2013
3.	Uwe Fip	Member of the Board of Directors	25 April 2013
4.	Kirill Seleznev	Member of the Board of Directors	25 April 2013
5.	Valdas Lastauskas	Member of the Board of Directors	25 April 2013

The General Meeting of Shareholders held on 30 April 2014 made a decision to recall the member of the Board of Directors Valdas Lastauskas and to elect Dr. Dalius Misiūnas as a member of the Board of Directors from the day of the adoption of the said decision till the end of the term of office of the effective Board of Directors of the Company.

#### Composition of the Board of Directors from 30 April 2014 to 30 June 2014

Seq. No.	Full name	Position title	Date of appointment
Members of the Board of Directors:			
1.	Dr. Valery Golubev	Chairman of the Board of Directors	25 April 2013
2.	Dr. Achim Saul	Deputy Chairman of the Board of Directors	25 April 2013
3.	Uwe Fip	Member of the Board of Directors	25 April 2013
4.	Kirill Seleznev	Member of the Board of Directors	25 April 2013
5.	Dr. Dalius Misiūnas	Member of the Board of Directors	30 April 2014

The Extraordinary General Meeting of Shareholders of 30 June 2014 made the following decisions:

1. to approve the resignation of the members of the Board of Directors nominated by E.ON Ruhrgas International GmbH Dr. Achim Saul and Uwe Fip,
2. to recall members of the Board of Directors nominated by OAO Gazprom Dr. Valery Golubev and Kirill Seleznev,
3. to elect for the remaining term of office of the Board of Directors of AB Lietuvos Dujos (i.e. until the day of the Ordinary General Meeting of Shareholders of AB Lietuvos Dujos to be held in 2016) candidates Ieva Lauraitytė, Ilona Daugėlaitė and Mindaugas Keizeris nominated by Lietuvos Energija, UAB as members of the Board of Directors.

#### Composition of the Board of Directors from 30 June 2014 to 29 October 2014

Seq. No.	Full name	Position title	Date of appointment
Members of the Board of Directors:			
1.	Dr. Dalius Misiūnas	Chairman of the Board of Directors	30 April 2014
2.	Ieva Lauraitytė	Member of the Board of Directors	30 June 2014
3.	Ilona Daugėlaitė	Member of the Board of Directors	30 June 2014
4.	Mindaugas Keizeris	Member of the Board of Directors	30 June 2014

By the decision of 29 October 2014 of the Extraordinary General Meeting of Shareholders of the Company, the Board of Directors was recalled *in corpore*, electing the Supervisory Board, which elected a new Board of Directors on 3 November 2014.



**Composition of the Board of Directors from 3 November 2014.**

Seq. No.	Full name	Position title	Date of appointment
1.	Liudas Liutkevičius	Chairman of the Board of Directors	3 November 2014
2.	Nemunas Biknius	Member of the Board of Directors	3 November 2014
3.	Tomas Šidlauskas	Member of the Board of Directors	3 November 2014
4.	Giedrė Glinskienė	Member of the Board of Directors	3 November 2014
5.	Valentina Bīruliėnė	Member of the Board of Directors	3 November 2014

The Board of Directors was appointed for the term of office of four years.

During nine months of 2014, members of the Board of Directors of the Company were not paid any bonuses and/or other benefits.

**General Manager**

General Manager is the sole executive body of the Company.

The competence of the General Manager, procedure for his election and revocation is as prescribed by laws, other legal acts and the Bylaws of the Company.

The Board of Directors of the Company elect, revoke and dismiss the General Manager. General Manager organizes the Company's activities, manages it, acts on the Company's behalf and unilaterally concludes transactions, except for cases provided for in Bylaws of the Company and legal acts.

Since 4 November 2014, Liudas Liutkevičius has held the post of the General Manager of Lietuvos Dujos by the decision of the Board of Directors.

**Changes in top executives of the Company during the reporting period and on the day of the submission of the Report (28 November)**

Seq. No.	Full name	Position title	Date of appointment	Date of recall/ change of position
Chief Executive Officer of the Company:				
1.	Viktoras Valentukevičius	General Manager	25 April 2013	8 September 2014
2.	Mantas Mikalajūnas	Head of Strategic Development Department, acting General Manager	8 September 2014	3 November 2014
3.	Liudas Liutkevičius	General Manager	4 November 2014	-
Other top executives:				
1.	Dr. Joachim Martin Hockertz	Deputy General Manager – Director of Commerce	1 July 2002	31 October 2014 (recalled)
2.	Tomas Šidlauskas	Deputy General Manager – Technical Director	27 March 2013	4 November 2014 (change of position)
3.	Tomas Šidlauskas	Director of Gas Network Service	4 November 2014	-
4.	Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase	3 May 2004	27 June 2014 (recalled)
5.	Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer	1 January 2008	4 November 2014 (change of position)
6.	Giedrė Glinskienė	Director of Finance and Treasury Service	4 November 2014	-
7.	Nemunas Biknius	Director of Service and Development Service	4 November 2014	-



8.	Valentina Birulienė	Director of Organizational Development Service	4 November 2014	-
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**Participation of members of the governing bodies in the authorized share capital (participation is reflected at the day indicated in the table):**

Full name	Position	Participation in the capital of the Issuer	
		Share of the authorized capital held, %	Share of the votes held, %
<b>Supervisory Board</b>			
Ilona Daugėlaitė	Member of the Supervisory Board (since 29 October)	-	-
Darius Kašauskas	Member of the Supervisory Board (since 29 October) (Chairman of the Supervisory Board since 3 November 2014)	-	-
Petras Povilas Česna	Member of the Supervisory Board (since 29 October)	-	-
<b>Board of Directors</b>			
Dr. Valery Golubev	Chairman of the Board of Directors (till 30 June)	-	-
Dr. Achim Saul	Deputy Chairman of the Board of Directors (till 30 June)	-	-
Uwe Fip	Member of the Board of Directors (till 30 June)	-	-
Kirill Seleznev	Member of the Board of Directors (till 30 June)	-	-
Valdas Lastauskas	Member of the Board of Directors (till 30 April)	-	-
Dr. Dalius Misiūnas	Chairman of the Board of Directors (since 30 April)	-	-
Ieva Lauraitytė	Member of the Board of Directors (till 29 October 2014)	-	-
Ilona Daugėlaitė	Member of the Board of Directors (till 29 October 2014)	-	-
Mindaugas Keizeris	Member of the Board of Directors (till 29 October 2014)	-	-
Liudas Liutkevičius	Chairman of the Board of Directors (since 3 November 2014)	-	-
Nemunas Biknius	Member of the Board of Directors (since 3 November 2014)	0.001	0.001
Tomas Šidlauskas	Member of the Board of Directors (since 3 November 2014)	-	-
Giedrė Glinskienė	Member of the Board of Directors (since 3 November 2014)	-	-
Valentina Birulienė	Member of the Board of Directors (since 3 November 2014)	-	-
<b>Audit Committee</b>			
Juozas Kabašinskas	Independent member (till 29 October)	-	-
Agnė Butkevičienė (Žičiūtė)	Member (till 29 October)	0.000	0,000
<b>Top executives</b>			
Viktoras Valentukevičius	CEO – General Manager of the Company (till 8 September)	0,013	0,013
Mantas Mikalajūnas	Head of Strategic Development Department, acting General Manager of AB Lietuvos Dujos (till 3 November 2014)	-	-

Liudas Liutkevičius	General Manager of AB Lietuvos Dujos (since 4 November 2014)	-	-
Dr. Joachim Martin Hockertz	Deputy General Manager – Director of Commerce (till 31 October)	-	-
Tomas Šidlauskas	Deputy General Manager – Technical Director (till 3 November)	-	-
Vladimir Obukhov	Deputy General Manager – Gas Purchase Director (till 27 June)	-	-
Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer (till 3 November)	-	-
Nemunas Biknius	Director of Service and Development Service (since 4 November 2014)	0.001	0.001
Valentina Birulienė	Director of Organizational Development Service (since 4 November 2014)	-	-
Tomas Šidlauskas	Director of Gas Network Service (since 4 November 2014)	-	-
Giedrė Glinskienė	Director of Finance and Treasury Service (since 4 November 2014)	-	-

### Human resources of the Company

As of 30 September 2014, the Company had 1 280 employees, i.e. 6.15% less than at the end of 2013 when there were 1 364 employees in the Company.

Breakdown of the Company's employees by their educational background:

Number of employees as of 30 09 2014	of which by educational background:			
	Higher	Post-secondary	Secondary	Unfinished secondary
1 280	697	225	347	11
100 %	54,4 %	17,6 %	27,1 %	0,9 %

### Average monthly salary of the Company's employees

Employees	Number of employees as of 30 09 2014	Average monthly salary, LTL
Executives	113	8 190
Specialists, workers	1 167	3 007
Total:	1 280	3 571

The average monthly salary of the Company's employees is LTL 3 571.

Special attention was devoted to creating proper working conditions, ensuring salary and social guarantees in line with the market conditions. To remain competitive in the labour market, the Company seeks to correctly set salaries of its current and future employees and to have them balanced inside and outside the Company, therefore, the Company takes part in HAY Group salary surveys.

### Collective agreement, employee trade unions

The branches of the Company have their trade union subunits that are united into the Lithuanian Gas Sector Employees Trade Union Association, which is closely cooperated with. The Company has a concluded Collective Bargaining Agreement, which establishes labour, professional, social and economic conditions and guarantees.

### Organizational culture, skills development, trainings, practice opportunities

In order to maintain and improve employee skills, the level and quality of the service provided, a great attention is continuously devoted to employee development. During 3 quarters of 2014, 1 347 employees participated in trainings.

During 9 months of 2014, 468 employees participated in managerial trainings where they improved their accounting, leadership, pricing, legal, public procurement, staff management and other competences.

In April, the last stage of the Customer Service System Trainings was completed. 295 employees took part in the said trainings during the reporting period. The competence of internal Customer Service system consultants is also maintained, holding trainings for them each year.

The Company devotes special attention to the organization of professional development trainings. 600 employees of the Company took part in professional trainings during 9 months of 2014. Another 212 employees refined their skills in the training facility set up in Panevėžys branch. Trainings for refining welding work skills were started in a new welding class in the training facility set up in Panevėžys branch, which were attended by 34 Company employees. During nine months of this year, 789 employees of the Company were certified in the Certification Centre established last year.

In order to more efficiently manage the Company's human resources, in 2014, the Company's management processes were subjected to further improvements, and the number of employees was subjected to further optimization. One of the completed processes was the Emergency Services Reform, at the time of which a part of functions carried out by this service was centralized by transferring the acceptance of emergency notifications, coordination of operative actions of Emergency Services for localizing accidents and malfunctions to the Emergency Control Centre.

In the 3<sup>rd</sup> quarter of 2014, the Operational Services Reform of branches was completed, centralizing a part of functions of regional divisions, reducing the number of employees in certain regional divisions and introducing a certain number of positions in branches, thus enhancing the Operational Services. A similar reform was implemented in the Supply Department, whereby the functions of divisions located in towns distant from regional centres was centralized, transferring them to the divisions of regional centres.

### Material events

In the implementation of its duties under applicable laws governing securities market, AB Lietuvos Dujos publishes its material events and other regulated information at the European Union level. Information published by the Company can be found on its website at [www.lietuvosdujos.lt](http://www.lietuvosdujos.lt) and on the website of AB NASDAQ OMX Vilnius at [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)

Since 1 January 2014, AB Lietuvos Dujos has published the following material events:

Date	Material event
09 01 2014	Regarding the convocation of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
30 01 2014	Regarding the decision of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
02 14 2014	Regarding state-owned shares of AB Lietuvos Dujos
21 02 2014	Regarding the transfer of state-owned shares of AB Lietuvos Dujos
24 02 2014	Regarding the transfer of state-owned shares of AB Lietuvos Dujos
28 02 2014	Pre-audited results of AB Lietuvos Dujos for 12 months of 2013
04 03 2014	Regarding the received notice of Lietuvos Energija, UAB on the acquisition of AB Lietuvos Dujos voting rights
27 03 2014	Regarding the convocation of the General Meeting of Shareholders of AB Lietuvos Dujos, meeting agenda and draft resolutions
27 03 2014	Regarding decisions made by the Board of Directors of AB Lietuvos Dujos
15 04 2014	Regarding the supplemented agenda and draft resolutions of the General Meeting of Shareholders of AB Lietuvos Dujos
24 04 2014	Information notice on published information
30 04 2014	Regarding resolutions adopted by the General Meeting of Shareholders of AB Lietuvos Dujos



30 04 2014	Annual information of AB Lietuvos Dujos for 2013
30 04 2014	Regarding natural gas tariffs for household customers
06 05 2014	Information material event notice on the redemption of shares of AB Lietuvos Dujos
06 05 2014	Regarding the borrowing of AB Lietuvos Dujos
08 05 2014	AB Lietuvos Dujos reached an agreement on the reduction of the natural gas import price
13 05 2014	Pre-audited results of Q1 2014 of AB Lietuvos Dujos
20 05 2014	Regarding decision made by the NCCPE and LT Competition Council in respect of AB Lietuvos Dujos
21 05 2014	Regarding the sale-purchase of shares of AB Lietuvos Dujos
21 05 2014	Notice on a transaction concluded by persons related to executives of AB Lietuvos Dujos
22 05 2014	Notice on resignation of members of the Board of Directors of AB Lietuvos Dujos
22 05 2014	Regarding the intension to submit a mandatory take-over bid
23 05 2014	Regarding natural gas tariffs for household customers
28 05 2014	Regarding the approval of mandatory take-over bid circular
29 05 2014	Regarding new natural gas tariffs for household customers
06 06 2014	Opinion of the Board of Directors of AB Lietuvos Dujos on the published mandatory take-over bid of shares of AB Lietuvos Dujos
06 06 2014	Regarding the convocation of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
13 06 2014	Notice on the intention of OAO Gazprom to sell shares of AB Lietuvos Dujos
18 06 2014	Notice on the completion of the implementation of a mandatory take-over bid for the redemption of shares of the Issuer
20 06 2014	Regarding the supplemented agenda and draft resolutions of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
25 06 2014	Regarding the redemption of shares of AB Lietuvos Dujos
26 06 2014	Notice on a transaction concluded by persons related to executives of AB Lietuvos Dujos
30 06 2014	Regarding resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
30 06 2014	Regarding the decision made by the Board of Directors of AB Lietuvos Dujos
01 07 2014	Regarding the convocation of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
22 07 2014	Regarding the decisions made by the Board of Directors of AB Lietuvos Dujos
22 07 2014	Regarding the resolution of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
24 07 2014	The NCCPE made a decision on the unbundling of the distribution activity of AB Lietuvos Dujos
29 08 2014	Pre-audited results of Half 1 2014 of AB Lietuvos Dujos
08 09 2014	Viktoras Valentukevičius resigns from his post as the Chief Executive Officer of AB Lietuvos Dujos
08 09 2014	Regarding the convocation of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
09 09 2014	Regarding the mandatory redemption of shares of AB Lietuvos Dujos
30 09 2014	Regarding resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
07 10 2014	Regarding the convocation of the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
07 10 2014	Regarding the decisions made by the Board of Directors of AB Lietuvos Dujos
09 10 2014	Additional explanation of the appraisal of the transferred supply activity of AB Lietuvos Dujos
15 10 2014	Regarding the sale-purchase agreement of a part of enterprise concluded by AB Lietuvos Dujos
29 10 2014	Regarding resolutions adopted by the Extraordinary General Meeting of Shareholders of AB Lietuvos Dujos
29 10 2014	Regarding the decision of the Board of Directors of AB Lietuvos Dujos
30 10 2014	Adjusted natural gas distribution price cap
03 11 2014	Regarding the transfer of the natural gas supply activity of AB Lietuvos Dujos
03 11 2014	Regarding the decision of the Supervisory Board of AB Lietuvos Dujos
03 11 2014	Regarding the decision of the Board of Directors of AB Lietuvos Dujos
20 11 2014	The NCCPE approved natural gas distribution prices



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**INTERIM CONDENSED  
FINANCIAL STATEMENTS**  
for the nine months period  
ended 30 September 2014

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## Interim statement of financial position

	Notes	As at 30 September 2014 (pre-audited)	As at 31 December 2013
<b>ASSETS</b>			
<b>A. Non-current assets</b>		<b>594,978</b>	<b>796,256</b>
I. Intangible assets	4	1,832	2,540
II. Property, plant and equipment	4	592,719	793,232
II.1. Land		1	1
II.2. Buildings and structures		545,390	743,463
II.2.1. Buildings		37,893	55,401
II.2.2. Distribution networks and related installations		505,475	685,959
II.2.3. Other buildings and structures		2,022	2,103
II.3. Machinery and equipment		15,943	16,117
II.4. Vehicles		8,270	10,420
II.5. Other equipment, tools and devices		15,596	19,122
II.6. Other property, plant and equipment		2,265	2,708
II.7. Construction in progress		5,254	1,401
III. Non-current financial assets		427	484
III.1. Investment into joint venture	5	426	483
III.2. Non-current accounts receivable		1	1
<b>B. Current assets</b>		<b>125,740</b>	<b>254,255</b>
I. Inventories and prepayments		3,516	42,614
I.1. Inventories		2,993	42,042
I.1.1. Raw materials, spare parts and other inventories		2,185	1,618
I.1.2. Goods for resale (including natural gas)	8	808	40,424
I.2. Prepayments	9	523	572
II. Accounts receivable		3,907	140,869
II.1. Trade receivables	10	3,592	139,706
II.2. Other receivables		315	1,163
III. Prepaid income tax			3,732
IV. Cash and cash equivalents		118,317	67,040
<b>C. Discontinued operations</b>	7	<b>348,088</b>	
<b>Total assets</b>		<b>1,068,806</b>	<b>1,050,511</b>

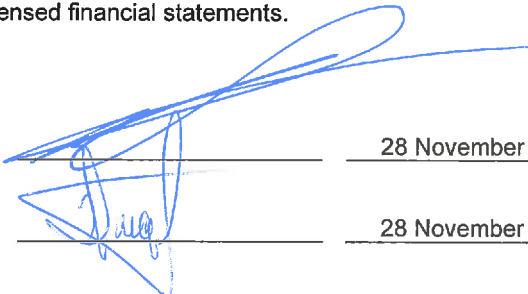
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The accompanying notes are an integral part of these interim condensed financial statements.

**Interim statement of financial position (cont'd)**

		Notes	As at 30 September 2014 (pre-audited)	As at 31 December 2013
<b>EQUITY AND LIABILITIES</b>				
<b>C.</b>	<b>Equity</b>		<b>467,849</b>	<b>701,048</b>
I.	Share capital		290,686	290,686
II.	Reserves		29,069	357,082
II.1.	Legal reserve		29,069	29,069
II.2.	Other reserves		-	328,013
III.	Retained earnings		148,094	53,280
<b>D.</b>	<b>Liabilities</b>		<b>269,153</b>	<b>349,463</b>
I.	Non-current liabilities		144,975	172,416
I.1.	Grants (deferred revenue)		137,102	135,872
I.2.	Non-current employee benefits		7,246	7,964
I.3.	Deferred income tax liability	14	627	28,580
II.	Current liabilities		124,178	177,047
II.1.	Trade payables	12	10,960	136,315
II.2.	Advances received	13	7,509	9,012
II.3.	Income tax liability		14,333	-
II.4.	Payroll related liabilities		11,047	8,919
II.5.	Other payables and current liabilities	15	80,329	22,801
<b>F.</b>	<b>Liabilities of discontinued operations</b>	7, 11	<b>331,804</b>	
<b>Total equity and liabilities</b>			<b>1,068,806</b>	<b>1,050,511</b>

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

Chief Executive Officer	Liudas Liutkevičius		28 November 2014
Chief Accountant	Žydrūnas Augutis		28 November 2014

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

**Interim income statement\***

	Notes	Three months period ended	Three months period ended	Nine months period ended	Nine months period ended
		30 September 2014 (pre-audited)	30 September 2013 (pre-audited, restated*)	30 September 2014 (pre-audited)	30 September 2013 (pre-audited, restated*)
<b>I. Revenue</b>		<b>25,504</b>	<b>22,212</b>	<b>125,843</b>	<b>118,422</b>
I.1. Sales		24,294	21,128	122,129	115,037
I.2. Other income		1,210	1,084	3,714	3,385
<b>II. Expenses</b>		<b>(37,001)</b>	<b>(36,943)</b>	<b>(312,728)</b>	<b>(120,321)</b>
II.1. Cost of natural gas		(3,680)	(2,960)	(9,192)	(17,611)
II.2. Other expenses	4	(33,321)	(33,983)	(303,536)**	(102,710)
<b>III. Profit from operations</b>		<b>(11,497)</b>	<b>(14,731)</b>	<b>(186,885)</b>	<b>(1,899)</b>
<b>IV. Financial activity</b>		<b>92</b>	<b>17</b>	<b>122</b>	<b>(325)</b>
IV.1. Income		104	17	182	72
IV.2. Expense		(12)	-	(60)	(397)
<b>V. Profit before tax</b>		<b>(11,405)</b>	<b>(14,714)</b>	<b>(186,763)</b>	<b>(2,224)</b>
<b>VI. Income tax</b>		<b>2,649</b>	<b>3,989</b>	<b>29,336</b>	<b>3,794</b>
VI.1. Current period income tax		2,903	2,105	(950)	776
VI.2. Deferred income tax	14	(254)	1,884	30,286***	3,018
<b>VII. Net profit from continuing operations</b>		<b>(8,756)</b>	<b>(10,725)</b>	<b>(157,427)</b>	<b>1,570</b>
<b>VIII. Net profit from discontinued operations</b>	2, 11	<b>(227,564)****</b>	<b>3,977</b>	<b>47,273</b>	<b>40,693</b>
<b>IX. Net profit total</b>		<b>(236,320)****</b>	<b>(6,748)</b>	<b>(110,154)</b>	<b>42,263</b>
Basic and diluted earnings (loss) per share (LTL)		-0.81	-0.02	-0.38	0.10
Basic and diluted earnings (loss) per share (LTL) from continuing operations		-0.03	-0.03	-0.54	0.00

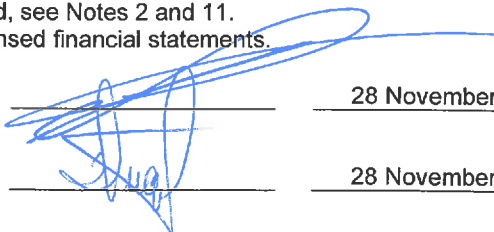
\*Information has been restated by reflecting supply and transmission activities of the Company as discontinued operations, see Note 7. The Company performed the transmission activity up to the 31 July 2013.

\*\*The impairment of property plant and equipment is included, see Note 4.

\*\*\* The effect of deferred income tax is revealed in the Note 14.

\*\*\*\* The provisions attributed to discontinued operations are included, see Notes 2 and 11.

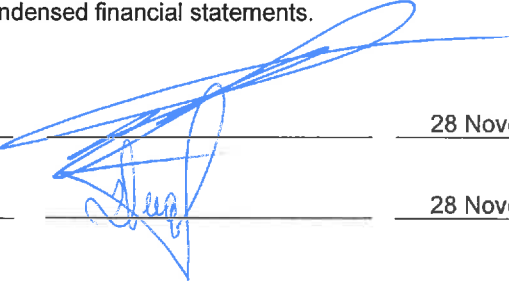

The accompanying notes are an integral part of these interim condensed financial statements.

Chief Executive Officer	Liudas Liutkevičius		28 November 2014
Chief Accountant	Žydrūnas Augutis		28 November 2014

**Interim statement of comprehensive income**

	Three months period ended 30 September 2014 (pre-audited)	Three months period ended 30 September 2013 (pre-audited)	Nine months period ended 30 September 2014 (pre-audited)	Nine months period ended 30 September 2013 (pre-audited)
I. Net profit	(236,320)	(6,748)	(110,154)	42,263
II. Total comprehensive income	(236,320)	(6,748)	(110,154)	42,263

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



Chief Executive Officer	Liudas Liutkevičius		28 November 2014
Chief Accountant	Žydrūnas Augutis		28 November 2014



### Interim statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
<b>Balance as at 1 January 2013</b>		<b>469,068</b>	<b>43,692</b>	<b>1,469,537</b>	<b>75,964</b>	<b>2,058,261</b>
Transfer from other reserves		-	-	(160,000)	160,000	-
Transfer to legal reserve		-	3,215	-	(3,215)	-
Transfer to other reserves		-	-	15,749	(15,749)	-
Dividends approved		-	-	-	(217,000)	(217,000)
Total comprehensive income		-	-	-	42,263	42,263
<i>Net profit</i>		-	-	-	42,263	42,263
Discontinued operations		(178,382)	(17,838)	(997,273)	(9,996)	(1,203,489)
<b>Balance as at 30 September 2013 (pre-audited)</b>		<b>290,686</b>	<b>29,069</b>	<b>328,013</b>	<b>32,267</b>	<b>680,035</b>
<b>Balance as at 31 December 2013</b>		<b>290,686</b>	<b>29,069</b>	<b>328,013</b>	<b>53,280</b>	<b>701,048</b>
Transfer from other reserves		-	-	(328,013)	328,013	-
Dividends approved	17	-	-	-	(123,045)	(123,045)
Total comprehensive income		-	-	-	(110,154)	(110,154)
<i>Net profit</i>		-	-	-	(110,154)	(110,154)
<b>Balance as at 30 September 2014 (pre-audited)</b>		<b>290,686</b>	<b>29,069</b>	<b>-</b>	<b>148,094</b>	<b>467,849</b>

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

Chief Executive Officer	Liudas Liutkevičius		28 November 2014
Chief Accountant	Žydrūnas Augutis		28 November 2014

## Interim statement of cash flows

	Notes	Nine months period ended 30 September 2014 (pre-audited)	Nine months period ended 30 September 2014 (pre-audited, restated*)
<b>I. Cash flows from (to) operating activities</b>			
I.1. Net profit		(110,154)	42,263
<b>Adjustments of non-cash items and other corrections:</b>			
I.2. Depreciation and amortisation		28,875	75,406
I.3. (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		(100)	(250)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	4	197,132	1,638
I.5. Income tax expenses		(18,735)	(257)
I.6. Interest (income)		(421)	(675)
I.7. Interest expenses		9	1,648
I.8. (Amortisation) of the grants (deferred revenue)		(2,670)	(4,351)
I.9. Elimination of Company's share of joint venture results		58	388
I.10. Elimination of other non-cash items*	2	(32,893)	235
		<b>61,101</b>	<b>116,045</b>
<b>Changes in working capital:</b>			
I.11. Decrease in inventories		4,875	5,004
I.12. Decrease in trade accounts receivable		79,023	97,436
I.13. Decrease (increase) in other accounts receivable and prepayments*		874	(40,735)
I.14. (Decrease) increase in trade accounts payable*		69,076	(114,853)
I.15. Increase in other accounts payable and other current liabilities		10,187	64,301
I.16. (Decrease) in other financial assets		-	(27,302)
I.17. Income tax (paid)		(29,043)	(3,530)
<b>Total changes in working capital</b>		<b>134,992</b>	<b>(19,679)</b>
<b>Net cash flows from operating activities</b>		<b>196,093</b>	<b>96,366</b>
<b>Therein net cash flows from operating activities from discontinued operations</b>		<b>121,913</b>	<b>63,543</b>
<b>II. Cash flows from (to) investing activities</b>			
II.1. (Acquisitions) of property, plant and equipment and intangible assets		(21,893)	(111,438)
II.2. Proceeds from sales of property, plant and equipment		496	353
II.3. Cash received from investment to subsidiary		-	5,407
II.4. Decrease in term deposits		-	102,264
II.5. Receipt of non-current loans granted		-	5
II.6. Interest received		438	856
II.7. Disposal of other short-term investments		-	37,736
II.8. Cash transferred to AB Amber Grid due to unbundling of transmission activity		-	(10,860)
<b>Net cash flows (to) from investing activities</b>		<b>(20,959)</b>	<b>24,323</b>
<b>Therein net cash flows from investing activities from discontinued operations</b>		<b>184</b>	<b>54,344</b>

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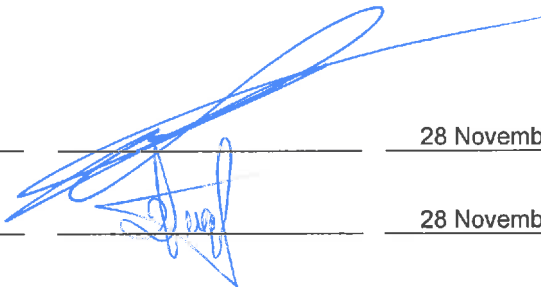
\* The determination of cash flows from operating activities includes the effect of the gas price discount received from OAO Gazprom that had a non-cash impact on the result of the Company, prepayments and trade receivables (see Note 2). The accompanying notes are an integral part of these interim condensed financial statements.

**Interim statement of cash flows (cont'd)**

	Notes	Nine months period ended	Nine months period ended
		30 September 2014 (pre-audited)	30 September 2014 (pre-audited, restated*)
<b>III. Cash flows from (to) financing activities</b>			
III.1. Dividends (paid)		(53,261)	(216,825)
III.2. Loans (repaid)		-	(1,072)
III.3. Grants received		905	33,850
III.4. Interest (paid)		(9)	(1,656)
<b>Net cash flows from (to) financing activities</b>		<b>(52,365)</b>	<b>(185,703)</b>
<b>Therein net cash flows (to) financing activities from discontinued operations</b>		<b>(117,645)</b>	<b>(172,014)</b>
<b>IV. Net increase (decrease) in cash and cash equivalents*</b>		<b>122,769</b>	<b>(65,014)</b>
<b>V. Cash and cash equivalents at the beginning of the period*</b>		<b>67,040</b>	<b>112,417</b>
<b>VI. Cash and cash equivalents at the end of the period*</b>		<b>189,809</b>	<b>47,403</b>

\*Reconciliation of the Company's cash and cash equivalents balance at the beginning and the end of the period and their change during the nine months ended 30 September 2014 and 30 September 2013 with the discontinued and continuing operations is presented in Note 7.

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

Chief Executive Officer	Liudas Liutkevičius		28 November 2014
Chief Accountant	Žydrūnas Augutis		28 November 2014

## Notes to the interim condensed financial statements

### 1 General information

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

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

Starting 31 July 2013 the Company was engaged in distribution and supply of natural gas. The Company's natural gas transmission activity (transmission segment) was unbundled from the Company as at 31 July 2013.

For better understanding of the information provided in those financial statements, the Company's interim condensed financial statements must be read together with the Company's and Group's financial statements for the year ended 31 December 2013. Only the data of the Company of 2013 financial reports are presented for comparison as due to the insignificance of results of the subsidiary, data of the Group and the Company are essentially the same. Interim condensed financial statements of AB Lietuvos Dujos (hereinafter – the Company), including statements of financial position as at 30 September 2014 and 30 September 2013 and statements of income, statements of comprehensive income, statements of cash flows and statements of changes in equity for the nine months period ended 30 September 2014 and 30 September 2013 are not audited. The Company's and the Group's financial statements for the year ended 31 December 2013 are audited and prepared according to International Financial Reporting Standards (IFRS).

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

### 2 Other material information

#### *Lietuvos Energija, UAB to acquire additional shares*

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

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

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

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

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

#### *Unbundling process continued – unbundling of distribution and supply activities*

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

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

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

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



## 2 Other material information (cont'd)

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

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

Other actions related to the unbundling of activities had been disclosed in the Note Events after the reporting period.

### *Discount on price of natural gas agreed with OAO Gazprom*

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

The major part of decrease of imported natural gas price for the period ended 30 September 2014 was accounted for in the income statement by decreasing the Company's natural gas purchase expenses by LTL 320,7 million, the remaining part was recognized as income and the inventory balance of natural gas was adjusted. The Company reflected the part of the imported gas price decrease, attributable to the year 2013, in the income tax declaration for the year 2013 (Note 14). Due to the reduction of imported natural gas price the Company accounted for the prepayment for natural gas supplier, which is netted with the current natural gas supply payables, and the balance of the prepayment as at 30 September 2014 was LTL 138,098 thousand (see Note 7 and 9).

Since the Company and NCCPE agreed, that the natural gas tariffs for household consumers for the period from 2014 II half till the end of 2016 will be decreased to reflect the decrease of imported natural gas prices, the Company accounted the provision of LTL 23,9 million for the onerous contracts relating to the loss making part of existing supply agreements subject to price reduction for the year 2015. Following the decision of the Board of the Company dated 21 July 2014 to account for a provision intended for possible additional costs which would be incurred as a result of the future reduction of the price for non-household consumers, the Company formed a provision of LTL 277,7 million to cover the effect of reduction of price for non-household consumers of natural gas. The total provisions accounted for by the Company were equal LTL 301,673 thousand (see Note 11). The Company included those provisions in natural gas purchase expenses in the income statement and accounted for deferred tax asset related to the provisions (see Note 14).

## 3 Accounting principles

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

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

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

#### 4 Intangible assets and property, plant and equipment

During the nine months of 2014 the Company acquired intangible assets and property, plant and equipment for LTL 24,727 thousand, thereof LTL 24,416 thousand attributable to continued operations (during the nine months of 2013 the Company acquired intangible assets and property, plant and equipment for LTL 88,873 thousand, thereof LTL 36,368 thousand attributable to continued operations). The comparative data of continued operations for the year 2013 includes segments of distribution and other activities.

During the nine months of 2014 the Company sold and wrote off intangible assets and property plant and equipment with the net book value of LTL 243 thousand, thereof the net book value of the intangible assets and property plant and equipment of continued operations equalled LTL 243 thousand. During the nine months of the year 2013 the Company sold and wrote off intangible assets and property, plant and equipment with the net book value of LTL 1,576,202 thousand, thereof the net book value of the assets attributable to continued operations sold and written off amounted to LTL 101 thousand. The profit from sale of assets during the nine months of 2014 amounted to LTL 203 thousand, thereof profit attributable to continued operations equalled LTL 203 thousand (during the nine months of 2013 – LTL 314 thousand, thereof profit attributable to continued operations equalled LTL 295 thousand).

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

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

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

Pre-tax WACC of 7,09 % was used in discounting cash flows. This resulted in an impairment loss in the amount of LTL 196 million, which the Company recorded in other expenses caption in the income statement. The Company also decreased the related deferred tax liability (Note 14) and reduced the carrying value of property, plant and equipment, by attributing the impairment loss to the asset groups as follows:

	Buildings	Distribution networks and related installations	Machinery and equipment	Total
Carrying value before impairment, LTL million	53	685	17	755
Impairment, LTL million	-15	-180	-1	-196
Carrying value after impairment, LTL million	38	505	16	559

#### 5 Investment into joint venture

During the nine months of 2014 and 2013 the results of the joint venture were immaterial.

## 6 Segment information

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

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

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

On 31 July 2013, the activities of natural gas transmission carried out by the Company (the segment of transmission activities) were separated from the Company. As at 30 September 2014, supply activity carried out by the Company (the segment of supply activity) met the criteria of discontinued operations and was accounted for as discontinued operations in the financial statements for the nine months of 2014. Comparative data for the nine months of 2013 is provided where transmission and supply activities are accounted for as discontinued operations. For more detailed information on the discontinued operations of the Company see Note 7.

The segment information of the Company as at 30 September 2014 and as at 30 September 2013 are provided below, the 'total' amount is presented excluding transmission and supply activities:

Nine months period ended	Discontinued operations			Total
	Supply	Distribution	Other activity	
<b>30 September 2014 (pre-audited)</b>				
Sales	727,705	120,913	1,216	122,129
Profit before tax	57,874	(187,163)	400	(186,763)
Assets	348,088	710,294	10,424	720,718

Nine months period ended	Discontinued operations				Total
	Transmission	Supply	Distribution	Other activity	
<b>30 September 2013 (pre-audited)</b>					
Sales	93,077	990,446	113,732	1,305	115,037
Profit before tax	7,705	36,525	(2,829)	605	(2,224)
Assets	-	199,872	797,750	3,918	801,668

During the nine months of 2014 the Company generated its entire revenue from Lithuanian customers, while during the nine months of 2013 the Company earned over 98 % in revenue from Lithuanian customers (since the unbundling of transmission activity on 31 July 2013, all the revenue of the Company has been earned from Lithuanian customers).

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

## 7 Discontinued operations

Implementing the provisions of the EU's Third Energy Package on unbundling of activities and after 21 July 2014, when the Board of the Company approved that the distribution and supply activities of the Company will be unbundled by selling the Company's complex of assets (part of enterprise), i.e. the gas supply activity with the assets, rights and obligations attributed to this activity, the supply activity meets IFRS criteria for discontinued operations.

On 15 October 2014 according to the purchase-sale agreement of the part of enterprise the natural gas supply activity with the assets, rights and obligations attributed to this activity, was sold to UAB Lietuvos Dujų Tiekimas, the company controlled by the main shareholder of the Company, namely, Lietuvos Energija, UAB. The proprietary rights in respect of part of the enterprise were transferred to UAB Lietuvos Dujų Tiekimas on 31 October 2014.

The main line items of the assets and obligations of discontinued operations as at 30 September 2014 are provided below:

	Notes	<u>30 September 2014 (pre-audited)</u>
<b>DISCONTINUED OPERATIONS. ASSETS</b>		
Intangible assets		124
Property, plant and equipment		<u>706</u>
<i>Vehicles</i>		430
<i>Other equipment, tools and devices</i>		233
<i>Other property, plant and equipment</i>		43
Deferred tax assets	14	47,655
Inventories and prepayments		<u>172,046</u>
<i>Raw materials, spare parts and other inventories</i>		9
<i>Goods for resale (including natural gas)</i>		33,915
<i>Prepayments</i>	9	138,122
Current accounts receivable		<u>56,065</u>
<i>Trade receivables</i>		56,061
<i>Other receivables</i>		4
Cash and cash equivalents		<u>71,492</u>
<b>Total assets of discontinued operations</b>		<u><b>348,088</b></u>
<b>DISCONTINUED OPERATIONS. LIABILITIES</b>		
Non-current employee benefits		718
Other non-current provisions	11	166,759
Current trade payables		2,091
Prepayments received		24,895
Current payroll related liabilities		1,773
Current provisions	11	134,914
Other payables and current liabilities		<u>654</u>
<b>Total liabilities of discontinued operations</b>		<u><b>331,804</b></u>



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

**7 Discontinued operations (cont'd)**

Performance results of Company's discontinued operations as at 30 September 2014 and as at 30 September 2013 (performance results of Company's discontinued operations as at 30 September 2013 are provided restated, namely, the performance results of natural gas supply activity have been added to the performance results of natural gas transmission activity):

	Nine months period Ended 30 September 2014  (pre-audited) Discontinued operations: supply	Nine months period Ended 30 September 2013  (pre-audited, restated) Total discontinued operations:	Nine months period ended 30 September 2013  (pre-audited) Discontinued operations: supply	Nine months period ended 30 September 2013  (pre-audited) Discontinued operations: transmission
Sales	727,705	1,083,523	990,446	93,077
Other income	17	1,973	-	1,973
Expenses	(670,152)	(1,040,563)	(954,865)	(85,698)
Profit from operations	57,570	44,933	35,581	9,352
Financial activity	304	(703)	944	(1,647)
Profit before tax from discontinued operations	57,874	44,230	36,525	7,705
Income tax	(10,601)	(3,537)	(5,828)	2,291
Current period income tax	(55,923)	(6,432)	(5,850)	(582)
Deferred income tax	45,322	2,895	22	2,873
<b>Net profit from discontinued operations</b>	<b>47,273</b>	<b>40,693</b>	<b>30,697</b>	<b>9,996</b>

Cash flows from the Company's discontinued operations as at 30 September 2014 and 30 September 2013 (cash flows from the Company's discontinued operations as at 30 September 2013 are provided restated, namely, the cash flows from natural gas supply activity have been added to the cash flows from the natural gas transmission activity):

	Nine months period ended 30 September 2014  (pre-audited) Discontinued operations: supply	Nine months period Ended 30 September 2013  (pre-audited, restated) Total discontinued operations	Nine months period ended 30 September 2013  (pre-audited) Discontinued operations: supply	Nine months period ended 30 September 2013  (pre-audited) Discontinued operations: transmission
Net cash flows from operating activities	121,913	63,543	4,880	58,663
Net cash flows from investing activities	184	54,344	130,592	(76,248)
Net cash flows (to) financial activities	(117,645)	(172,014)	(179,546)	7,532
Cash transferred to AB Amber Grid due to unbundling of transmission activity		(10,860)		(10,860)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,452</b>	<b>(64,987)</b>	<b>(44,074)</b>	<b>(20,913)</b>
Cash and cash equivalents at the beginning of the period	67,040	112,392	91,479	20,913
Cash and cash equivalents at the end of the period	71,492	47,405	47,405	-

## 7 Discontinued operations (cont'd)

The reconciliation of the total net cash flows of the Company with the cash flows from (to) the discontinued operations and the continuing operations as at 30 September 2014 and 30 September 2013.

	Nine months period ended 30 September 2014 (unaudited)	Nine months period ended 30 September 2013 (unaudited, restated)
<b>Discontinued operations</b>		
Net increase (decrease) in cash and cash equivalents	4,452	(64,987)
Cash and cash equivalents at the beginning of the period	67,040	112,392
Cash and cash equivalents at the end of the period	71,492	47,405
<b>Continuing operations</b>		
Net increase (decrease) in cash and cash equivalents of continuing operations	118,317	(27)
Cash and cash equivalents at the beginning of the period	-	25
Cash and cash equivalents at the end of the period	118,317	(2)
<b>Total net increase (decrease) in cash and cash equivalents of the Company</b>	<b>122,769</b>	<b>(65,014)</b>
Cash and cash equivalents at the beginning of the period	67,040	112,417
Cash and cash equivalents at the end of the period	189,809	47,403

Earnings per share from discontinued operations:

	30 September 2014 (pre-audited)	30 September 2013 (pre-audited, restated)
Net profit from discontinued operations attributable to the shareholders (in LTL thousand)	47,273	40,693
Weighted average number of shares in thousands	290,686	405,034
<b>Basic earnings per share from discontinued operations (in LTL)</b>	<b>0.16</b>	<b>0.10</b>

## 8 Goods for resale (including natural gas)

Goods for resale amounted to LTL 34,723 thousand as at 30 September 2014 (as at 31 December 2013 – LTL 40,424 thousand). As at 30 September 2014 goods for resale of LTL 33,915 thousand there were attributed to discontinued operations. Goods for resale decreased due to significantly decreased price of natural gas due to discount provided by OAO Gazprom.

## 9 Prepayments

Prepayments amounted to LTL 138,645 thousand as at 30 September 2014 (as at 31 December 2013 – LTL 572 thousand), thereof LTL 138,098 thousand of prepayments related to retrospective natural gas import price reduction by OAO Gazprom for the period from 1 January 2013 till 1 March 2014, as indicated in Note 2 and attributed to discontinued operations.

## 10 Trade receivables

Trade receivables amounted to LTL 59,653 thousand as at 30 September 2014 (as at 31 December 2013 – LTL 139,706 thousand). Trade receivables decreased mainly due to lesser quantities of natural gas sold in relation to the end of heating season and decreased price of natural gas for non-household customers since 1 May 2014. The trade receivables of LTL 56,061 thousand there were attributed to discontinued operations.

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

## 11 Provisions

As at 30 September 2014 the Company had formed the provisions amounting to LTL 301,673 thousand with regard to the possibly-to-arise duty of the Company to allocate part of the effect of reduction of the price of imported natural gas to reduce the price for consumers. For more details see Note 2. Total amount of the provisions is attributed to the discontinued operations. As at 31 December 2013 the Company did not have provisions.

The non-current part of the provisions formed as at 30 September 2014 amounted to LTL 166,759 thousand, meanwhile, the current part amounted to LTL 134,914 thousand (including the provision for onerous contracts amounting to LTL 23,928 thousand).

## 12 Trade payables

	As at 30 September 2014 (pre-audited)	As at 31 December 2013
Suppliers of natural gas	-	129,139
Other	13,051	7,176
<b>Total trade payables</b>	<b>13,051</b>	<b>136,315</b>
Therein trade payables from discontinued operations	2,091	-

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

## 13 Prepayments received

Prepayments received amounted to LTL 32,404 thousand as at 30 September 2014 (as at 31 December 2013 – LTL 9,012 thousand), the prepayments received from discontinued operations constituted LTL 24,895 thousand.

Prepayments received increased mainly due to difference of declared and consumed natural gas quantities by household customers attributed to discontinued operations.

## 14 Income tax

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

In the Interim Income Statement the income tax revenue for the nine months of 2014 totalled to LTL 18,735 thousand, thereof the income tax revenue from continuing operations amounted to LTL 29,336 thousand and the income tax expense from discontinued operations amounted to LTL 10,601 thousand.

In the Interim Income Statement for the nine months of 2014 the current period income tax amounted to LTL 56,873 thousand, thereof LTL 36,340 thousand due to retrospectively decreased price by OAO Gazprom for imported natural gas for the year 2013. When calculating the income tax for the nine months of 2014, the Company applied the investment incentive for the property plant and equipment, complying with the criteria set out in Law on Income Tax and reduced income tax expenses by LTL 2,084 thousand.

In the Interim Income Statement for the nine months of 2014 income from deferred income tax amounted to LTL 75,608 thousand, thereof LTL 29,400 thousand deferred income tax liability decrease from impairment accounted (see Note 4) and LTL 45,251 thousand deferred tax asset from provision for onerous contracts with household customers and from provision accounted for to cover future expenses for natural gas price reduction for the non-household customers (see Note 11).

## 15 Other payables and current liabilities

The Company's other payables and current liabilities amounted to LTL 80,983 thousand as at 30 September 2014 (as at 31 December 2013 the Company's other payables and current liabilities amounted to LTL 22,801 thousand), thereof LTL 654 thousand of other payables and current liabilities were attributed to discontinued operations.

As at 30 September 2014 the biggest part of Company's other payables and current liabilities totalling LTL 70,169 thousand was the dividends payable (as at 31 December 2013 the dividends payable of the Company amounted to LTL 328 thousand).

## 16 Earnings per share

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

	As at 30 September 2014 (pre-audited)	As at 30 September 2013 (pre-audited, restated)
Net profit (loss) attributable to the shareholders (in LTL thousand)	(110,154)	42,263
Net profit (loss) from continuing operations attributable to the shareholders (in LTL thousand)	(157,427)	1,570
Weighted average number of shares in thousands	290,686	405,034
<b>Basic earnings (loss) per share (in LTL)</b>	<b>(0.38)</b>	<b>0.10</b>
<b>Basic earnings (loss) per share from continuing operations (in LTL)</b>	<b>(0.54)</b>	<b>0.00</b>

## 17 Dividends

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

Given the fact that all conditions for the allocation of dividends for a period shorter than a financial year established in paragraph 5 of Article 601 of the Law on Companies are met, on 30 September 2014 the Extraordinary General Meeting of Shareholders decided to allocate for shareholders of AB Lietuvos Dujos dividends in the amount of LTL 0.24 per share for a six-months period ended on 30 June 2014. Interim dividends totalled LTL 69,765 thousand.

## 18 Contracts for the acquisition of non-current assets

As at 30 September 2014 the Company had the contracts for the acquisition of non-current assets, which are not recognised in these financial statements and amount to LTL 9,103 thousand (as at 31 December 2013 – LTL 4,254 thousand).

## 19 Commitments and contingencies

### Legal disputes

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

On 14 July 2014 the Prosecutor General's Office of the Republic of Lithuania submitted a written accusation to the District Court of Vilnius City by means of which AB Lietuvos Dujos was accused of having committed criminal acts provided for in Part 2 of Article 20 and Part 1 of Article 228, in Part 2 of Article 20 and Part 2 of Article 182, in Part 2 of Article 20 and in Part 3 of Article 300 of the Criminal Code of the Republic of Lithuania. On 13 August 2014 Vilnius City District Court started considering this criminal case. AB Lietuvos Dujos denies the accusations brought against it and is ready to prove its innocence in the court. The company cannot forecast the duration of court proceedings.

## 20 Related party transactions

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

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

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

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



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

## 20 Related party transactions (cont'd)

The sales and purchase transactions with UAB 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 from UAB GET Baltic are disclosed with the accounts receivable for natural gas.

As at 30 September 2014 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom*	219,395	(1,293)	-	-
AB Amber Grid	14,894	5,832	-	-
AS Latvijas Gaze	639	-	-	-
UAB GET Baltic	155	10	892	-
Lietuvos energija, UAB	386	2,010	20	67,490
	<b>235,469</b>	<b>6,559</b>	<b>912</b>	<b>67,490</b>

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

As at 30 September 2013 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	957,789	19,641	-	75,428
AB Amber Grid	4,937	2,323	1,050	2,166
AS Latvijas Gaze	1,461	-	-	674
UAB GET Baltic	4	10	1,568	-
	<b>964,191</b>	<b>21,974</b>	<b>2,618</b>	<b>78,268</b>

There were no receivables from related parties and payables to them, for which the guarantees would be provided for or received. As at 30 September 2014 the Company has not accounted for any allowance for receivables from related parties.

## 21 Events after the reporting period

On 15 October 2014 AB Lietuvos dujos concluded the purchase-sale agreement of the part of enterprise with UAB Lietuvos Dujų Tiekimas and has sold the part of enterprise, i.e. the gas supply activity with the assets, rights and obligations attributed to such activity. The price for the part of enterprise is LTL 60 457 000 (sixty million four hundred fifty seven thousand litas) (EUR 17 509 557.46 (seventeen million five hundred and nine thousand five hundred fifty seven euro and forty six euro cents)). The price for part of enterprise corresponds to the market value determined by the independent asset assessors. Pursuant to the provisions of the purchase-sale agreement, on 31 October 2014 UAB Lietuvos Dujų Tiekimas took over the part of enterprise, i.e. the natural gas supply activity with all assets, rights and obligations attributed thereto. The Transfer-Acceptance Deed between AB Lietuvos Dujos and UAB Lietuvos Dujų Tiekimas was signed on 3<sup>rd</sup> November 2014. UAB Lietuvos Dujų Tiekimas is controlled by the main shareholder of the Company, i.e. Lietuvos Energija, UAB.

The Extraordinary General Meeting of AB Lietuvos Dujos held on 29 October 2014 adopted the following resolutions: to withdraw the Board of AB Lietuvos Dujos *in corpore*; to withdraw the Audit Committee of AB Lietuvos Dujos; to elect the delegates to the Supervisory Board of AB Lietuvos Dujos; to approve the new version of the Bylaws of the Company.

On 3<sup>rd</sup> November, 2014 the Supervisory Board for the term of 4 years elected the new Board.

By its Resolution No 1121 of 20 October 2014 the Government of the Republic of Lithuania established that once the principal terms and conditions of the contract for the supply of natural gas change, the gas supply companies which had been given discount shall within two months draft the natural gas pricing procedure for the coming periods according to which the change in the price of natural gas shall be included in the natural gas price for the period of two years. The aforementioned procedure shall be also coordinated with the National Control Commission for Prices and Energy within two months. The draft procedure is currently being coordinated with the NCCPE.