

AB LIETUVOS DUJOS
CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED 31 OCTOBER 2012
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

Statements of financial position

		Group		Company	
		As of 31 October 2012 (pre-audited)	As of 31 December 2011 (audited)	As of 31 October 2012 (pre-audited)	As of 31 December 2011 (audited)
Notes					
ASSETS					
A.	Non-current assets	2,322,759	2,318,573	2,328,582	2,320,412
I.	Intangible assets	2,335	3,390	2,334	3,382
II.	Property, plant and equipment	2,319,106	2,315,167	2,315,731	2,307,833
II.1.	Land	388	223	388	223
II.2.	Buildings and structures	1,936,960	1,985,438	1,933,804	1,978,499
II.2.1.	Buildings	82,995	88,411	79,838	81,472
II.2.2.	Transmission networks and related installations	1,166,468	1,201,402	1,166,468	1,201,402
II.2.3.	Distribution networks and related installations	664,250	671,304	664,251	671,304
II.2.4.	Other buildings and structures	23,247	24,321	23,247	24,321
II.3.	Machinery and equipment	241,223	254,843	241,223	254,843
II.4.	Vehicles	14,512	15,605	14,448	15,528
II.5.	Other equipment, tools and devices	26,291	29,546	26,177	29,294
II.6.	Other property, plant and equipment	3,313	3,659	3,313	3,659
II.7.	Construction in progress	4 96,419	25,853	96,378	25,787
III.	Non-current financial assets	1,318	16	10,517	9,197
III.1.	Investments into subsidiaries	-	-	9,181	9,181
III.2.	Investments into joint ventures	5 1,302	-	1,320	-
III.3.	Non-current accounts receivable	16	16	16	16
B.	Current assets	457,494	380,058	451,941	377,725
I.	Inventories and prepayments	81,900	78,792	81,892	78,765
I.1.	Inventories	81,190	78,516	81,190	78,504
I.1.1.	Raw materials, spare parts and other inventories	7,406	7,182	7,406	7,181
I.1.2.	Goods for resale (including natural gas)	73,784	71,334	73,784	71,323
I.2.	Prepayments	710	276	702	261
II.	Accounts receivable	138,486	173,393	138,463	173,391
II.1.	Trade receivables	7 129,157	168,847	129,153	168,848
II.2.	Other receivables	9,329	4,546	9,310	4,543
III.	Prepaid income tax	7,181	-	7,181	-
IV.	Other current assets	9 155,288	31,989	150,000	30,000
V.	Cash and cash equivalents	74,639	95,884	74,405	95,569
Total assets		2,780,253	2,698,631	2,780,523	2,698,137


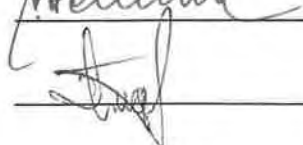
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The accompanying notes are an integral part of these financial statements.

Statements of financial position (cont'd)

		Group		Company	
		As of 31 October 2012 (pre-audited)	As of 31 December 2011 (audited)	As of 31 October 2012 (pre-audited)	As of 31 December 2011 (audited)
Notes					
EQUITY AND LIABILITIES					
C.	Equity	2,040,115	2,055,340	2,040,451	2,054,297
I.	Share capital	469,068	469,068	469,068	469,068
II.	Reserves	1,513,844	1,491,640	1,513,229	1,489,543
II.1.	Legal reserve	43,884	39,100	43,692	38,908
II.2.	Other reserves	1,469,960	1,452,540	1,469,537	1,450,635
III.	Retained earnings	57,203	94,632	58,154	95,686
D.	Liabilities	740,138	643,291	740,072	643,840
I.	Non-current liabilities	533,032	359,435	533,011	360,035
I.1.	Non-current borrowings	10 160,000	2,144	160,000	2,144
I.2.	Grants (deferred revenue)	214,096	191,053	214,096	191,053
I.3.	Non-current employee benefits	9,097	9,097	9,097	9,097
I.4.	Deferred tax liability	149,839	157,141	149,818	157,741
II.	Current liabilities	207,106	283,856	207,061	283,805
II.1.	Current portion of non-current borrowings	10 2,144	2,144	2,144	2,144
II.2.	Trade payables	11 153,032	215,569	153,030	215,562
II.3.	Prepayments received	12,471	9,445	12,470	9,445
II.4.	Income tax payable	-	2,413	-	2,413
II.5.	Payroll related liabilities	14,373	10,403	14,352	10,372
II.6.	Other payables and current liabilities	12 25,086	43,882	25,065	43,869
Total equity and liabilities		2,780,253	2,698,631	2,780,523	2,698,137

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

General Manager	Viktoras Valentukevičius		14 December 2012
Chief Accountant	Žydrūnas Augutis		14 December 2012

AB LIETUVOS DUJOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania
CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE TEN MONTHS ENDED 31 OCTOBER 2012
(all amounts are in LTL thousand unless otherwise stated)

Income statements

	Notes	Group			Company			Group			Company		
		One month period ended 31 October 2012 (pre-audited)	One month period ended 31 October 2011 (pre-audited)	One month period ended 31 October 2012 (pre-audited)	One month period ended 31 October 2011 (pre-audited)	One month period ended 31 October 2012 (pre-audited)	One month period ended 31 October 2011 (pre-audited)	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)
I.	Revenue	142,361	161,796	142,361	161,770	142,361	161,770	1,485,499	1,436,485	1,485,214	1,435,587	1,485,214	1,435,587
I.1.	Sales	141,845	161,310	141,844	161,284	141,844	161,284	1,480,166	1,431,714	1,479,886	1,430,831	1,479,886	1,430,831
I.2.	Other income	516	486	517	486	517	486	5,333	4,771	5,328	4,756	5,328	4,756
II.	Expenses	(145,680)	(162,207)	(145,642)	(162,103)	(145,642)	(162,103)	(1,433,060)	(1,326,077)	(1,431,984)	(1,325,082)	(1,431,984)	(1,325,082)
II.1.	Cost of natural gas	(120,202)	(138,976)	(120,202)	(138,976)	(120,202)	(138,976)	(1,196,446)	(1,100,573)	(1,196,446)	(1,100,573)	(1,196,446)	(1,100,573)
II.2.	Other expenses	(25,478)	(23,231)	(25,440)	(23,127)	(25,440)	(23,127)	(236,614)	(225,504)	(235,538)	(224,509)	(235,538)	(224,509)
III.	Profit from operations	(3,319)	(411)	(3,281)	(333)	(3,281)	(333)	52,439	110,408	53,230	110,505	53,230	110,505
IV.	Financial activity	83	116	88	112	88	112	1,615	1,737	1,583	1,695	1,583	1,695
IV.1.	Income	117	140	109	136	109	136	1,822	2,024	1,771	1,982	1,771	1,982
IV.2.	Expense	(34)	(24)	(21)	(24)	(21)	(24)	(207)	(287)	(188)	(287)	(188)	(287)
V.	Profit before tax	(3,236)	(295)	(3,193)	(221)	(3,193)	(221)	54,054	112,145	54,813	112,200	54,813	112,200
VI.	Income tax	1,353	(881)	1,352	(881)	1,352	(881)	2,721	(15,551)	3,341	(15,774)	3,341	(15,774)
VI.1.	Current period income tax	(414)	(1,515)	(414)	(1,515)	(414)	(1,515)	(4,583)	(21,829)	(4,583)	(21,829)	(4,583)	(21,829)
VI.2.	Deferred income tax	1,767	634	1,766	634	1,766	634	7,304	6,278	7,924	6,055	7,924	6,055
VII.	Net profit	(1,883)	(1,176)	(1,841)	(1,102)	(1,841)	(1,102)	56,775	96,594	58,154	96,426	58,154	96,426

Basic and diluted earnings per share (LTL) 13 (0.004) (0.003)

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

General Manager Viktoras Valentukevičius 14 December 2012
Chief Accountant Žydrūnas Augutis 14 December 2012

Statements of comprehensive income

	Group		Company		Group		Company	
	One month period ended 31 October 2012 (pre-audited)	One month period ended 31 October 2011 (pre-audited)	One month period ended 31 October 2012 (pre-audited)	One month period ended 31 October 2011 (pre-audited)	Ten months period ended 30 September 2012 (pre-audited)	Ten months period ended 30 September 2011 (pre-audited)	Ten months period ended 30 September 2012 (pre-audited)	Ten months period ended 30 September 2011 (pre-audited)
I. Net profit	(1,883)	(1,176)	(1,841)	(1,102)	56,775	96,594	58,154	96,426
II. Total comprehensive income	(1,883)	(1,176)	(1,841)	(1,102)	56,775	96,594	58,154	96,426

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

General Manager Viktoras Valentukevičius

14 December 2012

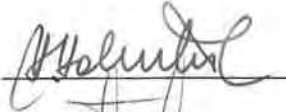

Chief Accountant Žydrūnas Augutis

14 December 2012

Statements of changes in equity

<u>Group</u>	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of						
1 January 2011 (audited)		469,068	31,114	1,421,016	158,380	2,079,578
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(205)	205	-
Dividends declared		-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	96,594	96,594
<i>Net profit for the year</i>		-	-	-	96,594	96,594
Balance as of						
31 October 2011 (pre-audited)		469,068	39,100	1,452,540	95,464	2,056,172
Balance as of						
31 December 2011 (audited)		469,068	39,100	1,452,540	94,632	2,055,340
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Transfer from other reserves to cover the losses of subsidiary		-	-	(1,482)	1,482	-
Dividends declared	14	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	56,775	56,775
<i>Net profit for the year</i>		-	-	-	56,775	56,775
Balance as of						
31 October 2012 (pre-audited)		469,068	43,884	1,469,960	57,203	2,040,115

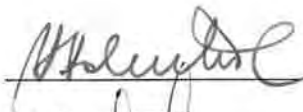

The accompanying notes are an integral part of these financial statements.

General Manager	Viktoras Valentukevičius		14 December 2012
Chief Accountant	Žydrūnas Augutis		14 December 2012

Statements of changes in equity (cont'd)

<u>Company</u>	<u>Notes</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as of 1 January 2011 (audited)		469,068	30,922	1,418,906	159,715	2,078,611
Transfer to legal reserve		-	7,986	-	(7,986)	-
Transfer to other reserves		-	-	31,729	(31,729)	-
Dividends declared		-	-	-	(120,000)	(120,000)
Total comprehensive income		-	-	-	96,426	96,426
<i>Net profit for the year</i>		-	-	-	96,426	96,426
Balance as of 31 October 2011 (pre-audited)		469,068	38,908	1,450,635	96,426	2,055,037
Balance as of 31 December 2011 (audited)		469,068	38,908	1,450,635	95,686	2,054,297
Transfer to legal reserve		-	4,784	-	(4,784)	-
Transfer to other reserves		-	-	18,902	(18,902)	-
Dividends declared	14	-	-	-	(72,000)	(72,000)
Total comprehensive income		-	-	-	58,154	58,154
<i>Net profit for the year</i>		-	-	-	58,154	58,154
Balance as of 31 October 2012 (pre-audited)		469,068	43,692	1,469,537	58,154	2,040,451

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

General Manager	Viktoras Valentukevičius		14 December 2012
Chief Accountant	Žydrūnas Augutis		14 December 2012

Statements of cash flows

	Group		Company	
	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)
I. Cash flows from (to) operating activities				
I.1. Net profit	56,775	96,594	58,154	96,426
Adjustments of non-cash items and other corrections:				
I.2. Depreciation and amortisation	95,201	93,071	95,034	92,847
I.3. Loss (gain) on property, plant and equipment, doubtful trade accounts receivable and inventories write-off and disposal	121	(164)	(181)	(149)
I.4. Impairment losses (reversal of impairment) for property, plant and equipment, financial assets, allowance for doubtful trade accounts receivable and inventories	743	247	725	247
I.5. Income tax expenses	(2,721)	15,551	(3,342)	15,774
I.6. Interest (income)	(998)	(991)	(947)	(950)
I.7. Interest expenses	185	278	185	278
I.8. Loss (gain) on foreign currency exchange	1	2	1	2
I.9. (Amortisation) of the grants (deferred revenue)	(4,657)	(3,813)	(4,657)	(3,813)
I.10. Elimination of other non-cash items	(9)	(5)	(9)	(4)
	144,641	200,770	144,963	200,658
Changes in working capital:				
I.11. Decrease (increase) in inventories	(2,671)	(27,146)	(2,682)	(27,151)
I.12. Decrease (increase) in trade accounts receivable	38,846	39,425	38,851	39,430
I.13. Decrease (increase) in other accounts receivable and prepayments	(414)	(230)	(405)	(246)
I.14. Increase (decrease) in trade accounts payable	(71,976)	(37,509)	(71,971)	(37,510)
I.15. Increase (decrease) in other accounts payable and other current liabilities	(11,562)	2,198	(11,561)	2,178
I.16. Income tax (paid)	(10,216)	(3,587)	(10,216)	(3,587)
Total changes in working capital	(57,993)	(26,849)	(57,984)	(26,886)
Net cash flows from operating activities	86,648	173,921	86,979	173,772
II. Cash flows from (to) investing activities				
II.1. (Acquisitions) of property, plant and equipment and intangible assets	(90,979)	(47,048)	(90,971)	(47,032)
II.2. Proceeds from sales of property, plant and equipment	3,842	661	337	645
II.3. (Acquisitions) of investments in joint ventures	(1,320)	-	(1,320)	-
II.4. Disposal of investment units held for trade	-	308	-	-
II.5. Decrease (increase) in term deposits	(95,562)	(360)	(92,264)	-
II.6. Interest received	1,321	832	1,270	791
II.7. Disposal (acquisitions) of other short term investments	(27,736)	(50,000)	(27,736)	(50,000)
II.8. Other increases (decreases) of cash flows from investing activities	-	(2)	-	(2)
Net cash flows (to) investing activities	(210,434)	(95,609)	(210,684)	(95,598)

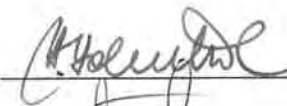

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The accompanying notes are an integral part of these financial statements.

Statements of cash flows (cont'd)

	Group		Company	
	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)	Ten months period ended 31 October 2012 (pre-audited)	Ten months period ended 31 October 2011 (pre-audited)
III. Cash flows from (to) financing activities				
III.1. Dividends (paid)	(72,075)	(119,853)	(72,075)	(119,853)
III.2. Loans received	160,000	-	160,000	-
III.3. Loans (repaid)	(2,144)	(2,144)	(2,144)	(2,144)
III.4. Grants received	16,983	5,359	16,983	5,359
III.5. Interest (paid)	(223)	(343)	(223)	(343)
Net cash flows (to) financing activities	102,541	(116,981)	102,541	(116,981)
IV. Net increase (decrease) in cash and cash equivalents	(21,245)	(38,669)	(21,164)	(38,807)
V. Cash and cash equivalents at the beginning of the period	95,884	114,536	95,569	114,383
VI. Cash and cash equivalents at the end of the period	74,639	75,867	74,405	75,576

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

General Manager	Viktoras Valentukevičius		14 December 2012
Chief Accountant	Žydrūnas Augutis		14 December 2012

Notes to the financial statements

1 General information

The preparation of the present interim financial statements are connected with the preparation of the Terms of the unbundling of AB Lietuvos Dujos. The Terms of the unbundling are prepared according to the data of the unbundling balance sheet as of 31 October 2012.

AB Lietuvos Dujos (hereinafter "the Company") and consolidated AB Lietuvos Dujos and UAB Palangos Perlas (hereinafter "the Group") condensed financial statements, including the statements of financial position as of 31 October 2012, income statements, statements of comprehensive income, statements of cash flows and statements of changes in equity for the ten months ended 31 October 2012 and 31 October 2011 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2011 are audited and prepared according to International Financial Reporting Standards (IFRS). For better understanding of the information provided in those financial statements, the consolidated and the Company's condensed financial statements must be read together with the consolidated and the Company's annual financial statements of 2011.

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

2 Other material information

On 30 June 2011, the Seimas of the Republic of Lithuania passed a new Law on Natural Gas of the Republic of Lithuania transferring the provisions of Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas (the EU Third Energy Package) to the national law. Out of three alternative models for unbundling natural gas activities provided for by the Third Energy Package, the Seimas selected the unbundling of natural gas transmission and supply activities on the basis of ownership. Together with the Law on Natural Gas, the Law on the Implementation of the Law on Natural Gas was adopted. It set forth the methods and terms for the unbundling of activities. These laws came into force on 1 August 2011.

On 28 October 2011, the Government of the Republic of Lithuania passed Resolution No. 1239 Regarding the Approval of the Plan on Performing the Unbundling of Activities and Control of Natural Gas Companies that do not Conform to the Requirements of the Law on Natural Gas of the Republic of Lithuania (amended by Resolution No. 257 of the Government of the Republic of Lithuania of 7 March 2012). In accordance with the above mentioned legal acts the Company by 31 October 2014 shall implement the unbundling of transmission activity and control and legally, functionally and organisationally unbundle its natural gas distribution activity in order to achieve compliance with Paragraph 8 of the Law on Natural Gas.

In accordance with the aforementioned legal acts and with due consideration of the Company's request, the National Control Commission for Prices and Energy (hereinafter referred to as "the NCCPE"), by its Resolution No. O3-70 of 20 March 2012, enacted that AB Lietuvos Dujos should select the method for unbundling the natural gas transmission activity and control and the method for legal, functional and organizational unbundling the natural gas distribution activity and submit to the NCCPE a comprehensive description of the methods selected together with the plan of actions to be performed by 31 May 2012.

The General Meeting of Shareholders of AB Lietuvos Dujos of 28 May 2012 adopted the following resolutions:

1. To perform the unbundling of the transmission activity of AB Lietuvos Dujos following the method provided for by Article 4 of the Law on Implementation of the Law on Natural Gas of the Republic of Lithuania and Paragraph 8 of the plan approved by the Resolution No. 1239 of the Government of the Republic of Lithuania of 28 October 2011 "On Approval of the Plan on Performing the Unbundling of Activities and Control of Natural Gas Companies that do not Conform to the Requirements of the Law on Natural Gas of the Republic of Lithuania" in accordance with the terms provided for by the legal acts by spinning off a part (i.e. the activity of natural gas transmission of the Company) from the Company which continues its activity and establishing a new company on the basis of the assets, rights and obligations attributed to the activity of natural gas transmission of the Company as provided for by Article 71 of the Law on Companies of the Republic of Lithuania.
2. To perform the unbundling of the distribution activity of AB Lietuvos Dujos by establishing a subsidiary of the Company and by transferring the natural gas distribution activity (complex of assets) to the subsidiary together with the assets, rights and obligations attributed to the activity as contribution in kind for the newly issued shares of the subsidiary in accordance with the terms provided for by the legal acts.

On 28 May 2012, the Board of Directors of AB Lietuvos Dujos approved the Description of the methods for the unbundling of the Company's gas transmission activity and control and gas distribution activity together with the unbundling action plans (hereinafter referred to as "the Description"). The Description foresees that the Company's natural gas transmission activity will be legally, functionally, and organizationally unbundled by establishing a new transmission system operator company by 31 July 2013 and that unbundling of control over the transmission activity will be implemented and the Company's natural gas distribution activity will be legally, functionally, and organizationally unbundled by establishing a distribution system operator subsidiary by 31 October 2014. In accordance with the

2 Other material information (cont'd)

requirements of legal acts of the Republic of Lithuania, the Company submitted the Description to the NCCPE within the time limits established, i.e. by 31 May 2012.

The NCCPE by its Resolution No. O3-145 of 15 June 2012 "On AB Lietuvos Dujos Transmission and Distribution Activities and Control Unbundling Action Plans" instructed the Company to proceed with the unbundling of the activities and control according to the methods and deadlines as specified in the Description submitted by the Company.

The implementation of the provisions of these laws will have a substantial effect on the activities of the Company.

On 22 October 2012, AB Lietuvos Dujos and the bank Swedbank, AB concluded a long-term credit facility agreement for the amount of up to EUR 72 million. The credit facility is intended to finance financial liabilities and operations of the AB Lietuvos Dujos natural gas transmission activity, which pursuant to legal provisions will be unbundled from AB Lietuvos Dujos through the establishment of a new Transmission System Operator company. As of 31 October 2012 the bank Swedbank, AB had already disbursed to the Company part of the aforesaid loan (as specified in Note 10).

On 6 December 2012, AB Lietuvos Dujos applied to the Directorate General for Energy of the European Commission requesting initiation of an infringement procedure regarding compliance of the Law on the Liquefied Natural Gas Terminal (hereinafter – the LLNGT) and related secondary legislation of the Republic of Lithuania with the applicable provisions of the European Union law. In the Company's opinion, a number provisions of the LLNGT *do* infringe not only on a number of provisions of the Treaty on the Functioning of the European Union, which prohibit restricting trade between the EU Member States, as well as provisions thereof on state aid to business entities, but they also infringe on the European Parliament and of the Council Regulation 715/2009 on conditions for access to the natural gas transmission networks and the Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas, prohibiting cross-subsidization between gas transmission and other activities, as well as provisions prohibiting imposition of any restrictions on non-discriminatory access to the Liquefied Natural Gas Terminal and free trading in gas.

3 Accounting principles

The Group's and the Company's condensed financial statements as of 31 October 2012 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group accounts for its interest in the joint venture using the equity method. Under the equity method, the investment is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. Impairment assessment of the investment is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

Investment in joint venture in the Company's stand-alone financial statements is carried at cost, less impairment, if any.

Other accounting principles adopted in preparing the condensed financial statements for the ten months period ended 31 October 2012 were the same as these used for preparing the financial statements for 2011 according to the IFRS, as adopted in the European Union.

4 Construction in progress

Major objects of construction in progress of the Group and the company as of 31 October 2012 were as follows:

Object	Group	Company
Construction of the Jurbarkas – Klaipėda gas transmission pipeline:	57,126	57,126
<i>Construction of gas transmission pipeline from Jurbarkas to the branch to gas distribution station (hereinafter – GDS) in Tauragė</i>	33,946	33,946
<i>Construction of gas transmission pipeline from the branch to GDS in Tauragė to the branch to GDS in Šilutė</i>	13,281	13,281
<i>Construction of gas transmission pipeline from the branch to GDS in Šilutė to the branch to GDS-2 in Klaipėda, the branch to GDS-2 in Klaipėda and GDS-2 in Klaipėda</i>	9,899	9,899
Enhancement of the safety and reliability of the natural gas distribution system of the Kaunas City and Kaunas District through the construction of the Girininkai GDS – Rokai- Garliava gas distribution pipeline	8,263	8,263
Reconstruction of GDS in Girininkai Village, Kaunas District	6,109	6,109
Installation of intelligent pig launcher and receiver chambers for the Jauniūnai - Vievis gas transmission pipeline	4,680	4,680
Other (including UAB Palangos Perlas)	20,241	20,200
Net book value as of 31 October 2012	96,419	96,378

As of 31 December 2011 the Group's and the Company's construction in progress comprised LTL 25,853 thousand and LTL 25,787 thousand respectively.

5 Investment into joint venture

On 13 September 2012, AB Lietuvos Dujos and Gasum OY established a joint venture, UAB Etrade Gas. On 20 September 2012, according to a decision of its shareholders, UAB Etrade Gas was renamed into UAB GET Baltic. On 8 November 2012, the NCCPE issued in respect of UAB GET Baltic a Market Operator's license.

Company	Address of the registered office of UAB GET Baltic	The stake held by the Group in UAB GET Baltic as of 31 October 2012	The stake held by the Group in UAB GET Baltic as of 31 December 2011	Core activity
UAB GET Baltic	Agonų g. 24, Vilnius, Lithuania	66 %	-	Licensed natural gas market operator's activities – organizing natural gas trade at the Natural Gas Exchange

In the ten months of 2012, the results of the activities of the joint venture were insignificant.

6 Segment information

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

The Group and the Company have three main operating segments: natural gas transmission, distribution and supply, as well as segment of other activity:

- Transmission of natural gas comprises the transportation of natural gas through the transmission pipelines. 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.

6 Segment information (cont'd)

The Group's segment information for the periods ended 31 October 2012 and 31 October 2011 is presented below:

Ten months period ended 31 October 2012 (pre-audited)	Transmission	Distribution	Supply	Other activity	Total
Sales	133,595	136,471	1,208,506	1,594	1,480,166
Profit before tax	15,366	12,072	26,638	(22)	54,054
Total assets	1,598,207	790,440	381,866	9,740	2,780,253
Total liabilities	390,667	199,227	150,140	104	740,138

Ten months period ended 31 October 2011 (pre-audited)	Transmission	Distribution	Supply	Other activity	Total
Sales	137,376	136,018	1,156,150	2,170	1,431,714
Profit before tax	33,072	22,386	55,806	881	112,145
Total assets	1,589,248	755,979	289,107	10,578	2,644,912
Total liabilities	219,702	181,927	187,532	(421)	588,740

In the ten months of 2012 and in the ten months of 2011 the Group and the Company earned over 98 % of its revenue from Lithuanian customers.

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

7 Trade receivables

	Group		Company	
	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
Receivables for natural gas, Transmission and distribution of natural gas from non-household customers	129,098	159,792	129,098	159,803
Receivables for natural gas, Transmission and distribution of natural gas from household customers	8,577	16,949	8,577	16,949
Other trade receivables	400	523	396	513
Less: allowance for trade receivables	(8,918)	(8,417)	(8,918)	(8,417)
	<u>129,157</u>	<u>168,847</u>	<u>129,153</u>	<u>168,848</u>

The Groups' and the Company's trade receivables for natural gas, Transmission and Distribution of natural gas from customers as of 31 October 2012 decreased significantly due to lower volumes of the natural gas consumed.

8 Income tax

Income tax rate of 15 % is used for the profit of the year 2012 and 2011.

During the ten months of 2012 the Group and the Company used the benefit of the tax incentive for the investments and reduced income tax expenses by LTL 8,932 thousand also the deferred tax asset of LTL 1,779 thousand was formed for the residual amount of the incentive for the investments (during the ten months of 2011 the Group and the Company did not apply the benefit of the incentive for the investments as the amount was insignificant).

9 Other current assets

	Group		Company	
	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
Debt securities	57,736	30,000	57,736	30,000
Short-term deposits with maturity 3-12 months	97,552	1,989	92,264	-
	<u>155,288</u>	<u>31,989</u>	<u>150,000</u>	<u>30,000</u>

As of 31 October 2012, the significant increase in the other current assets owned by the Group and the Company was due to the debt securities bought and the deposit agreements signed in 2012.

The maturity of short term investments is 3-12 months period. As of 31 October 2012 weighted average annual interest rate of the short term investments of the Group was 0.67 % (2.24 % as of 31 December 2011).

10 Borrowings

	Group		Company	
	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
Non-current borrowings				
Bank borrowings	160,000	2,144	160,000	2,144
Current borrowings				
Bank borrowings	2,144	2,144	2,144	2,144
	<u>162,144</u>	<u>4,288</u>	<u>162,144</u>	<u>4,288</u>

The terms of repayment of non-current borrowings are as follows:

	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
	Fixed rate borrowings	Fixed rate borrowings	Floating rate borrowings	Floating rate borrowings
2012 m.	-	2,144	-	-
2013 m.	2,144	2,144	-	-
2014 m.	-	-	40,000	-
2015 m.	-	-	40,000	-
2016 m.	-	-	40,000	-
2017 m.	-	-	40,000	-
	<u>2,144</u>	<u>4,288</u>	<u>160,000</u>	<u>-</u>

Actual interest rates are equal to effective interest rates. As of 31 October 2012 the weighted average annual interest rate of the Group's and the Company's borrowings outstanding was 1.55 % (5.65 % as of 31 December 2011).

Fixed exchange rate of Lietuvos bankas of LTL 3.4528 per EUR 1 is used in the calculations.

As of 31 October 2012 borrowings were denominated in the following currencies (expressed in LTL):

	Group		Company	
	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
Borrowings denominated in:				
EUR	162,144	4,288	162,144	4,288
	<u>162,144</u>	<u>4,288</u>	<u>162,144</u>	<u>4,288</u>

10 Borrowings (cont'd)

None of the Company's loans are secured by pledging assets owned by the Company or by third parties guarantees.

As of 31 October 2012 the Group and the Company had available LTL 2,900 thousand (LTL 2,900 thousand as of 31 December 2011) of unutilized credit limit facility in respect of which all conditions precedent have been met.

11 Trade payables

	Group		Company	
	31 October 2012 (pre-audited)	31 December 2011 (audited)	31 October 2012 (pre-audited)	31 December 2011 (audited)
Suppliers of natural gas	119,589	192,122	119,589	192,122
Other	33,443	23,447	33,441	23,440
	<u>153,032</u>	<u>215,569</u>	<u>153,030</u>	<u>215,562</u>

As of 31 October 2012 the Group's and the Company's trade payables to the gas suppliers significantly decreased due to the lower volumes of the import of natural gas.

As of 31 October 2012 the Group's and the Company's other trade payables increased significantly mostly due to the increase of the payables for construction works.

12 Other payables and current liabilities

Other payables and current liabilities mainly consist of VAT payable. The other payables and current liabilities of the Group and the Company decreased due to the decrease of VAT payable. VAT payable was equal to LTL 23,151 thousand as of 31 October 2012 (LTL 39,362 thousand as of 31 December 2011).

13 Earnings per share

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

	Group	
	31 October 2012 (pre-audited)	31 October 2011 (pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	56,775	96,594
Weighted average number of shares in thousand	469,068	469,068
Basic earnings per share (in LTL)	<u>0.12</u>	<u>0.21</u>

14 Dividends

During the regular general shareholders' meeting on 23 April 2012, when approving the Company's 2011 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2011 in the amount of LTL 72.0 million (LTL 0.153 per ordinary registered share with the par value of LTL 1 per share).

15 Commitments and contingencies

Legal disputes

On 25 March 2011 the Ministry of Energy of the Republic of Lithuania, which holds 17.7 percent of the Company's shares by the right of trust, applied to Vilnius Regional Court with an action for an investigation of activities of a legal person and indicated AB Lietuvos Dujos, the Company's board members delegated by OAO Gazprom and the general manager as defendants. This action requests initiation of an investigation of AB Lietuvos Dujos activities and satisfaction of the respective claims specified in the action, provided that the activities of the company AB Lietuvos Dujos and/or the above board members and/or the general manager are found inadequate. Following the investigation of the action regarding the initiation an investigation of activities of a legal person lodged by the claimant, the Ministry of Energy of the Republic of Lithuania, the Vilnius Regional Court by its ruling as of 3 September 2012 granted the claim and decided to start investigation of the AB Lietuvos Dujos activities. The Company lodged an appeal against the ruling of the Court of First Instance with the Court of Appeal of the Republic of Lithuania.

On 28 November 2011 AB Lietuvos Dujos applied to Vilnius Regional Administrative Court with a complaint and requested annulment of the Resolution of the National Control Commission for Prices and Energy No. O3-347 of 27 October 2011 Regarding Violation of Regulated Activities of AB Lietuvos Dujos, based on which AB Lietuvos Dujos was imposed a fine of LTL 350 thousand.

The abovementioned legal cases are under ruling in the first instance and / or appealing stage. The outcome of these legal cases is not known and cannot be reliably estimated.

On 28 October 2011 AB Lietuvos Dujos applied to Vilnius Regional Administrative Court with a request to partially annul the Resolution of the National Control Commission for Prices and Energy No. O3-283 of 30 September 2011 Regarding a Planned Target Inspection of AB Lietuvos Dujos, where violations of AB Lietuvos Dujos licensed activities' regulations were identified and requirements applicable for providing the data for adjusting the upper price margin of transmission and distribution for 2012, for determination of the property, plant and equipment depreciation expenses as well as for the other obligations were imposed for the Company. On 20 February 2012 Vilnius Regional Administrative Court rejected the Company's claim. The Company lodged an appeal against the ruling of the Court of First Instance with the Supreme Administrative Court of Lithuania. By the Supreme Administrative Court ruling as of 10 September 2012 the appeal was rejected and the Vilnius Regional Administrative Court ruling as of 20 February 2012 was upheld. The court ruling is final and not subject to appeal.

16 Related party transactions

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

The related parties of the Group and the Company, transaction amounts and debts as of 31 October 2012 and 31 October 2011 were as follows:

- E.ON Ruhrgas International GmbH (one of the major shareholders of the Company);
- OAO Gazprom (one of the major shareholders of the Company);
- Ministry of Energy of the Republic of Lithuania (one of the major shareholders of the Company);
- UAB Palangos Perlas (subsidiary of the Company);
- UAB GET Baltic (joint venture where the Company has an interest);
- AS Latvijas Gaze (the same shareholders);
- UAB Kaunas Heat and Power Plant (same ultimate shareholder);
- OAO Beltransgaz (same ultimate shareholder);
- Open Grid Europe GmbH, related party previous to 23 July 2012 (same ultimate shareholder).

As of 31 October 2012 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	1,198,909	28,154	2,582	119,589
OAO Beltransgaz	16	-	-	-
UAB Palangos Perlas	69	40	-	-
AS Latvijas Gaze	1,503	-	-	3
UAB Kaunas Heat and Power Plant	-	12,148	717	-
	1,200,497	40,342	3,299	119,592

16 Related party transactions (cont'd)

As of 31 October 2011 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OA0 Gazprom	1,125,786	24,131	2,491	142,025
OA0 Beltransgaz	30	-	-	-
UAB Palangos Perlas	33	44	3	1
AS Latvijas Gaze	1,600	-	-	3
UAB Kaunas Heat and Power Plant	-	13,172	785	-
Open Grid Europe GmbH	239	-	-	239
	<u>1,127,688</u>	<u>37,347</u>	<u>3,279</u>	<u>142,268</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 October 2012 the Group and the Company has not accounted for any allowance for receivables from related parties.