



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

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CONFIRMATION OF RESPONSIBLE PERSONS

27 February 2015 No 4-31-242

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 Twelve Months Period Ended 31 December 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 and Interim Report of AB Lietuvos for the Twelve Months of 2014 (pre-audited) presents a true and fair review of the business development and business activities, the Company's status including the description of the key risks and uncertainties.

Chief Executive Officer

Liudas Liutkevičius

Finance and Treasury Director

Giedrė Glinskienė



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

27 February 2015



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KEY INDICATORS OF AB LIETUVOS DUJOS

Key performance indicators of AB Lietuvos Dujos

		31.12.2014	31.12.2013	Change	
				+/-	%
Performance indicators					
Volume of gas distributed to customers	thousand m ³	747.772	856.349	-108,577	-13%
Volume of gas sold to customers*	thousand m ³	665,764	1,035,273		
Gas supply quality indicators					
SAIDI, min. (including force majeure)	min.	1,67**	0,12	1,55	
SAIFI, pcs. (including force majeure)	pcs.	0,006**	0,002	0,004	

* data for 10 months of 2014

** Due to break-out of the gas pressure regulating station in Sirvintu city the distribution of natural gas was interrupted.

Note: The National Control Commission for Prices and Energy has set annual indicators for 2014 - 2018

	Unplanned terminations	
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 continued distribution activity

		31.12.2014	31.12.2013 (restated)	Change	
				+/-	%
Revenue	thousand LTL	192.077	165.125	26.952	16%
Cost of natural gas	thousand LTL	15.128	24.914	-9.786	-39%
Other expenses	thousand LTL	156.973	340.802		
Other expenses (after the elimination of impairment expenses of non-current assets)	thousand LTL	135.318	141.441	-6.123	-4%
EBITDA (1)	thousand LTL	70.112	38.134	31.978	84%
EBITDA margin (2)	%	36,5%	23,1%		
Net profit	thousand LTL	20.270	-166.881		
Net profit (after the elimination of impairment expenses of non-current assets)	thousand LTL	38.677	2.576	36.101	1401%
Net profit (including the discontinued activity)	thousand LTL	146.236	-106.181		

Key financial indicators of AB Lietuvos Dujos

		31.12.2014	31.12.2013 (restated)	Change	
				+/-	%
Total assets	thousand LTL	741.676	852.474	-110.799	-13%
Equity	thousand LTL	571.749	531.591	40.158	8%
Financial debt	thousand LTL	0	0		
Net financial debt (3)	thousand LTL	-68.197	-67.040		
Return-to-equity ratio (ROE) (4)	%	25,6%	-20,0%		
Equity level (5)	%	77,1%	62,4%		

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 - non-current tangible assets write-off.

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) / 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



Year 2014 marked the reorganization of the gas sector in Lithuanian economy. Gas business environment has changed dramatically in the last year. AB Lietuvos Dujos was returned to the state in the implementation of requirements of the European Union Third Energy Package, gas distribution and supply activities were unbundled, finally, Lithuania created itself a possibility to acquire gas from alternative sources independent of one supplier - it implemented the liquefied natural gas terminal project on its own, which allowed Lithuania to become a player in the global gas market.

Changes occurred last year allowed clearing up the activities of Lietuvos Dujos. Since 1 November 2014, the state-owned company Lietuvos Dujos has been operating as a natural gas distribution system operator, ensuring a reliable, stable and secure gas transportation via distribution gas pipelines, carrying out guarantee gas supply to vulnerable consumers in case of need, maintaining the existing pipelines, conducting development works and caring for the attraction of new gas customers and their connection to gas pipelines.

A favourable economic situation in Lithuania, record low oil prices and other factors allow us to look into the future with cautious optimism and to create new action plans for Lietuvos Dujos, which will mainly focus on those, who we work for. Gas customers - current and future ones, those, who search for ways to improve their living conditions and reasonably invest in the creation of clearer and more convenient environment for themselves and others - are the axis around which all activities of our company rotate.

We have counted that about 3.6 thousand new customers were connected to the gas distribution network under our supervision, which is 15 percent more than in 2013, when three thousand new gas customers joined the ranks of gas customers in Lithuania. This increase was determined by growing economy of the country, recovering real estate sector and introduction of the euro. We have set ourselves a goal to continue increasing the number of customers by offering private home owners and companies favourable conditions for connecting to the network. In cooperation with state authorities we have been searching for easier funding conditions for connecting settlements to networks. We have ambitious ideas to offer new services for our current and future customers.

Having witnessed really high gas prices for many years, we have faced decreasing gas consumption in Lithuania. However, this year we can rejoice over the reduction of the gas price, which decreased by as much as one-third for household customers compared to the price paid in 2013. Also, a fee for connecting a new customer to the gas distribution system decreased by half over the past several years. Natural gas is once again becoming a competitive fuel in the heat production market.

Since the volume of the distributed natural gas has decreased over the past few years, distribution network maintenance costs have been distributed over a lower volume of distributed gas, which led to significantly increasing gas distribution tariff. In order to be able to increase the consumption of natural gas at the lowest possible cost, we will seek to exploit the already developed infrastructure and give due attention to the customers, whose connection to the existing infrastructure would be simple and cost-effective. We seek to enhance consumer confidence in gas as a clean and convenient fuel, the price whereof has been decreasing.

Cleared up activities of the Company and its evident function - management of the gas distribution network, search for new customers, encouraging them to connect to gas pipelines and densification of the network leads to the natural need for Lietuvos Dujos to reconsider the company's structure and direct its activities towards specific strategic development trends. By reorganizing the company's activities in accordance with the highest standards of state-owned companies and offering new services to customers, we are creating organization, the aim thereof is to create and establish a long-term partnership with our customers.

Liudas Liutkevičius

Chairman of the Board and CEO
AB Lietuvos Dujos

REPORTING PERIOD FOR WHICH THE REPORT WAS PREPARED

The report was prepared for January - December 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	ld@lietuvosdujos.lt
Website	www.lietuvosdujos.lt

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, OAO Gazprom and some minority shareholders submitted applications for selling shares of the Company. Lietuvos Energija, UAB acquired from OAO Gazprom 107 734 925 ordinary registered shares of AB Lietuvos Dujos, which accounts for 37.1% of the Company's authorized capital, and it purchased 8 622 363 of shares of AB Lietuvos Dujos from minority shareholders, accounting for 2.9% 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 Enterprise.

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.

In the implementation of requirements of the Law on Natural Gas of the Republic of Lithuania and other legislation for the unbundling of natural gas distribution activity and in light of decisions made by the General Meeting of Shareholders and the Board of Directors of the Company, on 15 October, AB Lietuvos Dujos concluded a contract on the purchase-sale of the part of Enterprise with UAB Lietuvos Dujų Tiekimas. The Company sold its natural gas supply activity with assets, rights and obligations attributed thereto at a market price set by property appraisers. UAB Lietuvos Dujų Tiekimas is owned by the main shareholder of the Company Lietuvos Energija, UAB.

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

On 1 November, the reorganization of the management of AB Lietuvos Dujos completed the implementation of the requirements of the European Union's Third Energy Package to unbundle the natural gas supply and distribution activities. Having sold the natural gas supply activity to a new Lietuvos Energija Group company UAB Lietuvos Dujų Tiekimas, AB Lietuvos Dujos now manages the natural gas distribution system and is engaged in the provision of gas distribution services.

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

On 20 November, the NCCPE approved natural gas distribution prices of AB Lietuvos Dujos applicable from 1 January 2015. The natural gas distribution price cap increased by 16.7 percent, however, gas distribution prices for different customer groups increased from 5.1 to 9.5 percent. The main reason for the increasing gas distribution price was natural gas distribution volumes, which were 17 percent lower than forecasted in 2015.

On 12 December, the Board of AB Lietuvos Dujos made a decision to acquire 1 998 048 shares of UAB Technologijų ir Inovacijų Centras accounting for 9 percent of the authorized capital of the company with the par value of LTL 1 each and issue price of LTL 1.02.

On 15 December, the Board of AB Lietuvos Dujos made a decision to acquire 145 000 shares of UAB Verslo Aptarnavimo Centras accounting for 7.25 percent of the authorized capital of UAB Verslo Aptarnavimo Centras with the par value of LTL 1 each and the issue price of LTL 1.

On 31 December, AB Lietuvos Dujos announced that it was warned about the violation of Article 21(5) of the Law on Securities of the Republic of Lithuania by a decision of the Director of the Supervision

Service of the Bank of Lithuania of 30 December 2014. Given this fact, the Company will account for the impairment of non-current tangible assets in its annual financial statements of 31 December 2014 in retrospect.

MAJOR DEVELOPMENTS AFTER THE REPORTING PERIOD

On 1 January 2015, AB Lietuvos Dujos started publishing the data on calorific value of gas supplied to the network. Since now on, consumed gas will be accounted for in euro for kilowatt-hours for gas system users.

A member of the Board of the Company Tomas Šidlauskas resigned on 30 January 2015. As from 31 January 2015, the Board of AB Lietuvos Dujos consists of the Chairman of the Board Liudas Liutkevičius and members of the Board Nemunas Biknius, Giedrė Glinskienė and Valentina Birulienė.

In the meeting of the Supervisory Board held on 9 February 2015, Dalius Svetulevičius, having held the post of the Head of Operational Management Department up until then, was elected a new member of the Board of the Company.

ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

In the implementation of the provisions of the European Union Third Energy Package on the unbundling of activities, assets, rights and obligations attributed to the transmission activity unbundled from the Company were transferred to a newly established company AB Amber Grid as at 31 July 2013, while assets, rights and obligations attributed to the supply activity unbundled from the Company were sold to UAB Lietuvos Dujų Tiekimas as at 31 October 2014 under the contract on the purchase-sale of a part of Company of 15 October 2014.

All revenues earned and expenses incurred from the supply activity before 31 October 2014, the result of sale of the supply activity, and all revenues earned and expenses incurred from the transmission and supply activities during 2013 were attributed to the discontinued operations in the Income statement.

The financial statements for 2013 have been restated having accounted for the impairment of non-current assets in retrospect as at 31 December 2013, after evaluation of the recoverable value of distribution activity applying a cash flow method.

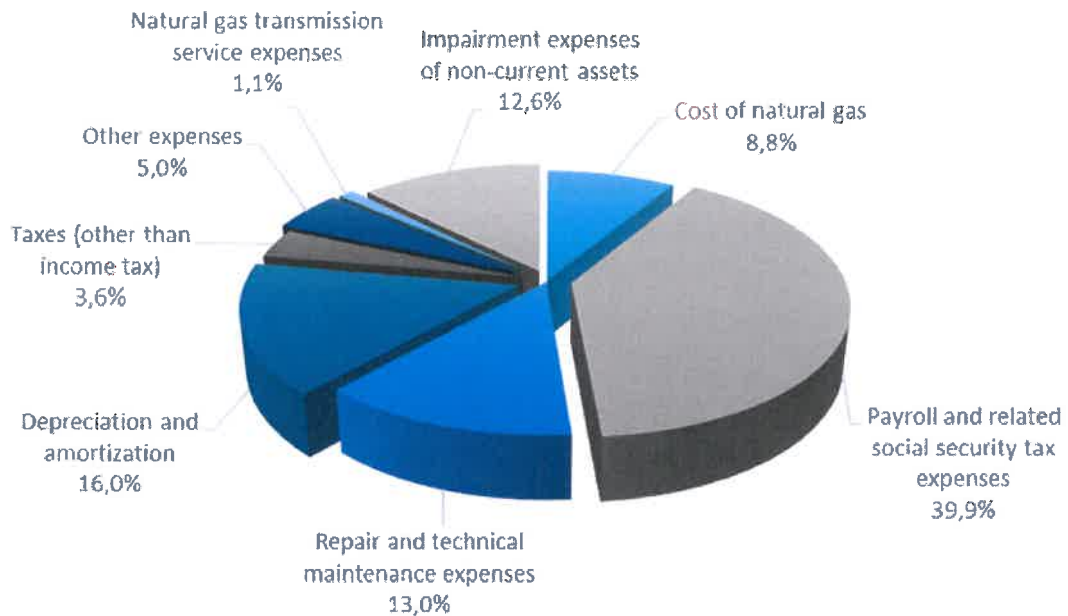
REVENUE

Compared to 2013, revenue of the Company's continued gas distribution activity increased by 16.3 percent (LTL 27 million) in 2014 and amounted to LTL 192.1 million. Sales revenue constituted the major (98 percent) share of revenue. The increase in revenue was determined by increased distribution service prices set at the beginning of the new price regulatory period (2014–2018).

EXPENSES

Expenses of the Company's continued gas distribution activity decreased by 52.9 percent (LTL 193.6 million) compared to 2013 and amounted to LTL 172.1 million. After the elimination of the impairment expenses of non-current assets, in 2014, expenses of the Company totalled LTL 150.4 million and were 9.6 percent lower than in 2013 (LTL 166.4 million). The impairment of non-current assets accounted in retrospect as at 31 December 2013 resulted in the decrease of depreciation expenses of 30.2 percent in 2014. Also cost of natural gas decreased significantly due to the reduction in the import price of natural gas (including the reduction of the price in retrospect).

Structure of expenses, 2014



ACTIVITY RESULTS

The increase in profit before tax of the continued gas distribution activity from the loss of LTL 200.9 million in 2013 to profit of LTL 20.3 million in 2014 was determined by the impairment of non-current assets of LTL 199.4 million formed in retrospect in distribution activity on 31 December 2013. In 2014, the earnings before interest, taxes, depreciation and amortization (EBITDA) of the continued gas distribution activity increased by LTL 32 million (84 percent) and accounted for LTL 70.1 million compared to LTL 38.1 million in 2013 (EBITDA calculations did not take the impact of the impairment of non-current assets into account). This change was impacted by better distribution activity results due to increased revenues.

In 2014, net profit of the Company totalled LTL 146.2 million (in 2013, net loss of LTL 106.2 million), including net profit of the continued activity of LTL 20.3 million (compared to the net loss of LTL 166.9 in the same period of last year). Net loss of the continued activity in 2013 was determined by the above-indicated impairment of non-current tangible assets. Having eliminated the impact of the impairment of non-current assets, net profit of the continued gas distribution activity would account for LTL 2.6 million and LTL 38.7 million in 2013 and 2014, respectively.

Net profit of the discontinued supply activity, including the activity sales result, totalled LTL 126 million (in 2013, net profit of the discontinued supply activity amounted to LTL 50.7 million and net result of transmission activity was LTL 10 million).

Upon the change of the accounting policy in accordance with the policy applied in Lietuvos Energija, UAB Group on 31 December 2014, a part of the Company's non-current tangible assets was accounted for in application of the revaluation method. A part of asset revaluation results was reflected under other comprehensive income, which totalled LTL 17 million in 2014.

Sales revenue, net profit, M LTL (of continued distribution activity by LD)



*restated for 2010-2013. More information on restated sales and other revenue is disclosed in the financial statements of the Company for 2014.

EBITDA (of continued distribution activity by LD)



ASSETS

At the end of 2014, the Company's assets amounted to LTL 741.7 million (of which non-current assets accounted for LTL 614.6 million, or 82.9 percent, and short-term assets totalled LTL 127.1 million (17.1 percent)) compared to LTL 852.5 million at the end of 2013. The value of the assets decreased mainly due to the sale of the gas supply activity to UAB Lietuvos Dujų Tiekimas.

EQUITY AND LIABILITIES

The Company's equity increased by LTL 40.2 million as a result of good performance results in 2014 and accounted for LTL 571.7 million at the end of 2014, i.e. 77.1 percent of the total assets of the Company.

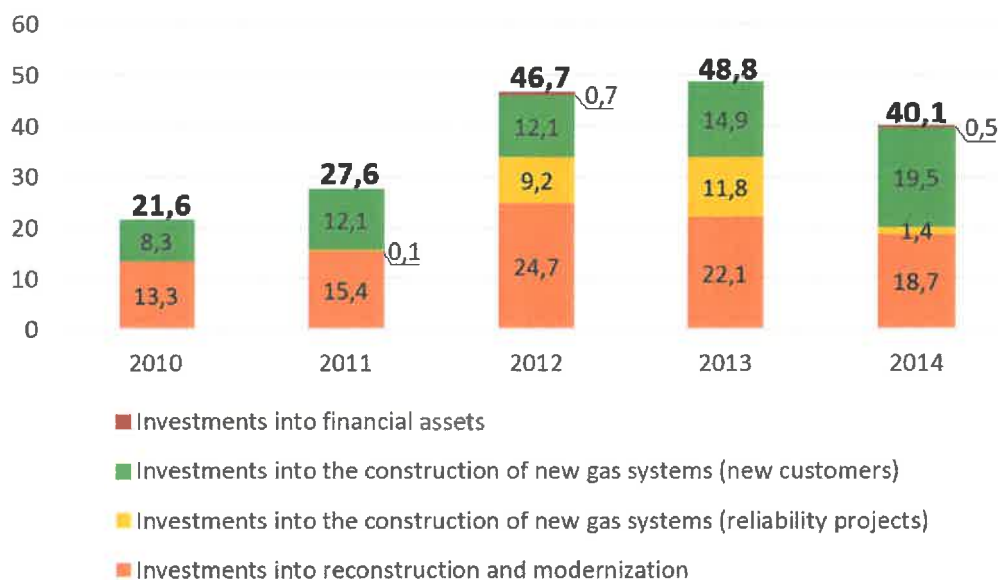
Payables and liabilities totalled LTL 169.9 million at the end of 2014 compared to LTL 320.9 million at the end of 2013. Payables and liabilities decreased mainly as a result of the sale of the gas supply activity to UAB Lietuvos Dujų Tiekimas. There were no financial debts to credit institutions at the end of 2014.

More information on the Company's financial results is disclosed in the financial statements of the Company for 2014.

INVESTMENTS

In 2014, investments of the continued gas distribution activity of the Company amounted to LTL 40.1 million, which is LTL 8.7 million or 17.7 percent less than in 2013. The decrease in investments was mainly determined by lower investments into the reconstruction of the gas system, modernization and reliability projects in 2014. However investments into the construction of new gas systems by connecting new customers increased significantly. In 2014, 48.6 percent of funds were invested into the construction objects of new gas systems, 50 percent was allocated for investments into the reconstruction of gas systems, modernization and reliability projects, while the remaining part comprised investments into financial assets.

Investments, M LTL



In 2014, LTL 19.5 million was invested for connecting new customers (in 2013: LTL 14.9 million), 87.3 km (in 2013: 72.6 km) of distribution pipelines were built and 3,6 thousand new customers were connected to gas pipelines, which is 15 percent more as compared to 2013, when 3 thousand new customers were connected to gas distribution systems.

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 in Zujūnų, Varnės, Smalinės, Karaliaučiaus streets in the northern part of Pilaitė district, Vilnius. The first stage of the project was already completed. 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, the project for the construction of gas distribution system in Vismaliukai was completed in 2014. 4.2 km of a medium pressure gas pipeline was built, investing LTL 0.9 million therein.

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 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. The total allocated dividend amount was LTL 69.8 million.

ACTIVITIES OF AB LIETUVOS DUJOS

The natural gas distribution system operator AB Lietuvos Dujos is a responsible company owned by the state of Lithuania, which is focused on increasing operational efficiency and value, and is a part of the

largest state-owned energy group Lietuvos Energija. The Company is responsible for natural gas distribution infrastructure, the safety, renovation and development thereof, takes care of the attraction of new customers and their connection to gas distribution pipelines. It provides emergency gas maintenance services, inspects gas meters. Upon the unbundling of natural gas supply and distribution activities at the end of 2014, household customers have been paying for gas to supply companies, which in turn have been making payments to the distribution system operator AB Lietuvos Dujos for the gas distribution service provided thereby. Non-household customers - gas system users continue paying AB Lietuvos Dujos for the gas consumed. The Company's daily operations are based on three core values: responsibility, cooperation and result.

YEAR 2014 – A NEW STAGE

AB Lietuvos Dujos started a new stage of its life in the autumn of 2014 upon the unbundling of the function of gas supply - acquisition of gas as goods and its sale to customers. This step completed the implementation of the European Union Third Energy Package requiring to separate gas infrastructure from the supply activity. Since then, the activities of Lietuvos Dujos have become clear; they currently include the supervision and development of gas distribution pipelines, search for, attraction and connection of new customers to the gas distribution system.

LIETUVOS DUJOS – A PART OF LIETUVOS ENERGIJA GROUP

In mid-2014, the state acquired 96.6% of shares of the Company through Lietuvos Energija and became the major shareholder of AB Lietuvos Dujos. The remaining part of shares of the Company, i.e. 3.4%, is owned by minority shareholders.

Being a part of Lietuvos Energija, the Company seeks to exploit synergy possibilities with other subsidiaries, energy sector leaders, such as LESTO and Lietuvos Energijos Gamyba. In the creation of customer-friendly environment, the Company will serve our customers together with LESTO in joint customer service centres in order provide customers with all electricity and gas infrastructure-related services in one place. The plan is to search for new possibilities for combining services provided by these companies in the future.

ACCESSIBLE GAS DISTRIBUTION INFRASTRUCTURE

The natural gas distribution system owned by Lietuvos Dujos is very well developed and is one of the best infrastructures in Europe allowing connection of new gas customers. In order to be able to continue providing high quality services, the Company must invest into the maintenance of the network, the renovation of the infrastructure and construction of new gas pipelines. Regular investments are very important here, as in places, where depreciation period of the network ends, investments into the renovation thereof must be made. In order to increase its operating efficiency and decrease network maintenance costs, the Company has been investing into the automation of the network.

8.5 thousand km of gas distribution pipelines were built in the territory of 41 municipalities. There are only a few cities and towns currently unable to use gas. There still aren't any gas distribution network branches in Raseiniai, Kelmė, Šilalė, Šilutė, Pagėgiai, Lazdijai, Varėna, Molėtai, Ignalina, Zarasai, Rokiškis, Kupiškis, Skuodas and Tauragė. The latter is one of the cities, where AB Lietuvos Dujos considers a possibility for investing into the construction of a new gas pipeline.

When planning new investments, it is important to assess the return on investment thereof so that the investment does not become a burden on other customers. Having a customer commitment to use gas, it is possible to plan to build new gas distribution pipeline branches. In order to reduce infrastructure maintenance cost, the existing infrastructure must be better exploited and developed, the network needs to be densified and gas consumption - increased. The greater is the volume of gas consumed, the less the maintenance of the infrastructure costs to customers.

OUR CUSTOMERS. LONG-TERM PARTNERSHIP

The Company seeks to organize work so that employees of AB Lietuvos Dujos themselves would come to customers, attract new customers rather than simply responding to their needs. Being convenient, more flexible for gas distribution system users, ability to hear individual needs of each customer can

affect decision to choose Lietuvos Dujos as a long-term business partner.

There are 550 000 household customers (households) and 6 500 non-household customers in Lithuania. 100 000 household customers use gas for heating houses, while the majority, 450 000, use gas in stoves for cooking food.

Gas is mostly used in production activities of companies and to generate heat, thus the greatest volume of gas - about 600 million MCM per year - is used by non-household customers - industrial companies and heat producers. Household customers use about 160 million MCM of gas per year: about 130 million MCM for heating houses and about 30 million MCM in stoves.

When servicing customers in customer centres or their homes, Lietuvos Dujos specialists follow Customer Service Standards. This is a Code of Conduct allowing enhancing the quality of customer service and interpersonal communication. The same Code of Conduct applies throughout all Lietuvos Energija Group companies.

NATURAL GAS - THE CLEANEST TYPE OF FOSSIL FUEL

Air pollution of natural gas used for the production of heat in households, industry or energy sectors is the lowest compared to other fuels. Burning natural gas does not emit any unpleasant odor and does not cause smog. Almost one hundred and fifty times less particulate matter is emitted when using gas compared to firewood, and more than a thousand times less than firing peat products. This is illustrated by emission factor values caused by organic fuel combustion published in 1997 in Lithuania, which were described based on conducted scientific and laboratory research and in accordance with international practice and experience. The study conducted by the Lithuanian Energy Institute in 2012 states that natural gas CO₂ (carbon dioxide) emission is the lowest among other fuel types¹.

Currently, biofuel is the largest competitor of natural gas. Due to relatively high price of gas in several past years and financial support from the EU structural funds, the use of biofuel has been increasing - businesses were willingly investing into expensive biofuel boiler houses in the past few years hoping to be able to produce "green" eco-friendly energy that way. With the decrease in the price of gas started in the autumn of 2014, customers are expected to eventually turn back to choosing natural gas. Analysts have observed that persisting trends of low natural gas prices for a longer period of time can result in stopping growth in the use of biofuel, because biofuel boiler house technologies are more expensive than those of gas. According to the specialists, investments into biofuel boiler houses and their operating costs are higher than those of gas boilers.

The use of natural gas for heating is very convenient, because heat can be easily adjusted, there is no need to store fuel or to worry about purchasing it, also, gas boilers are easy to maintain. With the decreasing price of natural gas, this fuel becomes one of cheaper energy sources. Customers pay for natural gas only once per month and only for the volume of gas consumed. Customers are able to start heating their houses with gas whenever they want to, without having to wait for a heating season to start or end.

WHAT IS OUR OPERATING ENVIRONMENT?

In recent years, the use of natural gas declined in Lithuania as a result of high prices thereof. The decreasing consumption of gas is naturally leading to a risk that a tariff will increase. However, upon the commencement of a liquefied natural gas terminal in Lithuania, gas thereto can be brought by special vessels from any place of the world, the country's possibilities to purchase gas from several suppliers increased. The plan is to have an international gas pipeline to Poland constructed by 2019, thus expanding the possibility for choosing sources further more. These circumstances lead to increased competition in the gas market, which will eventually ensure the same price of gas to customers as in neighbouring countries and result in the growing number of customers. The reduction in the price of gas in the world was also determined by falling oil prices in the past half-year.

The price of gas for household customers decreased by one third in the past two years. The comparison of prices in 2013 and 2015 reveals that now household customers pay 30.6% less: 1 cubic meter of gas cost LTL 2.09 (EUR 0.6) in 2013, while in 2015 it costs LTL 1.45 (EUR 0.42). The decrease in the price of gas was also impacted by the reduction of the price in retrospect.

¹ Study "[Šiltnamio efekta sukeliančių dujų nacionalinių emisijų rodiklių energetikos sektoriuje įvertinimas](#)". The Lithuanian Energy Institute, 2012.

A fee for connecting one new customer to the gas distribution system decreased by half. On average, if 30 meters of gas pipeline need to be constructed to holdings of a new gas customer, works for the construction of such distance together with a fee independent of the distance with the installation of gas system equipment costs about LTL 2 230.54 (EUR 646) in 2015, while in 2011 the connection fee for 30 meters was LTL 4 236.96 (EUR 1 227). Thus the price for connecting new customers fell by as much as twice over a period of four years.

In order to ensure efficient operation of the gas market, Lietuvos Dujos has been working with new customers and encouraging the existing clients to continue choosing the efficient, convenient and cleanest type of fossil fuel - natural gas. The Company has been creating a gas market together with gas supply companies in Lithuania. We must ensure efficient market operation for the customer to obtain the maximum benefit.

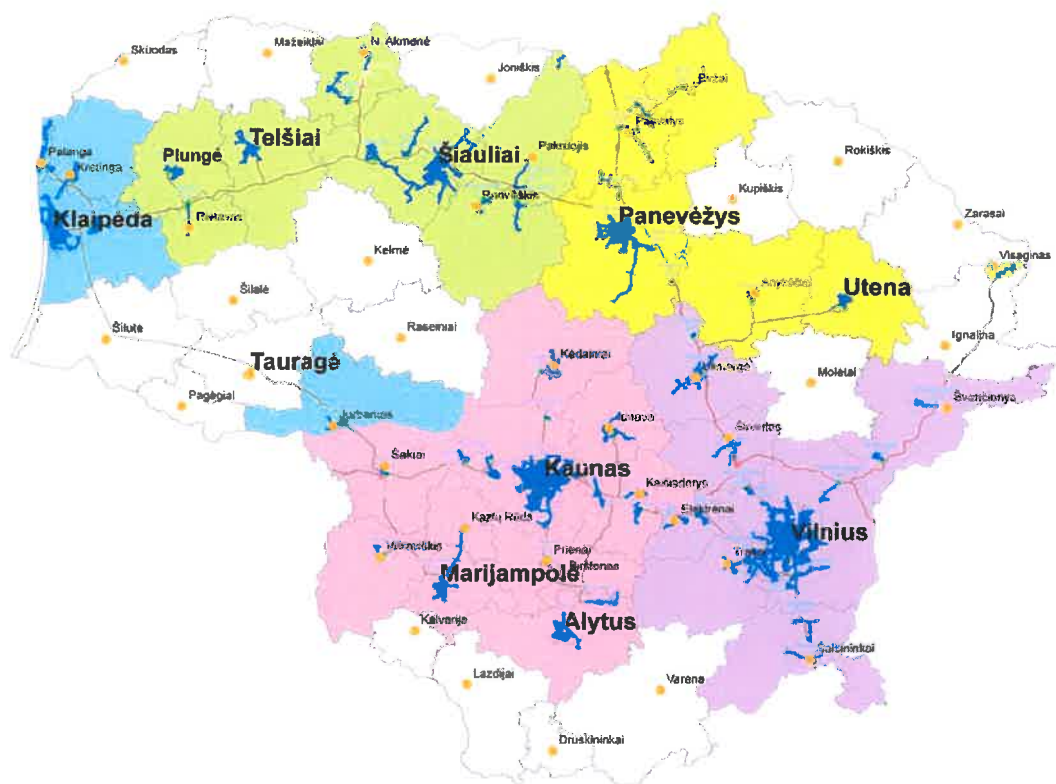
Lietuvos Dujos, a company operating in a stable and reliable manner, is a guarantee of security for gas customers. With the emergence of new gas supply sources in Lithuania, possibilities for new gas suppliers to operate in the market have been increasing. Should a gas supply company become no longer able to perform its obligations, AB Lietuvos Dujos would ensure guarantee gas supply to household customers and non-household customers consuming up to 20 thousand cubic meters of natural gas per year in the procedure prescribed by laws.

WHO DO WE SEEK TO BECOME?

In order to enhance consumer confidence in gas and increase the number of customers, the Company has been working on the creation of new service and new investment ideas increasing the Company's value. Reorganizing its activities and cooperating with municipalities and other institutions in 2015, AB Lietuvos Dujos will seek to speed up the connection of new customers to the gas distribution network. Now the connection process of customers to gas pipelines, taking into consideration the submission of all the necessary documents, takes about nine months on average. The Company plans to reduce this period of time to eight months.

Lietuvos Dujos has also been considering the provision of other services increasing the competitiveness of the Lithuanian economy and improving the quality of people's life. In cooperation with stat authorities the plan is to search for easier funding possibilities for laying gas pipelines to settlements. This would encourage the development of gas distribution systems. We could also present new customers with offers for setting up a boiler house or propose to larger customers a technology allowing not only to become a gas customer, but to also produce electricity necessary for own needs and supplied to the network. By offering a new service package, we would become even more appealing to new natural gas customers.

NATURAL GAS DISTRIBUTION SYSTEM OPERATED BY THE COMPANY



- Gas distribution pipelines
- Municipalities that do not have gas distribution infrastructure or it does not belong to AB Lietuvos Dujos

	Length of gas pipelines operated, thousand km	Gas pressure regulating devices, pcs.	Volume of distributed natural gas, MCM
Vilnius branch	2.5	325	155,1
Kaunas branch	2.7	229	240,4
Klaipėda branch	1.0	71	135,0
Šiauliai branch	1.3	100	77,6
Panevėžys branch	0.9	97	139,7
Total	8.4	822	747,8

JOINT VENTURES

According to the data of 31 December 2014, AB Lietuvos Dujos owned UAB GET Baltic jointly with other companies and gas acquired shares of UAB Verslo Aptarnavimo Centras and UAB Technologijų ir Inovacijų Centras.

Key information about the companies:

Key data of joint ventures	UAB Verslo Aptarnavimo Centras	UAB Technologijų ir Inovacijų Centras	UAB GET Baltic
Legal form	Private limited company	Private limited company	Private limited company
Company code	303359627	303200016	302861178
Registered office address	P. Lukšio g. 5B, 08221 Vilnius	A. Juozapavičiaus g. 13, 09311 Vilnius	Savanorių pr. 28, Vilnius, Lithuania
Telephone number	(8 5) 259 4400	(8 5) 278 2272	+370 655 65103
Fax	(8 5) 259 4401	(8 5) 278 2299	
E-mail	vac@le.lt	info@etic.lt	info@getbaltic.lt
Website	www.vac.le.lt	www.etic.lt	www.getbaltic.lt
Authorised capital	LTL 2 000 000	LTL 22 200 525	LTL 2 000 000
Share of the authorised capital owned by AB Lietuvos Dujos, percent as at 31 December 2014	7.25%*	9%*	34%
Core business of the company	Provision of services of the organization and execution of public procurement procedures, accounting and personnel administration services	Provision of information technology and telecommunication services to companies operating in the energy sector	Organization of trading on the Natural Gas Exchange

*The part of shares signed but not fully paid by Lietuvos Dujos.

NATURAL GAS BUSINESS ENVIRONMENT

Upon the implementation of the provisions 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 the management and supervision of the Lithuanian natural gas distribution system 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. On 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 was 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.

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 (cubic meters, m³) and units of energy (kilowatt-hours, kWh), and gas volume in the natural gas distribution system accounted for in units of volume (m³) 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 (m³), just like it was done before. AB Lietuvos Dujos prepared for the implementation of the Description, and it has been accounting for the volume of gas for settlement with its customers - system users - in units of energy (kWh) as from 1 January 2015. The Company has been publishing gas calorific value every day on its website www.lietuvosdujos.lt.

LICENSING

The Law on Natural Gas stipulates that the activity of natural gas distribution and the activity of natural gas supply carried out by the Company till 31 October 2014 are subject to licensing. Licences are issued and the supervision of the licensed activities is executed by the National Control Commission for Prices and Energy (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 the perspective of the 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 have been actively investing in the replacement of the fuel used, transferring to the use of RES, which has led to decreased consumption of natural gas in Lithuania. In 2014, AB Lietuvos Dujos transported via its distribution networks 747.8 million MCM of natural gas, which is 12.7 percent less than in 2013.

PRICING 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. Tariffs of the natural gas supply activity carried out by the Company until 31 October 2014 were set for household customers once every six months. 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/m³ (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, which took 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/m³ (inclusive of VAT). The variable component of the natural gas tariff for household customers decreased for all customer subgroups due to the reduction of the price in retrospect. The fixed gas tariff component remained unchanged. The NCCPE approved these tariffs on 30 May 2014.

Natural gas price for non-household customers was recalculated each month. The natural gas import price depended 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.

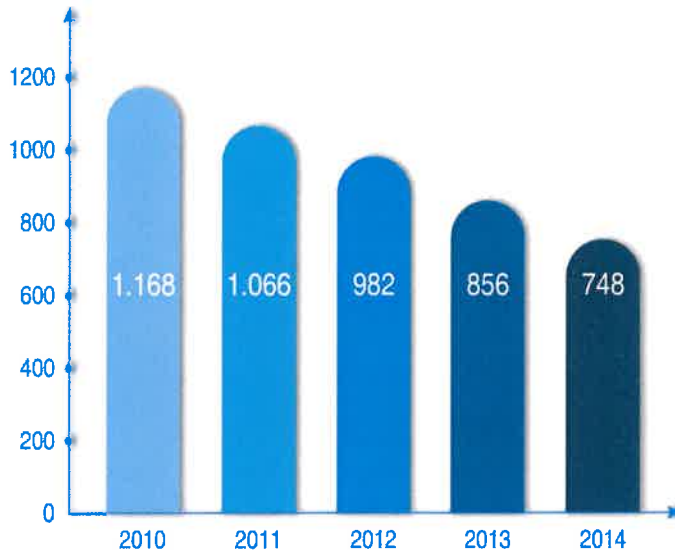
For more detailed information on the prices of gas distribution services provided by the Company, see the Company's website www.lietuvosdujos.lt, while for information on household customer tariffs visit the website of UAB Lietuvos Dujų Tiekimas www.ldtiekimas.lt.

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 stored the set volume of gas in Incukalns (Latvia) underground

storage facility. In cases of accidents and emergencies, this accumulated volume of gas would have ensured uninterrupted supply of gas to vulnerable customers (all household and non-household customers consuming up to 20 000 MCM of natural gas per year) for the period of at least 30 days.

NATURAL GAS DISTRIBUTION

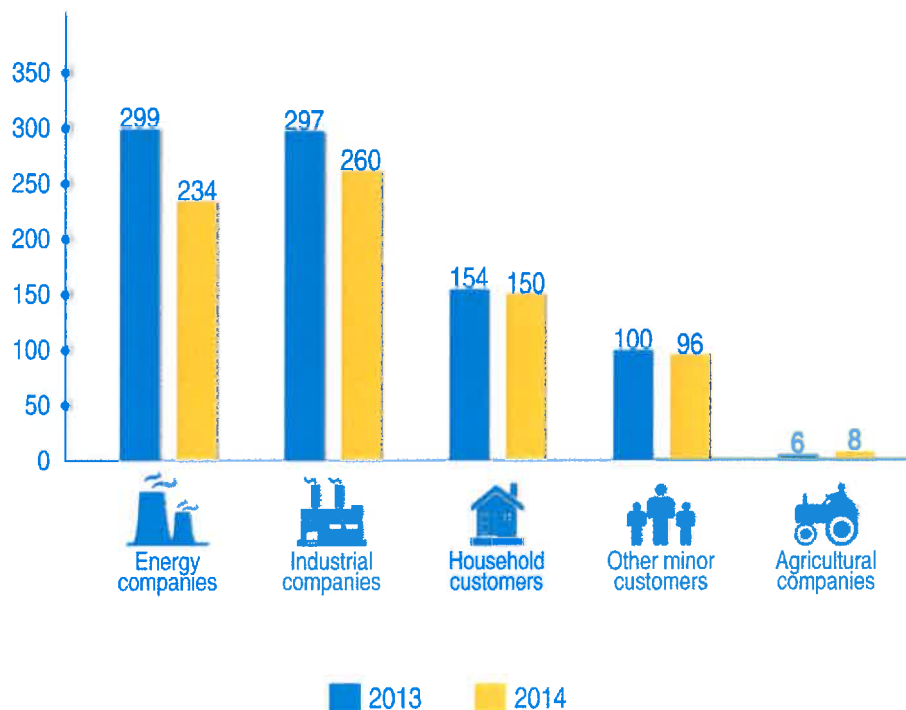
Natural gas distribution volumes, MCM



In 2014, AB Lietuvos Dujos transported via its distribution networks 747.8 MCM of natural gas, which is 12.7 percent less than in 2013 (856.3 MCM).

As compared to 2013, natural gas distribution volumes decreased mainly due to a warm winter season, lower consumption by the heat and power production plants and substitution of natural gas for other types of fuels and subsidies for renewable energy sources.

Structure of natural gas distribution to customers, MCM



BUSINESS PLANS AND FORECASTS

AB Lietuvos Dujos has been continuing the development of its gas distribution system taking into consideration consumer needs. The plan is to connect 3 000 new customers and build about 95 km of distribution pipelines in 2015.

The construction of a high-pressure gas pipeline to villages of Baraginės and Nendrieniškių located in Marijampolė Free Economic Zone is planned in 2015, building 5.5 km of gas pipelines. Another planned large investment project is the construction of a medium pressure gas pipeline to Kaunas Airport located in Karmėlava, Kaunas district. The plan is to construct a 3.6 km-long gas pipeline.

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 are aimed at maintaining an adequate business process control level, minimizing the probability of occurrence of events that may cause risks and reducing their possible negative effects, ensuring that risks would not exceed the levels acceptable to LD and at implementing the Company's objectives.

The Risk Management Process comprises the following steps: risk identification; 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.

The Company faces in its activities the following risks: competition-related risk, regulation-related risk, organizational structure-related risk, credit risk, unauthorized use (theft) of natural gas, technical and other risk.

COMPETITION-RELATED RISK

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

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

According to the data of the Lithuanian District Heating Association, a share of renewable energy sources in the total volume of fuel used for heat production will increase to 50-55 % at the end of 2015, while during the period of 2016-2020, upon the implementation of the major Vilnius and Kaunas cogeneration power plant projects, also modernization works of other boiler houses, the heat sector should achieve the planned EU and national goals to produce 80-85% of "green" heat of biofuel. This would result in 10-15 percent lower consumption of natural gas, respectively.

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

REGULATION-RELATED RISK

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

The core activity of the Company is natural gas distribution (the Company was also engaged in the supply of natural gas until 31 October 2104). A license is issued for the execution of the natural gas distribution activity. Natural gas distribution service prices and investments into the natural gas distribution systems are regulated by the state.

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

ORGANIZATIONAL STRUCTURE RISK

In the fulfilment of the requirements of the Law on Natural Gas and other legal acts for the unbundling of the natural gas distribution activities and given decisions of the General Meeting of Shareholders and the Board of the Company, on 15 October 2014, AB Lietuvos Dujos concluded a contract on the purchase-sale of a part of Enterprise with UAB Lietuvos Dujų Tiekimas. UAB Lietuvos Dujų Tiekimas is a company owned by the main shareholder of the Company Lietuvos Energija, UAB.

In accordance with the contract on the purchase-sale of a part of Enterprise, i.e. natural gas supply activity with assets, rights and obligations attributed thereto, was sold, thus successfully implementing the Company's action plan for the unbundling of natural gas distribution and supply activities approved with the National Control Commission for Prices and Energy.

RISK OF UNAUTHORIZED USE OF NATURAL GAS

In order to prevent unauthorized use of natural gas (thefts), the Company has been analysing possible preventive measures. Additional safeguards were applied for unauthorized gas consumption in 2014 - a scientific study related to the safeguards was conducted, the use of additional protective seals was started, information on insufficient resistance of a part of gas meters was presented to the gas meter producer. In response to the presented information, the producer initiated changes in the production of gas volume measuring tools. Also, additional trainings for employees were held planning to start installing remote data reading equipment to unreliable customers in 2015.

Also, in order to enhance theft prevention, proposals to the Rules on the Supply and Consumption of Natural Gas approved by Order of the Minister of Energy of 2014 were drawn up and presented.

TECHNOLOGY-RELATED RISK

The technical condition of natural gas distribution systems owned by the Company is acceptable, but quite a few of the Company's pipelines are 40-50 years old. One of the main objectives of the Company is to ensure safety and reliability of its gas distribution systems. The Company implements this objective by:

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

COMPANY'S SHARE PRICE DYNAMICS AND TURNOVER

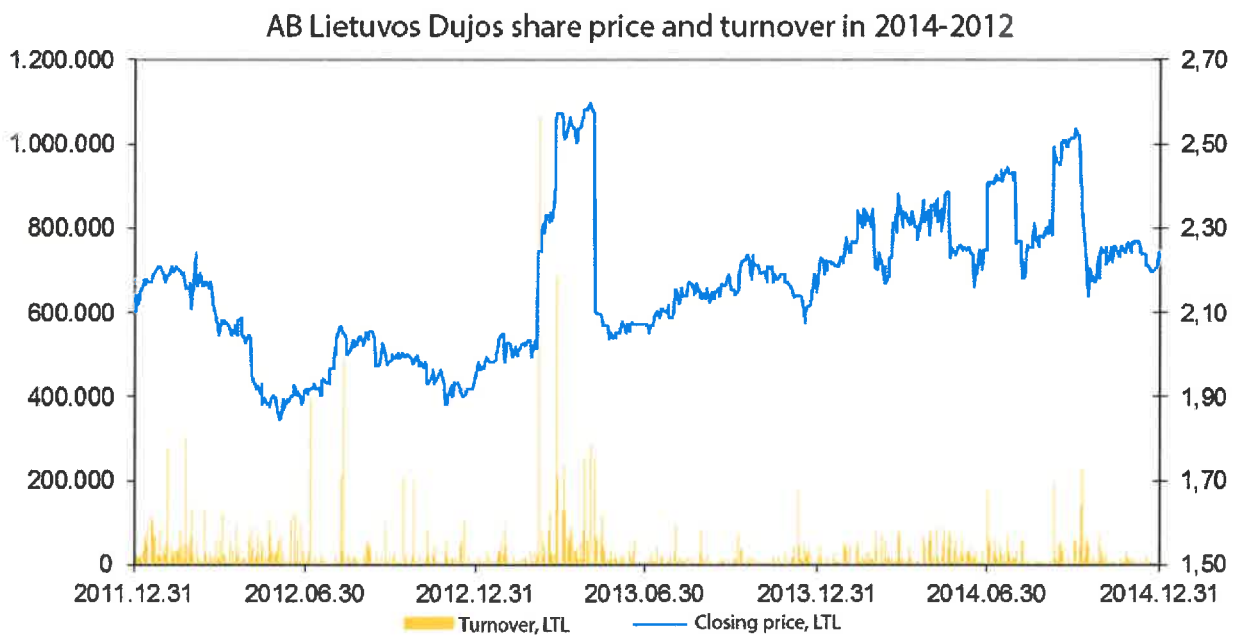
The Company's shares are traded on the regulated market; they are quoted on the Main List of the stock exchange NASDAQ OMX Vilnius.

Main data about shares of AB Lietuvos Dujos	
ISIN code	LT0000116220
Abbreviation	LDJ1L
Number of shares (pcs.)	290.685.740

As at 31 December 2014, the capitalization of the Company's shares amounted to LTL 652.4 million. During 12 months of 2014, the total turnover of trading in the Company's shares on the NASDAQ OMX Vilnius amounted to LTL 6.2 million; 2 690 973 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 12 months of 2014 had not concluded any transactions related to the acquisition or disposal of own shares.



Share price dynamics at NASDAQ OMX Vilnius in 2012-2014			
	2014	2013	2012
Highest price per share, LTL	2,538	2,607	2,244
Lowest price per share, LTL	2,141	1,930	1,830
Weighted average price per share, LTL	2,316	2,277	2,040
Price per share as at the end of the period, LTL	2,244	2,151	1,930
Market capitalization as at the end of the period, M LTL	652,4	625,3*	905,4

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

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. During 2014, the par value per share remained unchanged.

As at 31 December 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 31 December 2014, the total number of shareholders was 2 438. All AB Lietuvos Dujos shares entitle to equal property and non-property rights.

According to the Bylaws of the Company, decision on the issuance of new shares and redemption of own shares rests solely with the General Meeting of Shareholders of the Company.

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 owned 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.

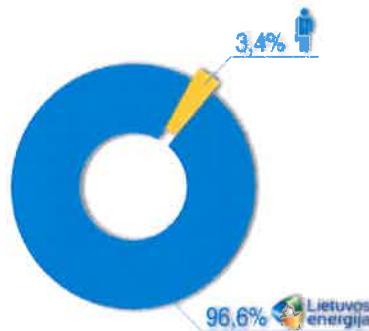
On 21 May 2014, Lietuvos Energija, UAB and E.ON Ruhrgas International GmbH concluded a contract on the purchase-sale of shares of AB Lietuvos Dujos in accordance with which Lietuvos Energija, UAB acquired from E.ON Ruhrgas International GmbH 113 118 140 shares of AB Lietuvos Dujos, which constituted 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 sale of the shares were 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.

Structure of AB Lietuvos Dujos shareholders
as of 31-12-2014



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, Lietuva
Telephone numbers	+370 5 268 2800, short number 1518
E-mail	info@seb.lt
Website	www.seb.lt

CUSTOMER SERVICE

In 2014, the Company had 556 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.

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 2014, the number of applications for connecting to the natural gas distribution system also increased. The Company received about 4 300 applications for connecting 5 166 new customers in 2014. The number of customers willing to use gas in 2014 was almost 10 percent greater than in 2013. Compared to 2013, the number of customers connected to gas systems increased by 15 percent in 2014. Last year, a total of 3 600 new natural gas customers was connected in Lithuania.

In 2014, the Company's employees inspected readings of natural gas meters of more than 357 thousand customers.

CUSTOMER SERVICE RATING

The quality of customer service of Gas Metering and Metrology departments in customer domain was rated in the performance of customer service evaluation in 2014. 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 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 has been collected and analysed, real estate market development trends, formation of new residential, commercial and production territories have been observed. Also, analysis of applications for connecting to gas networks has been conducted and customers have been 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 has been conducted and new methods for shortening and facilitating it have been searched for.

MEMBERSHIP IN ASSOCIATED STRUCTURES

The Company was a member of the following organizations in 2014:

- 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.

AUDIT COMMITTEE OF THE COMPANY

In accordance with the Law on Audit, since 2009, the Company has had 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.

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

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

CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The activities of the Company are governed by laws of the Republic of Lithuania, other legislation 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 in the Register of Legal Entities on 30 October 2014.

At the end of the reporting period, 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.

<p>Darius Kašauskas Chairman of the Supervisory Board</p>	<p>Ilona Daugėlaitė Member of the Supervisory Board</p>	<p>Petras Povilas Čėsna Independent Member of the Supervisory Board</p>
		
<p>Date of appointment: 29 10 2014</p>	<p>Date of appointment: 29 10 2014</p>	<p>Date of appointment: 29 10 2014</p>
<p>End of term: 29 10 2018</p>	<p>End of term: 29 10 2018</p>	<p>End of term: 29 10 2018</p>
<p>Education: ISM University of Management and Economics; BI Norwegian Business School, Master's Degree in Management; Vilnius University, Master's Degree in Economics</p>	<p>Education: Vilnius University, Master's Degree in Hydrogeology and Engineering Geology</p>	<p>Education: Vilnius University, qualified economist</p>

BOARD OF THE COMPANY

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

The competence of the Board of the Company, procedure for the convocation and decision-making thereof is as prescribed by laws, other legislation and the Bylaws of the Company. The Board 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 (registered in the Register of Legal Entities on 30 October 2014) - by the Supervisory Board for the term of office of four years). The Board elect the Chairman of the Board from the members thereof.

The powers of the members of the Board 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 or the Chief Executive Office subject to additional notification.

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

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

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

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

Seq. No.	Full name	Position	Date of appointment
Members of the Board:			
1.	Dr. Valery Golubev	Chairman of the Board	25 April 2013
2.	Dr. Achim Saul	Deputy Chairman of the Board	25 April 2013
3.	Uwe Fip	Member of the Board	25 April 2013
4.	Kirill Seleznev	Member of the Board	25 April 2013
5.	Dr. Dalius Misiūnas	Member of the Board	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 nominated by E.ON Ruhrgas International GmbH Dr. Achim Saul and Uwe Fip,
2. to recall members of the Board nominated by OAO Gazprom Dr. Valery Golubev and Kirill Seleznev,
3. to elect for the remaining term of office of the Board of AB Lietuvos Dujos (i.e. until the day of the 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.

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

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

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

Composition of the Board from 3 November 2014 to 30 January 2015

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

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

As from 30 January 2015, Tomas Šidlauskas, a member of the Board, resigned from his position.

Composition of the Board of Directors from 31 January 2015

Seq. No.	Full name	Position	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.	Giedrė Glinskienė	Member of the Board of Directors	3 November 2014
4.	Valentina Birulienė	Member of the Board of Directors	3 November 2014

On 9 February 2015, Dalius Svetulevičius was elected a new member of the Board of the Company.

Composition of the Board from 9 February 2015

<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center;">Liudas Liutkevičius</div> <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-size: small;">Chairman of the Board, Chief Executive Officer</div>  <p>Chairman of the Board since: 03 11 2014</p> <p>Chief Executive Officer since: 03 11 2014</p> <p>End of term: 03 11 2018</p> <p>Education: Vilnius University, Master's Degree in International Business Finance</p>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center;">Nemunas Biknius</div> <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-size: small;">Member of the Board, Director of the Service and Development Division</div>  <p>Member of the Board since: 03 11 2014</p> <p>End of term: 03 11 2018</p> <p>Education: Vilnius Gediminas Technical University, Master's Degree in Energy and Thermal Engineering Sciences</p>	<div style="background-color: #0070C0; color: white; padding: 5px; text-align: center;">Valentina Birulienė</div> <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-size: small;">Member of the Board, Director of the Organizational Development Division</div>  <p>Member of the Board since: 03 11 2014</p> <p>End of term: 03 11 2018</p> <p>Education: Vilnius University, Bachelor's Degree in Management and Business Administration</p>
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Giedrė Glinskienė

Member of the Board,
Director of the Finance and
Treasury Division



Member of the Board since:
03 11 2014

End of term:
03 11 2018

Education:
Vilnius University,
qualified economist

Dalius Svetulevičius

Member of the Board,
Director of the Gas Network
Division



Member of the Board since:
09 02 2015

End of term:
03 11 2018

Education:
Vilnius University, Master's Degree
in Management and Business
Administration

Till 30 October 2014, members of the Board of the Company were not paid any bonuses and/or other benefits. As from 3 November 2014, the members of the Board have been paid remuneration in the amount set by the Supervisory Board of AB Lietuvos Dujos for working in the Board. The payments paid according to the activity agreements for the Company's Board members amounted to LTL 34 thousand in 2014, the average per member LTL 7 thousand.

CHIEF EXECUTIVE OFFICER

Chief Executive Officer is the sole executive body of the Company.

The competence of the Chief Executive Officer, procedure for his election and recall is as prescribed by laws, other legal acts and the Bylaws of the Company.

The Board of the Company elect, recall and dismiss the Chief Executive Officer. CEO 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 Chief Executive Officer of AB Lietuvos Dujos by the decision of the Board.

Changes in top executives of the Company during the reporting period and on the day of the submission of the Annual Report

Seq. No.	Full name	Position	Date of appointment	Date of recall/ change of position
Chief Executive Officer of the Company:				
1.	Viktoras Valentukevičius	Chief Executive Officer	25 April 2013	8 September 2014
2.	Mantas Mikalajūnas	Head of Strategic Development Department, acting Chief Executive Officer	9 September 2014	3 November 2014
3.	Liudas Liutkevičius	Chief Executive Officer	4 November 2014	-
Other top executives:				
1.	Dr. Joachim Martin Hockertz	Deputy General Manager – Director for 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	30 January 2015 (recalled)
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 the Finance and Treasury Division	4 November 2014	-
7.	Nemunas Biknius	Director of the Service and Development Division	4 November 2014	-
8.	Valentina Birulienė	Director of the Organizational Development Division	4 November 2014	-
9.	Dalius Svetulevičius	Director of the Gas Network Division	9 February 2015	-

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, %
Supervisory Board			
Ilona Daugėlaitė	Member of the Supervisory Board (since 29 October 2014)	-	-
Darius Kašauskas	Member of the Supervisory Board (since 29 October 2014) (Chairman of the Supervisory Board since 3 November 2014)	-	-
Petras Povilas Čėsna	Member of the Supervisory Board (since 29 October 2014)	-	-
Board of Directors			
Dr. Valery Golubev	Chairman of the Board (till 30 June 2014)	-	-
Dr. Achim Saul	Deputy Chairman of the Board (till 30 June 2014)	-	-
Uwe Fip	Member of the Board (till 30 June 2014)	-	-
Kirill Seleznev	Member of the Board (till 30 June 2014)	-	-
Valdas Lastauskas	Member of the Board (till 30 April 2014)	-	-
Dr. Dalius Misiūnas	Member of the Board (till 30 April 2014)	-	-
Ieva Lauraitytė	Member of the Board (till 29 October 2014)	-	-

Ilona Daugėlaitė	Member of the Board (till 29 October 2014)	-	-
Mindaugas Keizeris	Member of the Board (till 29 October 2014)	-	-
Liudas Liutkevičius	Chairman of the Board (till 3 November 2014)	-	-
Nemunas Biknius	Member of the Board (since 3 November 2014)	0,001	0,001
Tomas Šidlauskas	Member of the Board (till 30 January 2015)	-	-
Giedrė Glinskienė	Member of the Board (since 3 November 2014)	-	-
Valentina Birulienė	Member of the Board (since 3 November 2014)	-	-
Dalius Svetulevičius	Member of the Board (since 9 February 2015)	-	-
Audit Committee			
Juozas Kabašinskas	Independent member (till 29 October 2014)	-	-
Agnė Butkevičienė (Žičiūtė)	Member (till 29 October 2014)	0,000	0,000
Top executives			
Viktoras Valentukevičius	CEO – Chief Executive Officer of the Company (till 8 September 2014)	0,013	0,013
Mantas Mikalajūnas	Head of Strategic Development Department, acting Chief Executive Officer of AB Lietuvos Dujos (till 3 November 2014)	-	-
Liudas Liutkevičius	Chief Executive Officer of AB Lietuvos Dujos (since 4 November 2014)	-	-
Dr. Joachim Martin Hockertz	Deputy General Manager – Director for Commerce (till 31 October 2014)	-	-
Tomas Šidlauskas	Deputy General Manager – Technical Director (till 3 November 2014)	-	-
Vladimir Obukhov	Deputy General Manager – Director for Gas Purchase (till 27 June 2014)	-	-
Giedrė Glinskienė	Deputy General Manager – Chief Financial Officer (till 3 November 2014)	-	-
Nemunas Biknius	Director of the Service and Development Division (since 4 November 2014)	0,001	0,001
Valentina Birulienė	Director of the Organizational Development Division (since 4 November 2014)	-	-
Tomas Šidlauskas	Director of the Gas Network Division (till 4 November 2014)	-	-
Giedrė Glinskienė	Director of the Finance and Treasury Division (since 4 November 2014)	-	-
Dalius Svetulevičius	Director of the Gas Network Division (since 9 February 2015)	-	-

TRANSACTIONS OF ASSOCIATED PARTIES

Information is presented in the financial statements of the Company and of the Group for 2014.

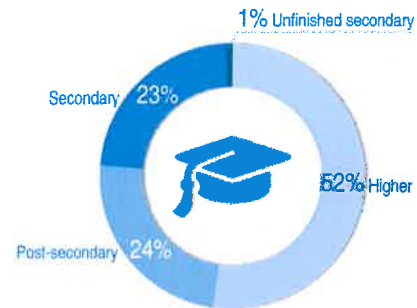
During the reporting period, the Issuer has not concluded any detrimental transactions (non-compliant with the Company's objectives, the existing normal market conditions, in breach of interests of the shareholders or other groups of persons, etc.) or transactions concluded in presence of a conflict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

HUMAN RESOURCES OF THE COMPANY

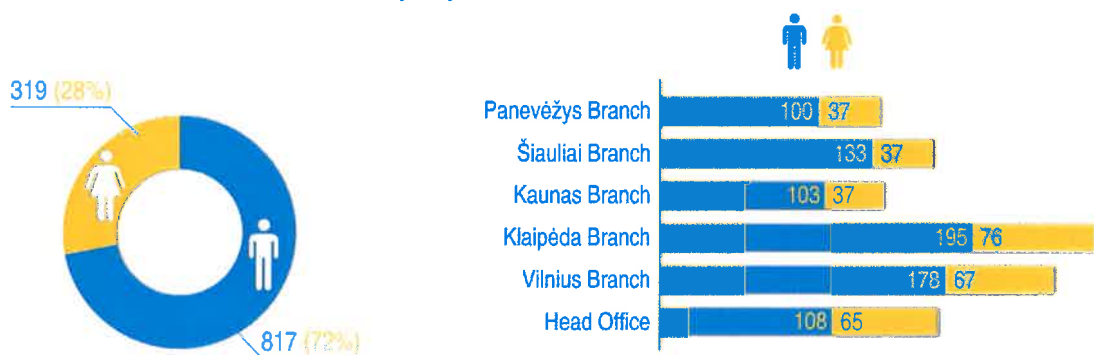
As at 31 December 2014, AB Lietuvos Dujos had 1 136 employees, i.e. 16.7 percent less than at the end of 2013, when there were 1 364 people working in the Company. This change in the number of employees was determined by the reorganization of Operational Services and Emergency Services completed in 2014 and the unbundling of the natural gas supply activity performed in the implementation of requirements of the European Union's Third Energy Package and of respective legislation of Lithuania. On 31 October 2014, 134 employees were transferred to UAB Lietuvos Dujų Tiekimas.

The majority of employees in the Company are men, which is determined by the specific activity of the gas distribution system company: the majority of employees are representatives of professions traditionally regarded as male professions; women rarely choose to do the work of metalworkers or difficult outdoor jobs.

Breakdown of the company's employees by their educational background



Number of men and women in the company



AVERAGE SALARY OF THE COMPANY'S EMPLOYEES

Employees	Number of employees as at 31 12 2014	Average monthly salary, LTL
Executives	105	8 436
Specialists	652	3 404
Workers	379	2 806
Total:	1 136	3 784

The average monthly salary of the Company's employees was LTL 3 784 in 2014.

In summer of 2014, after AB Lietuvos Dujos became a part of Lietuvos Energija UAB Group, the Company started implementing the Human Resources Management Policy effective in Lietuvos Energija UAB Group, the main principles thereof include:

- development of staff awareness by creating efficiency, result, innovation and customer-focused organizational culture;
- formation of "flat" and "lean" corporate governance models;
- retention of knowledge, promotion of employee and company trainings;
- creation of competitive and motivating incentive system.

The Company seeks to pay its employees a salary dependent on their skills and performance results. In 2014, the project for the development of a new remuneration and motivation system was started in the Company, the completion whereof is scheduled by the second quarter of 2015, upon the complete implementation of provisions of the Human Resources Management Policy of Lietuvos Energija.

ORGANIZATIONAL CULTURE, SKILLS DEVELOPMENT, TRAININGS

The Company devotes great attention to employee skills and ensurance of the quality of the services provided, thus investments are made into education and training of employees. 1 355 employees participated in trainings at least once in 2014.

Special attention was devoted to professional trainings of employees. Remote employee trainings and knowledge and skill refresher courses were held according to training programmes of the elimination of risk factors in working environment, fire protection and others in 2014. 1 277 employees participated in such trainings during 2014. 133 Company employees attended trainings for refining welding work skills held in the new welding class in the training facility set up in Panevėžys branch. Professional excellence competitions are traditionally organized each year.

During ten months of this year, 812 employees of the Company were certified in the Company's Certification Centre. In the performance of optimization in energy employee certification activities and in order to ensure independence of certification activities, operations of the Company's Certification Centre were suspended as from 3 November 2014, transferring the functions thereof - to conduct certification of employees constructing and operating energy objects and facilities - to PE Energetiku Mokymo Centras.

In 2014, the Company devoted great attention to the improvement of customer service skills of its employees. 295 employees attended customer service trainings during the year.

When it comes to managerial trainings, a special focus was placed on the development of competencies of lawyers and accounting specialists in 2014.

In order to make the Company's activities more efficient, improvement of the Company's processes was continued in 2014. Activities of Emergency Services were reorganized in 2014, by centralizing a part of functions carried out by this Service and transferring the reception of emergency calls and operational coordination of actions of Emergency Services in the performance of localization of accidents and failures to the Operational Management Department

In the 3rd quarter of 2014, the Operational Services Reform of branches was completed, centralizing a part of functions of regional divisions and reducing the number of employees in certain regional divisions. Upon the implementation of the Reform, main operational service divisions of branches were enhanced by concentrating therein competences important for the entire territory of a specific branch. Similarly, the activities of the Supply Department were reorganized by centralizing functions of divisions located in towns distant from regional centres, transferring them to regional centre divisions and optimizing the number of employees.

The Company has been devoting great attention to social and cultural life of its employees - the day of the Gasman, a professional holiday, was traditionally celebrated in 2014; also Christmas events for employees and their children were held this year. Sports events were held, the purpose whereof was to strengthen the spirit of teamwork between employees, to maintain friendly interpersonal relations, and to develop cooperation culture.

SOCIAL RESPONSIBILITY

Acting in pursuit of its strategic goals, AB Lietuvos Dujos has been implementing its social responsibility through targeted activities in four key areas: environmental protection, relations with employees and the public, and activities in the market.

ENVIRONMENTAL PROTECTION

In order to reduce the overall environmental impact of AB Lietuvos Dujos in the most efficient way, the Company is committed to focus its efforts in the areas of the greatest impact, where its actions would allow achieving best results. Based on these principles, each year the Company sets its environmental protection goals and forms tasks, which are in turn integrated into the overall objective of the Company's operations. The Company has approved its Environmental Protection Policy, whereby it undertook to:

- Efficiently and securely supply to customers natural gas - the cleanest type of fossil fuel;
- Rationally use material resources necessary for its operations, apply preventive measures for reducing the consumption thereof;

- Continuously improve the efficiency of environmental management system and apply pollution prevention actions;
- Comply with legal requirements applicable to the Company's activities and other obligations assumed by the Company (to its shareholders and associations which it belongs to);
- Reduce adverse environmental impact of the Company's activities applying economically viable measures;
- Constantly monitor, periodically analyse and evaluate the Company's performance results and environmental impact and to set environmental protection goals and form tasks based thereon;
- Regularly check the efficiency of the applied environmental protection management system, develop employee skills as well as their responsible approach to work and environmental protection;
- Cooperate and exchange information on environmental protection-related issues with business partners, state authorities and other stakeholders and institutions in order to improve the state of the environment and the quality of life.

The task of AB Lietuvos Dujos is secure and reliable distribution of natural gas, which is the least polluting type of fossil fuel used for energy, to customers.

The Company has an environmental management system implemented and accredited in accordance with the requirements of ISO 14001 Standard. Environmental supervision audit conducted in 2014 confirmed that the system is functioning properly.

The Company's aim to minimize the negative impact on the environment done by its activities is reflected in annually drawn up environmental protection goals.

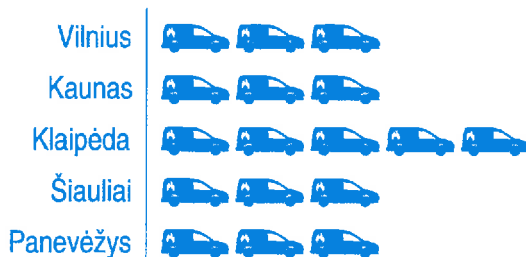
One of the main objectives of the Company in the field of control and minimization of atmospheric pollution using technical measures is the control of any possible gas leaks in the process of natural gas distribution. In order to ensure the reliability of the gas systems, the Company carries out maintenance,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

Gas emissions into the atmosphere at the fault of third persons (MCM)	
2014	2013
0.06	0.06

Due to the very nature of the natural gas operation maintenance system and because of the occupational safety system requirements for carrying out repair and maintenance works, a small proportion of gas volumes are emitted from the gas pipeline system into the atmosphere, however, these volumes are insignificant in comparison of gas volumes that can be possibly emitted into the atmosphere in case of accidents or disruptions.

Gas consumption for technological needs related to gas emissions into the atmosphere (MCM)	
2014	2013
11.9	10.8

Number of natural gas-fuelled vehicles in divisions of the Company in 2014



In 2013, there were no accidents or failures in the natural gas systems resulting in high emissions of gas into the atmosphere or major environmental damage.

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

In order to minimize adverse environmental impact, the Company has been installing technical measures for the ensurance of gas system reliability and renovating its car fleet each year. This year, the Company acquired 14 new cars using the cleanest fossil fuel - natural gas - as fuel. CO² emission of gas-fuelled 80 kW cars is 157 g/km as compared to 191 g/km of a 59 kW petrol-fuelled or 167 g/km of a 55 kW diesel-fuelled car.

CO₂ emission:



EMPLOYEES

Branches of AB Lietuvos Dujos have their trade union subunits that are united into the Lithuanian Gas Sector Employees Trade Union Association, which the Company closely cooperates with. The Company has a signed Collective Bargaining Agreement, which provides additional social security and other benefits for employees. Neither employment contracts, nor the Collective Bargaining Agreement provide for any extraordinary rights or duties for the Company's employees. The rights and duties that are provided by these documents are the ones usually applied in general practice. The continuous dialogue between the Company administration and trade union representatives ensures the social interests of the work team and the transparency and efficiency.

The Company is constantly focusing on strengthening skills of employees, especially of its managerial and technical staff, also, supervision of contractors, because smooth direct activities of the Company and security depends on the quality of work, while the made mistakes can result in damage done to the environment, people and property. Relevant seminars, professional excellence competitions, trainings, preventive material and safety days are periodically arranged for employees.

The development of environmental awareness of employees has rendered results: proper waste management, sorting, rational resource management and use, participation in environmental projects for them is a must.

MARKET

AB Lietuvos Dujos promotes ethical, transparent and honest cooperation with customers, suppliers and investors; it cooperates with partners helping to implement the principles of socially responsible business.

In 2014, AB Lietuvos Dujos approved a new Customer Service Standard applicable in all companies of Lietuvos Energija Group. This is a step taken by the Company towards the enhanced customer service quality and mutual cooperation.

The selection of business partners has been conducted following the Law on Public Procurement and Simplified Procurement Rules of the Company. Qualification of new contractors is verified in the selection procedure, regular assessment of contractors cooperating with the Company is carried out. Also, verification of qualification of suppliers is performed during the selection procedure. Compliance with legal requirements and environmental integrity are one of the most important advantages of the Company's business partners and requirements set in contracts.

A Zero-Tolerance Policy against Corruption took effect in 2014. All employees were introduced with the said policy.

SOCIETY

AB Lietuvos Dujos supports and promotes business and public cooperation based on common interests of sustainable development, seeks to ensure long-term progress of business and the society, contributes

to social development and creation of well-being of the society, accounting to the public for activities conducted thereby.

The Company's employees are involved in public activities, actively contributing to help and support for socially vulnerable groups of society.

Before St. Christmas, employees from Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys branches voluntarily raised funds, which were donated for disadvantaged and large families.

In December, the Company held a Christmas charity auction for supporting a charity diner *Betanija*. During the auction, employees purchased their hand-made or donated items and raised LTL 2 100, which they donated later on for the diner *Betanija*, visited by about 550 people living in poverty every day.

Employees of the Company have continued their annual cooperation with the day centre for the disabled PE Mažoji Guboja. During the event held in December, employees were able to purchase handicrafts made by the disabled, thus helping raise funds for the activities of the day centre.

In December of 2014, third graders from Panevėžys elementary school paid a visit to Panevėžys training facility, where they were given a tour "Where do our parents work?". Emergency service vehicles were shown to the children, also, they saw how gasmen are working, they were told about safe behaviour with gas. At the end of the tour children took part in the quiz "What did you learn about natural gas?".

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 and on the website of AB NASDAQ OMX Vilnius at www.nasdaqomxbaltic.com.

AB Lietuvos Dujos published the following material events in 2014:

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
14 02 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 performance 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
28 11 2014	Performance results of AB Lietuvos Dujos for 9 months of 2014
12 12 2014	The Board of Directors of AB Lietuvos Dujos made a decision to acquire a part of shares of UAB Technologiju ir Inovaciju Centras
15 12 2014	The Board of Directors of AB Lietuvos Dujos made a decision to acquire a part of shares of UAB Verslo Aptarnavimo Centras
31 12 2014	Regarding the decision made by the Director of the Supervision Service of the Bank of Lithuania
31 12 2014	AB Lietuvos Dujos performance results reporting dates in 2015



**INTERIM CONDENSED
FINANCIAL STATEMENTS**
for the twelve months period
ended 31 December 2014



Interim statement of financial position

	Notes	As at 31 December 2014 (pre-audited)	As at 31 December 2013 (restated*)
ASSETS			
A. Non-current assets		614,552	598,219
I. Intangible assets	7	2,150	2,540
II. Property, plant and equipment	4, 8	598,760	593,871
II.1. Land		1	1
II.2. Buildings		56,616	37,152
II.3. Structures and machinery		4,250	4,515
II.4. Distribution networks and related installations		489,878	502,979
II.5. Technological gas equipment and structures		15,921	15,573
II.6. Vehicles		10,948	10,420
II.7. Computer, connections and other equipment		3,287	3,442
II.8. Other property, plant and equipment		16,273	18,388
II.9. Construction in progress		1,586	1,401
III. Non-current financial assets		970	484
III.1. Investment into joint venture	9	424	483
III.2. Investment into other companies	10	546	-
III.3. Non-current accounts receivable		-	1
IV. Deferred income tax asset	4	12,672	1,324
B. Current assets		127,124	254,255
I. Inventories and prepayments		3,201	42,614
I.1. Inventories	11	2,659	42,042
I.1.1. Raw materials, spare parts and other inventories		1,928	1,618
I.1.2. Goods for resale (including natural gas)		731	40,424
I.2. Prepayments		542	572
II. Accounts receivable	13	37,320	140,869
II.1. Trade receivables		37,145	139,706
II.2. Other receivables		175	1,163
III. Prepaid income tax		16,954	3,732
IV. Non-current assets held for sale	12	1,452	-
V. Cash and cash equivalents		68,197	67,040
Total assets		741,676	852,474

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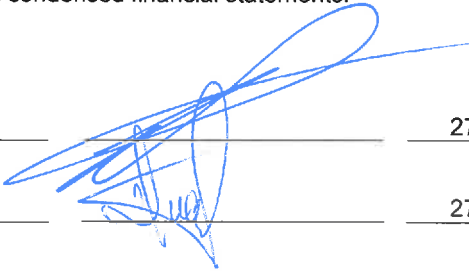
The accompanying notes are an integral part of these interim condensed financial statements.

Interim statement of financial position (cont'd)

		Notes	As at 31 December 2014 (pre-audited)	As at 31 December 2013 (restated*)
EQUITY AND LIABILITIES				
C.	Equity		571,749	531,591
I.	Share capital		290,686	290,686
II.	Reserves	4, 14	45,201	357,082
II.1.	Revaluation reserve		16,132	-
II.2.	Legal reserve		29,069	29,069
II.3.	Other reserves		-	328,013
III.	Retained earnings	4	235,862	(116,177)
D.	Liabilities		169,927	320,883
I.	Non-current liabilities		147,192	143,836
I.1.	Grants (deferred revenue)	15	141,131	135,872
I.2.	Non-current employee benefits	16	6,061	7,964
II.	Current liabilities		22,735	177,047
II.1.	Trade payables	17	4,628	136,315
II.2.	Advances received		4,558	9,012
II.3.	Payroll related liabilities		6,745	8,919
II.4.	Other payables and current liabilities	18	6,804	22,801
Total equity and liabilities			741,676	852,474

*Restatements are disclosed in Note 4.

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

Chief Executive Officer	Liudas Liutkevičius		27 February 2015
Chief Accountant	Žydrūnas Augutis		27 February 2015

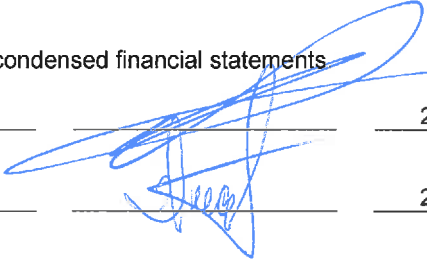
AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE TWELVE PERIOD ENDED 31 DECEMBER 2014
(all amounts are in LTL thousand unless otherwise stated)

Interim income statement*

	Notes	Three months	Three months	Twelve months	Twelve months
		period ended 31 December 2014 (pre-audited)	period ended 31 December 2013 (restated)	period ended 31 December 2014 (pre-audited)	period ended 31 December 2013 (restated*)
I. Revenue	4	66,974	47,371	192,077	165,125
I.1. Sales		65,409	46,354	188,222	161,908
I.2. Other income		1,565	1,017	3,855	3,217
II. Expenses	4	139,886	(246,062)	(172,101)	(365,716)
II.1. Cost of natural gas		(5,936)	(7,303)	(15,128)	(24,914)
II.2. Other expenses		145,822	(238,759)	(156,973)	(340,802)
III. Profit (loss) from operations		206,860	(198,691)	19,976	(200,591)
IV. Financial activity		153	23	275	(301)
IV.1. Income		155	23	337	96
IV.2. Expense		(2)	-	(62)	(397)
V. Profit (loss) before tax		207,013	(198,668)	20,251	(200,892)
VI. Income tax		(29,316)	30,217	19	34,011
VI.1. Current period income tax	19	18,846	1,357	17,895	2,133
VI.2. Deferred income tax	19	(48,162)	28,860	(17,876)	31,878
VII. Net profit (loss) from continuing operations		177,697	(168,451)	20,270	(166,881)
VIII. Net profit from discontinued operations	6	78,693	20,007	125,966	60,700
IX. Net profit (loss) total	4	256,390	(148,444)	146,236	(106,181)
Basic and diluted earnings (loss) per share (LTL)	4, 20	0.882	(0.395)	0.503	(0.282)
Basic and diluted earnings (loss) per share (LTL) from continuing operations	4, 20	0.611	(0.448)	0.070	(0.444)

*Restatements are disclosed in Note 4.

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

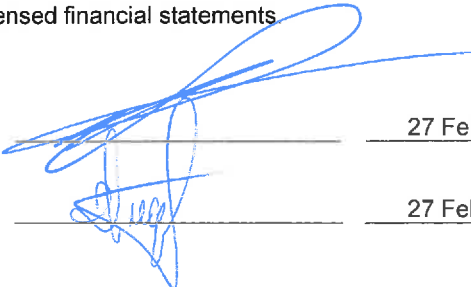

Chief Executive Officer	Liudas Liutkevičius		27 February 2015
Chief Accountant	Žydrūnas Augutis		27 February 2015

Interim statement of comprehensive income

		Three months period ended 31 December 2014 (pre-audited)	Three months period ended 31 December 2013 (pre-audited, restated*)	Twelve months period ended 31 December 2014 (pre-audited)	Twelve months period ended 31 December 2013 (restated*)	
I.	Net profit	4	256,390	(148,444)	146,236	(106,181)
II.	Other comprehensive income that will not be reclassified subsequently to profit or loss		16,967	-	16,967	-
II.1.	Revaluation effect and other income not reflected in income statement		19,961	-	19,961	-
II.2.	Deferred tax effect	19	(2,994)	-	(2,994)	-
III.	Total comprehensive income		273,357	(148,444)	163,203	(106,181)

*Restatements are disclosed in Note 4.



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

Chief Executive Officer	Liudas Liutkevičius		27 February 2015
Chief Accountant	Žydrūnas Augutis		27 February 2015

Interim statement of changes in equity

Notes	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2013	469,068	-	43,692	1,469,537	75,964	2,058,261
Transfer from other reserves	-	-	-	(160,000)	160,000	-
Transfer to legal reserve	-	-	3,215	-	(3,215)	-
Transfer to other reserves	-	-	-	15,749	(15,749)	-
Dividends declared	-	-	-	-	(217,000)	(217,000)
Total comprehensive income	-	-	-	-	(106,181)	(106,181)
<i>Net profit for the year (restated)</i>	-	-	-	-	(106,181)	(106,181)
4						
Discontinued operations	(178,382)	-	(17,838)	(997,273)	(9,996)	(1,203,489)
Balance as at 31 December 2013 (restated)	290,686	-	29,069	328,013	(116,177)	531,591
Transfer from other reserves	-	-	-	(328,013)	328,013	-
Dividends declared	-	-	-	-	(123,045)	(123,045)
21						
Total comprehensive income	-	16,132	-	-	147,071	163,203
<i>Net profit for the year</i>	-	-	-	-	146,236	146,236
<i>Other comprehensive income</i>	-	16,132	-	-	835	16,967
Balance as at 31 December 2014	290,686	16,132	29,069	-	235,862	571,749

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

Chief Executive Officer	Liudas Liutkevičius		27 February 2015
Chief Accountant	Žydrūnas Augutis		27 February 2015

Interim statement of cash flows

	Notes	Twelve months period ended 31 December 2014 (pre-audited)	Twelve months period ended 31 December 2013 (restated)
I. Cash flows from (to) operating activities			
I.1. Net profit		146,236	(106,181)
Adjustments of non-cash items and other corrections:			
I.2. Depreciation and amortisation	7, 8	28,506	86,212
I.3. (Gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal		(130)	(313)
I.4. Losses on revaluation of property, plant and equipment	8	8,423	-
I.5. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	8	14,078	200,210
I.6. Income tax expenses (benefit)		14,824	(28,343)
I.7. Interest (income)		(539)	(776)
I.8. Interest expenses		9	1,649
I.9. Loss on foreign currency exchange		-	1
I.10. (Amortisation) of the grants (deferred revenue)		(2,546)	(5,236)
I.11. Elimination of Company's share of joint venture results		59	364
I.12. Loss from sales of supply activity		196,547	-
I.13. Elimination of provisions		23,641	-
I.14. Elimination of other non-cash items*	6	(334,565)	255
		94,543	147,842
Changes in working capital:			
I.15. Decrease in inventories		5,559	11,143
I.16. Decrease in trade accounts receivable		16,568	42,611
I.17. Decrease (increase) in other accounts receivable and prepayments*		1,018	(39,859)
I.18. (Decrease) increase in trade accounts payable*		138,386	(64,486)
I.19. Increase in other accounts payable and other current liabilities		(5,233)	51,057
I.20. (Decrease) in other financial assets		-	(27,302)
I.21. Income tax (paid)		(35,906)	(5,584)
Total changes in working capital		120,392	(32,420)
Net cash flows from operating activities		214,935	115,422
Therein net cash flows from operating activities from discontinued operations		158,220	79,652
II. Cash flows from (to) investing activities			
II.1. (Acquisitions) of property, plant and equipment and intangible assets		(41,143)	(130,884)
II.2. Proceeds from sales of property, plant and equipment		1,247	505
II.3. (Acquisition) of investments in other companies		(546)	-
II.4. Cash received from investment in subsidiary		-	5,407
II.5. Receipt of non-current receivables and loans granted		1	8
II.6. Decrease in term deposits		-	102,264
II.7. Interest received		571	945
II.8. Disposal of other short-term investments		-	57,736
II.9. Cash transferred to AB Amber Grid due to unbundling of transmission activity		-	(10,860)
II.10. Cash flow due to sold activity		(51,898)	-
Net cash flows (to) from investing activities		(91,768)	25,121
Therein net cash flows from investing activities from discontinued operations		(134)	73,517

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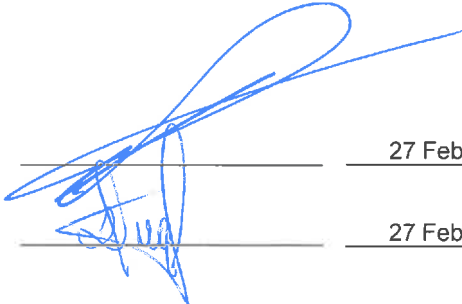
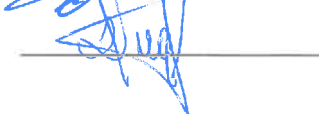
Interim statement of cash flows (cont'd)

	Notes	Twelve months period ended 31 December 2014 (pre-audited)	Twelve months period ended 31 December 2013 (restated)
III. Cash flows from (to) financing activities			
III.1. Dividends (paid)		(122,969)	(216,849)
III.2. Loans (repaid)			(1,072)
III.3. Grants received	4, 15	968	33,657
III.4. Interest (paid)		(9)	(1,656)
Net cash flows from (to) financing activities		(122,010)	(185,920)
Therein net cash flows (to) financing activities from discontinued operations		(117,645)	(187,661)
IV. Net increase (decrease) in cash and cash equivalents**		1,157	(45,377)
V. Cash and cash equivalents at the beginning of the period**		67,040	112,417
VI. Cash and cash equivalents at the end of the period**		68,197	67,040

* 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, Note 6.

**Reconciliation of the discontinued operations cash and cash equivalents balance at the beginning and the end of the period, Note 6.

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

Chief Executive Officer	Liudas Liutkevičius		27 February 2015
Chief Accountant	Žydrūnas Augutis		27 February 2015

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.

Until the 31 October 2014 the Company was engaged in distribution and supply of natural gas. The Company's natural gas supply activity (supply segment) was sold to UAB Lietuvos dujų tiekimas according to the agreement dated 15 October 2014. In these financial statements the supply activity of the Company is disclosed as discontinued operations (Note 6).

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 31 December 2014 and statements of income, statements of comprehensive income, statements of cash flows and statements of changes in equity for the twelve months period ended 31 December 2014 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 acquired 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 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.

On 15 October 2014 AB Lietuvos dujos concluded the purchase-sale agreement of the part of enterprise with UAB Lietuvos Dujų Tiekimas (controlled by Lietuvos energija, UAB) and has sold the part of enterprise, i.e. the gas supply activity with the assets, rights and obligations attributed to such activity. 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 3rd November 2014.

3 Accounting principles

The Company's interim condensed financial statements as at 31 December 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

The following new and/or amended IFRSs have been adopted by the Company as of 1 January 2014:

- IAS 27 Separate Financial Statements (Amended)
- IAS 28 Investments in Associates and Joint Ventures (Amended)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 10, IFRS 12 and IAS 27 - Investment Entities (Amended)

Whether the adoption of the standard or interpretation has an impact on the financial statements or performance of the Company, is described below:

- Amendment to IAS 27 *Separate Financial Statements* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Company presented additional disclosures in the Company's Financial Statements for the year 2014.
- Amendment to IAS 28 *Investments in Associates and Joint Ventures* - As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The Company accounts for its share in joint venture at equity method.

3 Accounting principles (cont'd)

- Amendment to IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities - This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendment will not have any effect on the financial statements of the Company, since the Company does not have settlement systems and does not perform offsetting of financial assets and liabilities.
- Amendment to IAS 36 *Impairment of Assets* - This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment did not have any impact on the financial position or performance of the Company; however it resulted in additional disclosures (Note 8).
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* - The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment did not have any impact on the financial statements of the Company since the Company does not apply hedge accounting.
- IFRS 10 *Consolidated Financial Statements* - IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. It did not have impact on the financial statements of the Company for the year 2014 since the Company did not have subsidiaries.
- IFRS 11 *Joint Arrangements* - IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The Company accounts for its share in joint venture at equity method, disclosures are provided in the Company's Financial Statements for the year 2014.
- IFRS 12 *Disclosures of Interests in Other Entities* - IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures are also required such as disclosing the judgments made to determine control over another entity. The Company accounts for its share in joint venture at equity method, disclosures are provided in the Company's Financial Statements for the year 2014.
- *Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities* - The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments will not have impact on the financial statements of the Company for the year 2014 since the Company is not an investment entity and is not planning to become one in the future.

Standards issued but not yet effective

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

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The Company is currently evaluating the impact of these amendments on the financial position and results of the Company.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Company, as the Company does not use revenue-based depreciation and amortisation methods.

3 Accounting principles (cont'd)

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

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

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Company accounts for its share in joint venture at equity method, and currently the Company does not have any subsidiaries or associates.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. The Company is currently evaluating the impact of these amendments on the financial position and results of the Company.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Company is currently evaluating the impact of these amendments on the financial position and results of the Company.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Company is not planning to acquire an interest in a joint operation that constitutes a business; therefore the amendment of this standard will not have any effect on the financial position and the results of the Company.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company is currently evaluating the impact of these amendments on the financial position and results of the Company.

Improvements to IFRSs

In December 2013 IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015):

- IFRS 1 *First-time adoption of IFRS*;
- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair value Measurement*;
- IAS 40 *Investment property*.

3 Accounting principles (cont'd)

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

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

IFRIC Interpretation 21 Levies (effective for financial years beginning on or after 17 June 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Company is currently evaluating the impact of these amendments on the financial position and results of the Company.

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

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4 Restatement of comparatives

Statement of financial position

	As at 31 December 2013 before restatement	Reclassifi- cations between asset groups*	Impairment**	As at 31 December 2013 restated
A Non-current assets	796,256	-	(198,037)	598,219
I. Intangible assets	2,540	-	-	2,540
II. Property, plant and equipment	793,232	-	(199,361)	593,871
II.1. Land	1	-	-	1
II.2. Buildings	55,401	(4,288)	(13,961)	37,152
II.3. Structures and machinery	-	4,457	58	4,515
II.4. Other buildings and structures Distribution networks and related installations	2,103	(2,103)	-	-
II.5. Technological gas equipment and structures	685,959	-	(182,980)	502,979
II.6. Machinery and equipment	-	18,051	(2,478)	15,573
II.7. Vehicles	16,117	(16,117)	-	-
II.8. Other equipment, tools and devices	10,420	-	-	10,420
II.9. Computer, connections and other equipment	19,122	(19,122)	-	-
II.10. Other property, plant and equipment	-	3,442	-	3,442
II.11. Construction in progress	2,708	15,680	-	18,388
II.12. Non-current financial assets	1,401	-	-	1,401
III. Deferred income tax asset	484	-	-	484
IV. Deferred income tax asset	-	-	1,324	1,324
B Current assets	254,255	-	-	254,255
Total assets	1,050,511	-	(198,037)	852,474
C. Equity	701,048	-	(169,457)	531,591
I. Share capital	290,686	-	-	290,686
II. Reserves	357,082	-	-	357,082
II.1. Legal reserve	29,069	-	-	29,069
II.2. Other reserves	328,013	-	-	328,013
III. Retained earnings	53,280	-	(169,457)	(116,177)
D. Liabilities	349,463	-	(28,580)	320,883
I. Non-current liabilities	172,416	-	(28,580)	143,836
I.1. Grants (deferred revenue)	135,872	-	-	135,872
I.2. Non-current employee benefits	7,964	-	-	7,964
I.3. Deferred income tax liability	28,580	-	(28,580)	-
II. Current liabilities	177,047	-	-	177,047
Total equity and liabilities	1,050,511	-	(198,037)	852,474

*Restatements between asset groups. Due to integration to Lietuvos energija, UAB group, the groups of property, plant and equipment as at 31 December 2014 were reorganized and comparative information for 31 December 2013 adjusted. New items of property, plant and equipment were included in statement of financial position: Structures and machinery, Technological gas equipment and structures, Computer, connections and other equipment. The movement of net book values between the groups is presented in the table above.

**Retrospectively accounted impairment for property, plant and equipment is disclosed in Note 4 (below the income statement).

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4 Restatement of comparatives (cont'd)

Income statement

	2013 (before restatement)	Supply activity attributed to discontinued operations *	Restated revenue items**	Restated accounting of deferred revenue **	Restated accounting of grants***	Impairment for property, plant and equipment accounted retrospectively****	2013 (restated)
Revenue	1,537,267	(1,371,234)	-	-	(908)	-	165,125
Sales	1,532,645	(1,371,234)	(1,946)	2,443	-	-	161,908
Other income	4,622	-	1,946	(2,443)	(908)	-	3,217
Expenses	(1,480,998)	1,313,735	-	-	908	(199,361)	(365,716)
Cost of natural gas	(1,310,429)	1,285,515	-	-	-	-	(24,914)
Depreciation and amortisation	(41,526)	1,158	-	-	908	-	(39,460)
Payroll and related social security tax expenses	(78,210)	11,854	-	-	-	-	(66,356)
Repair and technical maintenance expenses	(21,849)	1,377	-	-	-	-	(20,472)
Natural gas transmission service expenses	(7,318)	6,348	-	-	-	-	(970)
Taxes, other than income tax	(5,709)	143	-	-	-	-	(5,566)
Impairment of property, plant and equipment	-	-	-	-	-	(199,361)	(199,361)
Other expenses	(15,957)	7,340	-	-	-	-	(8,617)
Profit (loss) from operations	56,269	(57,499)	-	-	-	(199,361)	(200,591)
Financial activity	863	(1,164)	-	-	-	-	(301)
Income	1,457	(1,361)	-	-	-	-	96
Expense	(594)	197	-	-	-	-	(397)
Profit (loss) before tax	57,132	(58,663)	-	-	-	(199,361)	(200,892)
Income tax	(3,852)	7,959	-	-	-	29,904	34,011
Current period income tax	(7,969)	10,102	-	-	-	-	2,133
Deferred income tax	4,117	(2,143)	-	-	-	29,904	31,878
Net profit (loss) from continuing operations	53,280	(50,704)	-	-	-	(169,457)	(166,881)
Net profit from discontinued operations	9,996	50,704	-	-	-	-	60,700
Net profit (loss)	63,276	-	-	-	-	(169,457)	(106,181)
Basic and diluted earnings per share (LTL)	0.168					(0.450)	(0.282)
Basic and diluted earnings per share (LTL) from continuing operations	0.142					(0.586)	(0.444)

* The supply activity result is transferred to net profit from discontinued operations, Note 6.

** In 2014 the Company rearranged the income statement revenue items: in sales revenue accounted natural gas distribution service revenue and deferred revenue income from new user connections to natural gas system. Other income includes all other income.

In 2014 the income which is not directly bound to natural gas distribution service (the income from the services not related to the maintaining of natural gas system included) in the earlier periods attributed to sales had been restated to the other income. For comparability of information income statement revenue items of 2013 were restated.

4 Restatement of comparatives (cont'd)

*** The Company nets the amounts of grants related to assets (except for payments received from customers for the connection to the Company's gas systems) recognized as income with the respective depreciation expenses of assets financed by grants in the income statement. The 2013 income statement items were restated respectively. More information on grants (deferred revenue) is provided in Note 15.

****Retrospectively accounted impairment for property, plant and equipment.

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. As at 31 December 2013 the Company performed calculation of recoverable value at the entity level.

On the adoption of the decisions of the Company's management bodies, related to the unbundling of activities, less uncertainty remained regarding the methods and ways unbundling distribution and supply activities. Both the distribution and supply activities are considered as separate cash generating units (CGU). The Company assessed the recoverable value of both activities as at 30 June 2014 for the first time, resulting in the impairment of property, plant and equipment 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 at date of 30 June 2014. Following the same assumptions and prognosis, the Company performed retrospective estimation of recoverable value, i.e. as at 31 December 2013. Pre-tax WACC of 7,09 % was used in discounting cash flows. This resulted in an impairment loss in the amount of LTL 199 million, which the Company retrospectively recorded in the income statement for the year 2013. The Company also decreased the related deferred tax liability and reduced the carrying value of property, plant and equipment, by attributing the impairment loss to the asset groups as presented in the property, plant and equipment movement table (Note 8).

Due to revaluation result accounted for certain property, plant and equipment groups as described in Note 8 and due to impact of changes in the assumptions of property, plant and equipment impairment test on calculation of recoverable value, assessment of recoverable value as at 31 December 2014 revealed the impairment of LTL 213 million, which was reallocated and accounted for the groups of property, plant and equipment, carried at cost (Note 8).

5 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.

The Company's natural gas transmission activity (transmission segment) was unbundled from the Company as at 31 July 2013 (Note 2), and the natural gas supply activity (supply segment) was transferred on 31 October 2014 (Notes 2, 6).

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

As at 31 December 2014 the management changed the attribution of activities to segments and determined that there is one – distribution segment. As separately insignificant and related to distribution activity the other activities segment is no longer separated.

The segment information of the Company for the year 2014 and 2013 are provided below:

2014	Supply (discontinued operations)*	Distribution (continuing operations)	Total
Sales	802,440	188,222	990,662
Profit before tax	337,357	20,251	357,608
Loss from sales of discontinued operations before tax	(196,548)	-	(196,548)
Assets	311,004	741,676	1,052,680

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5 Segment information (cont'd)

2013	Transmission (discontinued operations)**	Supply (discontinued operations)**, restated	Distribution (continuing operations), restated	Total
Sales	93,146	1,371,234	161,908	1626,288
Profit before tax	7,705	58,663	(200,892)	(134,524)
Assets	1,695,850	242,534	609,940	2,548,324

* Information is provided until transfer of natural gas supply activity, i.e. 31 October 2014 (Notes 2 and 6).

**Information provided includes all discontinued operations, which were discontinued in 2013 and 2014 (i.e. natural gas transmission and supply activities) (Note 6).

All the assets of the Company are located in the territory of Lithuania where the Company is operating, except for a part of natural gas accounted for in inventories (Note 11).

In 2014 the Company earned all of its revenue from Lithuanian customers (in 2013 – 99%).

6 Discontinued operations

Implementing the regulations of the Third Energy Package of the European Union in relation to unbundling of transmission activity, the assets, rights and obligations of transmission activity, related to the unbundled part of the Company, were transferred to AB Amber Grid, the company established upon spin – off as at 31 July 2013, and the assets, rights and obligations of supply activity as at 31 October 2014, related to the unbundled part of the Company, were sold to UAB Lietuvos dujų tiekimas according to the purchase – sale agreement dated 15 October 2014. All the revenue earned and expenses incurred by supply activity during 2014 including the result of sale of supply activity and all the revenue earned and expenses incurred by transmission and supply activities in 2013 had been attributed to discontinued operations in income statement.

	2014	2013 (restated)***		
	Discontinued operations, supply	Total discontinued operations	Discontinued operations, supply	Discontinued operations, transmission
Sales	802,440	1,464,380	1,371,234	93,146
Other income	200	142	-	142
Expenses*	(466,079)	(1,397,671)	(1,313,735)	(83,936)
Profit from operations	336,561	66,851	57,499	9,352
Financial activity	796	(483)	1,164	(1,647)
Profit before tax	337,357	66,368	58,663	7,705
Income tax total	(49,364)	(5,668)	(7,959)	2,291
Current income tax	(52,987)	(10,684)	(10,102)	(582)
Deferred income tax	3,623	5,016	2,143	2,873
Loss from sales of discontinued operations before tax	(196,548)**			
Income tax	34,521	-	-	-
Current income tax	-	-	-	-
Deferred income tax	34,521	-	-	-
Profit from discontinued operations	125,966	60,700	50,704	9,996

*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.

6 Discontinued operations (cont'd)

The major part of retrospective decrease of imported natural gas price for the period ended 30 June 2014 was accounted for in the income statement by decreasing the Company's natural gas purchase expenses by LTL 320.7 million, the remaining part was recognized as income and the inventory balance of natural gas was adjusted. The effect of reduction of imported natural gas price was taxed – therefore the income tax expenses increased. Due to the reduction of imported natural gas price the Company accounted for the prepayment for natural gas suppliers, which was netted with the current natural gas supply payables, and the balance of the prepayment at the date of transfer of supply activities as at 31 October 2014 was LTL 72,961 thousand.

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 for the provision of LTL 23.9 million for the onerous contracts relating to the loss making part of existing supply agreements subject to price reduction for the year 2015.

***The result of sales of supply activity*

According to the purchase – sale agreement dated 15 October 2014 the Company sold the part of operations, i.e. the natural gas supply activity together with the assets, rights and obligations attributable to it. The price of the sold activity is LTL 60,457,000. The price corresponds to the market value determined by the independent appraisers. When determining the price of the sold activity, independent appraisers took into account the Company's obligation to allocate the part of the imported natural gas discount received from OAO Gazprom for the reduction of prices for non-household customers in future periods (total amount – LTL 281.1 million).

According to the Resolution No. 1121 adopted by the Government of the Republic of Lithuania on 20 October 2014, the gas supply company, receiving the discount for natural gas imported, has to include the price difference in the price of natural gas at least during the two following periods (decrease the price) for the non-household customers purchasing gas from the company. Although the obligation of the Company is set by the legislation, due to existing circumstances that discount provision is dependent on future supply of gas, according to IFRS, obligation (provision) cannot be accounted for. Since as at the date of the spin-off balance sheet (31 October 2014) the contracts with non-household customers for natural gas sales in 2015 and further periods were not signed, the spin-off balance sheet does not include obligation/provision related to the allocation of the effect of imported natural gas price discount for the reduction of prices for non-household customers.

Sale of supply activity resulted in accounting loss, because the above mentioned liability to allocate discount to non-household customers was not recorded, however, this future obligation was taken into account in calculating transaction price which represents legal and economical substance of the transaction, therefore in this sense the disposal of activity had been profitable.

***Revenue earned and expenses incurred by transmission activity during first seven months of 2013, until the unbundling of transmission activity, and revenues earned and expenses incurred by supply activity in 2013.

Earnings per share from discontinued operations

	2014 (pre-audited)	2013 (restated)
Net profit from discontinued operations attributable to the shareholders (in LTL thousand)	125,966	60,700
Weighted average number of shares in thousands	290,686	376,212
Basic earnings per share from discontinued operations (in LTL)	0.433	0.161

6 Discontinued operations (cont'd)

Reconciliation of cash flows from discontinued operations

	2014 (pre-audited)	2013 (restated)
Cash and cash equivalents at the beginning of the period	67,040	112,392
Net cash flows from operating activities	158,220	79,652
Net cash flows from investing activities	(134)	73,517
Net cash flows (to) financial activities	(117,645)	(187,661)
Cash transferred to AB Amber Grid due to unbundling of transmission activity	-	(10,860)
Cash and cash equivalents at the end of the period	107,481	67,040

According to IFRS 5 Non-current assets held for sale and discontinued operations, starting from the moment the transmission activity satisfied the definition (criteria) of discontinued operations till the unbundling (1 month), the calculation of depreciation and amortization of the assets attributable to transmission activity should have been ceased. IFRS 5 does not provide any exceptions, disregarding the actual use of assets. Should the Company applied the requirements of IFRS 5, it should have eliminated depreciation and amortization expenses of discontinued activity, amounting to LTL 6.2 million, increased the value of non-current assets by this amount and prolonged the useful life of the non-current assets by one month.

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

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7 Intangible assets

Movement of intangible assets for the current and prior periods:

	Patents, licenses	Software	Other intangible assets	Total
Cost:				
Balance as at 1 January 2013	4,064	4,075	625	8,764
Additions	1,594	998	-	2,592
Additions from UAB Palangos perlas	-	7	-	7
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(1,087)	(1,452)	(145)	(2,684)
Reclassifications	(938)	938	-	-
Balance as at 31 December 2013	3,633	4,416	480	8,529
Additions	239	567	11	817
Retirements	(124)	(246)	(26)	(396)
Transferred to UAB Lietuvos dujų tiekimas due to sale of activity	-	(469)	-	(469)
Balance as at 31 December 2014	3,748	4,268	465	8,481
Accumulated amortisation:				
Balance as at 1 January 2013	2,490	3,139	512	6,141
Charge for the year	684	389	74	1,147
Additions of accumulated amortization from UAB Palangos perlas	-	6	-	6
Retirements	-	(150)	-	(150)
Transferred to AB Amber Grid	(232)	(805)	(118)	(1,155)
Reclassifications	(687)	687	-	-
Balance as at 31 December 2013	2,255	3,266	468	5,989
Charge for the year	577	358	12	947
Retirement	(124)	(246)	(26)	(396)
Transferred to UAB Lietuvos dujų tiekimas due to sale of activity	-	(209)	-	(209)
Balance as at 31 December 2014	2,708	3,169	454	6,331
Net book value as at 31 December 2014	1,040	1,099	11	2,150
Net book value as at 31 December 2013	1,378	1,150	12	2,540

Part of the non-current intangible assets of the Company with the acquisition value of LTL 2,345 thousand as at 31 December 2014 (LTL 2,837 thousand of the Company as at 31 December 2013) was fully amortised, but still in use.

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8 Property, plant and equipment

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

	Land	Buildings	Structures and machinery	Transmission networks and related installations	Distribution networks and related installations	Technological gas equipment and structures	Vehicles	Computer, connections and other equipment	Other property, plant and equipment	Construction in progress	Total
Cost:											
Balance as at 1 January 2013	388	80,652	40,966	1,571,055	862,878	357,507	42,489	18,408	112,815	67,248	3,154,406
Additions	-	6	529	-	1,975	1	4,104	2,385	2,056	87,665	98,721
Additions from UAB Palangos perlas	-	3,815	50	-	-	-	92	14	215	41	4,227
Disposals and retirements	-	(114)	(93)	(508)	(646)	(542)	(1,513)	(1,124)	(729)	-	(5,269)
Transferred to AB Amber Grid	(387)	(15,311)	(31,993)	(1,572,534)	(412)	(331,173)	(16,017)	(6,741)	(46,516)	(107,486)	(2,128,570)
Reclassifications	-	366	194	1,987	34,059	2,707	-	2,242	4,512	(46,067)	-
Balance as at 31 December 2013	1	69,414	9,653	-	897,854	28,500	29,155	15,184	72,353	1,401	1,123,515
Additions	-	-	546	-	1,292	-	3,027	1,597	1,211	31,549	39,222
Disposals and retirements	-	(321)	(98)	-	(893)	(389)	(3,504)	(2,097)	(2,178)	-	(9,480)
Transferred to UAB Lietuvos dujų tiekimas due to sales of activity	-	-	-	-	-	-	(1,028)	(836)	(3)	-	(1,867)
Reclassifications	-	39	112	-	26,480	1,970	-	(257)	3,020	(31,364)	-
Increase due to revaluation	-	14,730	547	-	-	-	3,702	-	-	-	18,979
(Decrease) due to revaluation	-	(6,620)	(560)	-	-	-	(1,242)	-	-	-	(8,422)
Reclassified as held for sale	-	-	-	-	-	-	(4,894)	-	-	-	(4,894)
Balance as at 31 December 2014	1	77,242	10,200	-	924,733	30,081	25,216	13,591	74,403	1,586	1,157,053
Accumulated depreciation:											
Balance as at 1 January 2013	-	18,167	12,266	368,581	186,878	91,510	27,113	13,394	85,316	-	803,225
Charge for the year	-	2,672	2,064	28,752	25,634	11,921	4,119	1,971	7,932	-	85,065
Additions of accumulated depreciation from UAB Palangos perlas	-	623	29	-	-	-	37	9	132	-	830
Disposals and retirements	-	(34)	(84)	(507)	(588)	(364)	(1,513)	(1,123)	(726)	-	(4,939)
Transferred to AB Amber Grid	-	(3,129)	(9,077)	(396,826)	(29)	(92,618)	(11,021)	(2,509)	(38,689)	-	(553,898)
Reclassifications	-	4	-	-	-	(4)	-	-	-	-	-
Balance as at 31 December 2013	-	18,303	5,198	-	211,895	10,445	18,735	11,742	53,965	-	330,283
Charge for the year	-	2,428	870	-	13,175	1,487	3,035	1,677	5,879	-	28,551
Disposals and retirements	-	(105)	(94)	-	(430)	(150)	(3,453)	(2,096)	(2,163)	-	(8,491)
Transferred to UAB Lietuvos dujų tiekimas due to sales of activity	-	-	-	-	-	-	(607)	(568)	(2)	-	(1,177)
Reclassifications	-	-	(24)	-	-	24	-	(451)	451	-	-
Reclassified as held for sale	-	-	-	-	-	-	(3,442)	-	-	-	(3,442)
Balance as at 31 December 2014	-	20,626	5,950	-	224,640	11,806	14,268	10,304	58,130	-	345,724
Impairment:											
Balance as at 1 January 2013	-	-	-	-	-	-	-	-	-	-	-
Impairment charge for the year	-	(13,961)	58	-	(182,980)	(2,478)	-	-	-	-	(199,361)
Balance as at 31 December 2013	-	(13,961)	58	-	(182,980)	(2,478)	-	-	-	-	(199,361)
Impairment charge for the year	-	-	-	-	(13,669)	-	-	-	-	-	(13,669)
Disposals and retirements	-	(61)	1	-	397	124	-	-	-	-	461
Reclassifications	-	14,022	(59)	-	(13,963)	-	-	-	-	-	-
Balance as at 31 December 2014	-	-	-	-	(210,215)	(2,354)	-	-	-	-	(212,569)
Net book value as at 31 December 2014:	1	56,616	4,250	-	489,878	15,921	10,948	3,287	16,273	1,586	598,760
thereof:											
Cost excluding revaluation	1	69,132	10,213	-	924,733	30,081	22,756	13,591	74,403	1,586	1,146,496
Revaluation	-	8,110	(13)	-	-	-	2,460	-	-	-	10,557
Accumulated depreciation	-	(20,626)	(5,950)	-	(224,640)	(11,806)	(14,268)	(10,304)	(58,130)	-	(345,724)
Impairment	-	-	-	-	(210,215)	(2,354)	-	-	-	-	(212,569)
Net book value as at 31 December 2013:	1	37,150	4,513	-	502,979	15,577	10,420	3,442	18,388	1,401	593,871
thereof:											
Cost excluding revaluation	1	69,414	9,653	-	897,854	28,500	29,155	15,184	72,353	1,401	1,123,515
Accumulated depreciation	-	(18,303)	(5,198)	-	(211,895)	(10,445)	(18,735)	(11,742)	(53,965)	-	(330,283)
Impairment	-	(13,961)	58	-	(182,980)	(2,478)	-	-	-	-	(199,361)

A part of the property, plant and equipment of the Company with the acquisition cost of LTL 49,833 thousand were fully depreciated as at 31 December 2014 (LTL 51,606 thousand), but were still in use.

As at 31 December 2014 and 2013 the Company had no property, plant and equipment, acquired under financial lease agreements.

The Company did not have any borrowing costs related to qualifying assets in 2014 and 2013.

8 Property, plant and equipment (cont'd)

Impairment of property, plant and equipment

Due to revaluation result accounted for certain property, plant and equipment groups as described below in this Note and due to impact of changes in the assumptions of property, plant and equipment impairment test on calculation of recoverable value, assessment of recoverable value as at 31 December 2014 revealed the impairment of LTL 213 million, which was reallocated and accounted for the groups of property, plant and equipment, carried at cost.

Revaluation of property, plant and equipment as at 31 December 2014

As at 31 December 2014 the fair value of the Company's respective property, plant and equipment groups was determined in the following way:

- buildings and related structures and machinery – according to the values determined by independent appraisers UAB Korporacija Matininkai and UAB Ober-Haus nekilojamas turtas. Comparative prices method was used for the valuation;
- value of vehicles – Company's internal valuation, using average market prices announced in publication Empreikis;
- other not mentioned above asset groups – due to assets specifics and absent active market – applying replacement cost method and adjusting by the value assessed by discounted cash flow method.

Before accounting for the result of the revaluation of property, plant and equipment, the impact of impairment accounted in previous periods was eliminated. The increase in the net book value determined during the revaluation of property, plant and equipment was accounted in other comprehensive income as revaluation reserve under equity. The decrease in the net book value was accounted in the income statement. The results of increase and decrease according to the respective groups of property, plant and equipment, determined during revaluation, are provided below:

Group of property, plant and equipment	Accounted in other comprehensive income as revaluation reserve	Accounted in income statement	Total revaluation profit (loss)
Buildings	14,731	(6,621)	8,110
Structures and machinery	547	(560)	(13)
Vehicles (including non-current assets held for sale)	3,702	(1,242)	2,460
Total	18,980	(8,423)	10,557

If the respective groups of property, plant and equipment of the Company were not revaluated, their net book values as at 31 December 2014 would be as follows:

Group of property, plant and equipment	Buildings	Structures and machinery	Vehicles (including non-current assets held for sale)
Net book value as at 31 December 2014	35,154	4,315	9,940

The information on the Company's fair value of property, plant and equipment according to the levels of hierarchy as at 31 December 2014 is provided below:

Group of property, plant and equipment	Level 1	Level 2	Level 3	Total
	Quoted prices	Other directly or indirectly observable inputs	Unobservable inputs	
Buildings		56,616		56,616
Structures and machinery		2,669	1,581	4,250
Vehicles (including non-current assets held for sale)		12,400		12,400
Other property, plant and equipment			16,273	16,273
Total		71,685	17,854	89,539

The values of the Company's property, plant and equipment, determined according to directly or indirectly observable inputs are attributed to Level 2 and determined using comparative prices method. The assets valued using this method include buildings, except for power buildings, structures and machinery related to the buildings and vehicles, i.e. assets, for which sales prices were available in active market. The property, plant and equipment attributed to Level 3 was valued using replacement cost method, adjusting the price determined by value determined by discounted cash flow method or using only discounted cash flow method.

9 Investment into joint venture

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

10 Investment into other companies

On 15 December 2014 the Company signed the shares acquisition contract with UAB Technologijų ir inovacijų centras and UAB Verslo aptarnavimo centras and paid 25% of emission price: for UAB Technologijų ir inovacijų centras – LTL 510 thousand, for UAB Verslo aptarnavimo centras – 36 thousand. The part of shares signed but not fully paid by the Company comprised 9% of UAB Technologijų ir inovacijų centras shares and 7.25% of UAB Verslo aptarnavimo centras shares as at 31 December 2014.

11 Inventories

	As at 31 December 2014	As at 31 December 2013
Raw materials, spare parts and other inventories	2,161	1,657
Goods for resale (including natural gas)	731	40,424
Inventories, gross	2,892	42,081
Less: allowance for inventories	(233)	(39)
Total	2,659	42,042
Thereof attributable to continuing operations	2,659	2,515

Inventories amounting to LTL 33,625 thousand, including LTL 33,613 thousand natural gas stock stored in Inčukalns natural gas storage facility in the Republic of Latvia were transferred with the transfer of activity to UAB Lietuvos dujų tiekimas (Note 25).

The Company's cost of inventories accounted for at net realisable value amounted to LTL 1,888 thousand as at 31 December 2014 (LTL 1,191 thousand as at 31 December 2013). Changes in the allowance for inventories in 2014 and 2013 were included into other expenses.

12 Non-current assets held for sale

The Company's non-current assets held for sale comprise of vehicles with the net book value (revaluated) of LTL 1,452 thousand as at 31 December 2014. Before reclassifying the property, plant and equipment to non-current assets held for sale, the Company performed the revaluation of these assets and accounted for revaluated amount as book value. The Company's general manager approved the list of property, plant and equipment (vehicles) which are not planned to be used in the Company's activity and are planned to be sold in the first quarter of 2015 in a tender or an auction.

13 Accounts receivable

	As at 31 December 2014	As at 31 December 2013
Receivables from system users (till 2014 – receivables for natural gas, transmission and distribution of natural gas from non-household customers)	36,754	138,632
Receivables from system users (till 2014 – receivables for natural gas, transmission and distribution of natural gas from household customers)	-	9,152
Other trade receivables	622	538
Total trade accounts receivable	37,376	148,322
Other accounts receivable	181	1,188
	37,557	149,510
Less: allowance for accounts receivable	(237)	(8,641)
Total	37,320	140,869
Thereof attributable to continuing operations	37,320	9,449

13 Accounts receivable (cont'd)

Trade receivables are non-interest bearing and are generally due in 15 days.

Trade accounts receivable in the amount of LTL 85,182 thousand were transferred to UAB Lietuvos dujų tiekimas (Note 25). Other accounts receivable in the amount of LTL 3 thousand were transferred to UAB Lietuvos dujų tiekimas (Note 25).

The accounts receivable attributable to continuing operations as at 31 December 2014 increased due to sales of distribution service to system user UAB Lietuvos dujų tiekimas after the transfer of supply activity and respective accounts receivable capturing.

14 Reserves

Revaluation reserve

The revaluation reserve of the Company was formed after performing the revaluation of part of property, plant and equipment. As at 31 December 2014 it amounted to LTL 16,132 thousand.

Legal reserve

A legal reserve is a compulsory reserve under legislation of the Republic of Lithuania. Annual transfers of not less than 5 % of net profit are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2014 the legal reserve of the Company comprises of 10% of the share capital.

Profit distribution

The Company did not have a draft proposal of profit distribution for 2014 on the date of issue of these financial statements. Dividends were declared for interim results of 2014 as disclosed in Note 21.

15 Grants (deferred revenue)

	2014			2013		
	Deferred revenue	Grants	Total	Deferred revenue	Grants	Total
Balance at the beginning of the period	122,802	13,070	135,872	125,483	105,322	230,805
Received during the year	7,198	1,676	8,874	5,536	34,053	39,589
Change in grant receivable	-	-	-	-	(7,092)	(7,092)
Amortisation during the year	(2,546)	(996)	(3,542)	(2,512)	(2,672)	(5,184)
Grants used for compensation of expenses	-	(73)	(73)	-	(193)	(193)
Transferred to AB Amber Grid	-	-	-	(5,705)	(116,348)	(122,053)
Balance at the end of the period	127,454	13,677	141,131	122,802	13,070	135,872
Thereof attributable to continuing operations	127,454	13,677	141,131	122,802	13,070	135,872

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants.

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

Additional information on the changes of grants and deferred revenue accounting is presented in Note 4.

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

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16 Employee benefits

The Company's non-current employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Starting from 1 January 2013 after the amendments to IAS 19 become effective, the actuarial gains and losses are recognized in the statement of comprehensive income as other comprehensive income.

In 2014 LTL 627 thousand of non-current employee benefit obligation were transferred to UAB Lietuvos dujų tiekimas (Note 25). As at 31 December 2014 the Company's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 4,946 thousand, other non-current employee benefits resulting from bonuses for long work experience in the Company were equal to LTL 1,115 thousand. The past service cost amounting to LTL 982 thousand was accounted in other comprehensive income in 2014. As at 31 December 2013 the Company's employee benefits resulting from one-time payments to employees leaving the Company at the retirement age were equal to LTL 6,698 thousand, other non-current employee benefits resulting from bonuses for long work experience in the Company were equal to LTL 1,266 thousand. The employee benefits transferred to AB Amber Grid in 2013 amounted to LTL 1,133 thousand. As at 31 December 2013 the Company's non-current employee benefits, attributable to continuing operations, were equal to LTL 7,337 thousand.

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

	2014	2013
Discount rate	2.50 %	5.44 %
Annual employee turnover rate	3 %	2 %
Annual salary increase	2 %	2 %
Average time to retirement (years)	17	18

The Company has no plan assets designated for settlement with employee benefit obligations.

17 Trade payables

	As at 31 December 2014	As at 31 December 2013
Suppliers of natural gas	973	129,139
Other	3,655	7,176
Total trade payables	4,628	136,315
Therein trade payables from discontinued operations	4,628	7,033

Trade payables amounting to LTL 6,392 thousand were transferred to UAB Lietuvos dujų tiekimas (Note 25) upon transfer of activity. In 2014 the Company did not have significant trade payables to natural gas suppliers, due to retrospective decrease in natural gas imported prices by OAO Gazprom and prepayment accounted due to it as explained in Note 6.

18 Other payables and current liabilities

The Company's other payables and current liabilities, attributable to continuing operations, mainly consist of VAT payable, which amounted to LTL 4,552 thousand as at 31 December 2014. As at 31 December 2013 VAT payable was accounted under discontinued supply activity and amount to LTL 19,189 thousand. Other payables and current liabilities amounting to LTL 132 thousand were transferred to UAB Lietuvos dujų tiekimas (Note 25).

19 Income tax

Income tax expenses for the period include current period income tax and deferred income tax. The profit for the 2014 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 income tax expenses for the twelve months of 2014 amounted LTL 14,824 thousand, thereof income tax revenue from continuing operations LTL 19 thousand and income tax expense from discontinued operations LTL 14,843 thousand.

In the income statement for the twelve months ended 31 December 2014 the income tax revenue from continuing operations for the reportable period totalled to LTL 17,895 thousand, income tax expense from discontinued operations - LTL 52,987 thousand, thereof LTL 48,112 thousand due to retrospectively decreased price by OAO Gazprom for imported natural gas for the year 2013.

In the income statement for the twelve months ended 31 December 2014 deferred income tax expense from continuing operations amounted to LTL 17,876 thousand, deferred income tax revenue from discontinued operations amounted to LTL 38,114 thousand, thereof LTL 34,521 thousand of deferred income tax revenue was accounted for because of loss from sales of discontinued operations.

Deferred income tax expense from other comprehensive income as at 31 December 2014 amounted to LTL 2,994 thousand, thereof LTL 2,847 thousand because of the revaluation reserve accounted for.

20 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. The restatement of the income statement is presented in Note 4. Calculations of the basic earnings per share are presented below:

	2014	2013
	(pre-audited)	(restated)
Net profit (loss) attributable to the shareholders (in LTL thousand)	146,236	(106,181)
Net profit (loss) from continuing operations attributable to the shareholders (in LTL thousand)	20,270	(166,881)
Weighted average number of shares in thousands	290,686	376,212
Basic earnings (loss) per share (in LTL)	0.503	(0.282)
Basic earnings (loss) per share from continuing operations (in LTL)	0.070	(0.444)

There were no changes in the share capital of the Company during 2014, therefore the weighted average number of shares equals to the total number of shares at the end of the year. In 2013, when transmission activity was unbundled, the share capital of the Company decreased; therefore weighted average number of shares is calculated.

21 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.

22 Capital investment commitments

As at 31 December 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 5,099 thousand (as at 31 December 2013 – LTL 4,254 thousand).

23 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 Prosecution Service of the Republic of Lithuania filed the indictment to Vilnius Regional Court, according to which AB Lietuvos dujos and its former employees are accused with setting off the wrong tariffs for natural supply activity for household customers thus making assumed damage. Vilnius Regional Court started investigating this case on 13 August 2014. The general prosecutor required that the court imposes the fine in the amount of 25,000 of basic social benefit, i.e. LTL 3.250 thousand, to AB Lietuvos dujos. AB Lietuvos dujos did not agree with the accusations and demands of general prosecution. The Company expected absolution. On 27 February 2015 Vilnius Regional Court ruling absolved AB "Lietuvos dujos" of charges as the incriminated activity had not been identified. The ruling hadn't come into force yet.

24 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 31 December 2014 and 31 December 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 31 December 2014 and 31 December 2013. Transactions of the Company with Lietuvos Energija, UAB, sales-purchases are disclosed for the period 1 March 2014 – 31 December 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 31 December 2014 are not disclosed as for the end of the period above mentioned companies are not related parties of the Company.

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2014

(all amounts are in LTL thousand unless otherwise stated)

24 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 31 December 2014 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OA0 Gazprom*	219,395	(1,293)	-	-
AB Amber Grid	14,894	5,832	-	-
AS Latvijas Gaze	639	-	-	-
UAB GET Baltic	193	13	1	892
Lietuvos energija, UAB	576	104,744	22,406	73
	<u>235,697</u>	<u>109,296</u>	<u>22,407</u>	<u>965</u>

*The Company has evaluated corrections during 2014 regarding discount received from OA0 Gazprom (see Note 6).

As at 31 December 2013 (audited)	Purchases	Sales	Accounts receivable	Accounts payable
OA0 Gazprom	1,245,997	19,641	-	73,101
AB Amber Grid	14,137	5,586	1	1,523
AS Latvijas Gaze	1,561	-	-	-
UAB GET Baltic	167	14	1	56,038
	<u>1,261,862</u>	<u>25,241</u>	<u>2</u>	<u>130,662</u>

There were no receivables from related parties and payables to them, for which the guarantees would be provided for or received. As at 31 December 2014 the Company has not accounted for any allowance for receivables from related parties.

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2014

(all amounts are in LTL thousand unless otherwise stated)

25 Spin-off balance sheet

	Balance until spin-off 31 October 2014	Spin-off balance sheet 31 October 2014	
	AB Lietuvos dujos	AB Lietuvos dujos (after spin-off)	UAB Lietuvos dujų tiekimas
ASSETS			
A. Non-current assets	601,628	594,753	6,875
I. Intangible assets	2,216	1,956	260
II. Property, plant and equipment	593,082	592,392	690
II.1. Land	1	1	-
II.2. Buildings and structures	545,331	545,331	-
II.2.1. Buildings	37,724	37,724	-
II.2.2. Distribution networks and related installations	505,600	505,600	-
II.2.3. Other buildings and structures	2,007	2,007	-
II.3. Machinery and equipment	15,785	15,785	-
II.4. Vehicles	8,460	8,039	421
II.5. Other equipment, tools and devices	15,820	15,593	227
II.6. Other property, plant and equipment	2,220	2,178	42
II.7. Construction in progress	5,465	5,465	-
III. Non-current financial assets	405	405	-
III.1. Investment in joint ventures	404	404	-
III.2. Non-current accounts receivable	1	1	-
IV. Deferred income tax asset	5,925	-	5,925
B. Current assets	364,759	60,630	304,129
I. Inventories and prepayments	110,108	3,519	106,589
I.1. Inventories	36,651	3,026	33,625
I.1.1. Raw materials, spare parts and other inventories	2,237	2,225	12
I.1.2. Goods for resale (including natural gas)	34,414	801	33,613
I.2. Prepayments	73,457	493	72,964
II. Accounts receivable	95,752	5,693	90,059
II.1. Trade receivables	90,707	5,525	85,182
II.2. Other receivables	171	168	3
II.3. Receivable due to transfer of activities	4,874	-	4,874
III. Cash and cash equivalents	158,899	51,418	107,481
Total assets	966,387	655,383	311,004

25 Spin-off balance sheet (cont'd)

	Balance until spin-off 31 October 2014	Spin-off balance sheet 31 October 2014	
	AB Lietuvos dujos	AB Lietuvos dujos (after spin-off)	UAB Lietuvos dujų tiekimas
EQUITY AND LIABILITIES			
C. Equity	710,647	453,643	257,004
D. Liabilities	255,740	201,740	54,000
I. Non-current liabilities	145,861	145,234	627
I.1. Grants (deferred revenue)	137,312	137,312	-
I.2. Non-current employee benefits	7,964	7,337	627
I.3. Deferred income tax liability	585	585	-
II. Current liabilities	109,879	56,506	53,373
II.1. Trade payables	11,763	5,371	6,392
II.2. Advances received	29,504	7,651	21,853
II.3. Income tax liabilities	10,727	10,727	-
II.4. Payroll related liabilities	12,510	11,442	1,068
II.5. Provisions	23,928	-	23,928
II.6. Amount payable due to transfer of activity	4,874	4,874	-
II.7. Other payables and current liabilities	16,573	16,441	132
Total equity and liabilities	966,387	655,383	311,004

The spin-off balance sheet does not contain retrospective restatements.

26 Events after the reporting period

1 January 2015 was the day of introduction of EUR in the Republic of Lithuania, therefore as at this day the functional currency of the Company changed accordingly. The exchange rate of LTL 3.45280 for 1 EUR was irrevocably set by the Council of Europe and was applied while converting LTL to EUR.

There were no other events after the reporting period, which could materially influence the financial statements for the year ended as at 31 December 2014.