

AB LIETUVOS DUJOS

To: Lithuanian Securities Commission

31 08 2007

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Law on Securities of the Republic of Lithuania (article 22) and the Rules on the Preparation and Submission of Periodical and Additional Information of the Lithuanian Securities Commission, we, Viktoras Valentukevičius, General Manager and Giedrė Glinskienė, Chief Financial Officer of AB Lietuvos Dujos, hereby confirm that to the best of our knowledge, the attached AB Lietuvos Dujos Consolidated Interim Report for the First Half-Year of 2007 gives a true and fair view of the business development and activities of AB Lietuvos Dujos and the Group.

ENCLOSURE: AB Lietuvos Dujos Consolidated Interim Report for the First Half-Year of 2007 (17 pages).

General Manager



Viktoras Valentukevičius

Chief Financial Officer



Giedrė Glinskienė



CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF-YEAR OF 2007

**(prepared according to the Rules on the Preparation and Submission
of Periodical and Additional Information as adopted by the
Lithuanian Securities Commission)**

**VILNIUS
2007**

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1. Reporting period for which the report has been prepared

The first half-year of 2007.

2. Main data about the Issuer

| | |
|---|---|
| Name of the Issuer: | AB Lietuvos Dujos (hereinafter referred to as “the Company”) |
| Legal and organizational form: | joint-stock company |
| Date and place of registration: | 23 November 1990, Company Register of Vilnius Town Board |
| Date and place of re-registration: | 17 May 2000, Ministry of Economy of the Republic of Lithuania |
| Registration No.: | BĮ 2000-115 |
| Company code: | 120059523 |
| Administrator of Register of Legal Persons: | the State Enterprise Centre of Registers |
| Share capital: | LTL 469,068,254 |
| Registered office: | Aguonų str. 24, LT-03212 Vilnius, Lithuania |
| Telephone number: | +370 5 2360210 |
| Fax number: | +370 5 2360200 |
| E-mail address: | ld@lietuvosdujos.lt |
| Website: | www.dujos.lt |

3. Major developments of the reporting period

- On 18 April, a regular general meeting of shareholders of the Company took place at which the shareholders approved the proposal of the Board of Directors for the results achieved in Financial Year 2006 to pay out dividends in amount of LTL 30 million, i.e. LTL 0.06 per share.

- On 18 April, a new Board of Directors was elected.

- On 19 April, the controversial Law Amending the Law on Natural Gas came into effect establishing the general principles for the Natural Gas Sector organization and operation; regulating activities of gas companies, their interrelations as well as their relations with customers in supplying, distributing, transmitting, liquefying and storing natural gas.

- By 30 June, on schedule, it was finalized the project introducing a new household customers settlement procedure for natural gas consumed. New separate Company's payment books were issued. New gas sales-purchase agreements with customers were concluded.

All important data related to the Company's activities, information about the time, date and venue of the general meeting of shareholders as well as other notices to the shareholders and other persons are published in the Lietuvos Rytas daily newspaper. All material events of the Company are also submitted to the Lithuanian Securities Commission, AB Vilniaus Vertybinių Popierių Birža (Vilnius Stock Exchange), the news agencies BNS, ELTA and REUTERS and posted on the Company website www.dujos.lt.

4. Business environment

Licensing. The Law on Natural Gas reads that the activities of natural gas transmission, distribution and supply shall be subject to licensing. The licences are issued and the supervision of licensed activities is performed by the Lithuanian National Control Commission for Prices and Energy (hereinafter referred to as “the NCCPE”). On 18 December 2001, the Company was granted the

licences for the activities of natural gas transmission and distribution and on 16 May 2002, the Company was granted the licence for the supply of natural gas. The licences are open-ended.

Natural gas prices. The Company imports natural gas from the Russian-based OAO Gazprom. The price of natural gas depends on the price of heavy fuel oil on the international market, on the currencies exchange rate fluctuations and on the average net calorific value of gas. Due to these factors, natural gas prices are subject to monthly fluctuations. Following the amendment to the provisions of the gas sales and purchase agreement effected on 1 January 2007 the natural gas import price of Half 1 of 2007 was higher than that of 2006, but it was substantially lower than the prices at which the same gas supplier was selling gas to other EU member states

Prior to the coming into effect of the Law Amending the Law on Natural Gas, the NCCPE regulated the natural gas transmission and distribution service tariffs and the natural gas prices for the regulated customers through setting the price caps. The price caps used to be set for a three-year regulation term and adjusted on an annual basis according to the inflation, the efficiency rates set by the NCCPE, changes in the gas consumption volumes and any other factors beyond the Company's control. The natural gas price caps for the regulated customers were adjusted on a semi-annual basis in accordance with the natural gas import price fluctuations.

On 1 January 2007, adjustments were made to the natural gas price caps for the regulated non-household customers.

The Company decided from 1 January 2007 not to increase the natural gas prices for the most socially vulnerable segment of its customers, i.e. the household customers. This decision was made based on the assumption that in Half 1 of 2007 there would not be any dramatic changes in the oil and gas markets and following the successful achievement of a respective agreement with the supplier OAO Gazprom. The same natural gas prices for the household customers stay in effect also in Half 2 of 2007.

The respective agreements with the natural gas supplier enabled the Company for Half 1 of 2007 to set lower-than-projected natural gas prices for the eligible customers.

After the coming into effect of the Law Amending the Law on Natural Gas all non-household natural gas customers became eligible customers, and from 1 July 2007 all natural gas consumers became eligible customers. From 1 July 2007 all non-household customers of the Company pay for natural gas supplied to them a negotiated price which fluctuates every settlement period depending on the price of heavy fuel oil on the international market, on the currencies exchange rate fluctuations and on the average net calorific value of gas.

The Company extended for Half 2 of 2007 the validity of the natural gas transmission and distribution service tariffs effective in the preceding period. Information on the natural gas prices is available on the Company website at www.dujos.lt.

Market. In Half 1 of 2007, there were five companies importing natural gas to Lithuania: the Company, AB Achema, UAB Dujotekana, UAB Kauno Termofikacijos Elektrinė and UAB Haupas. The total volume of natural gas imported to Lithuania via the network of the Company in Half 1 of 2007 made up 1.9 billion m³.

In Half 1 of 2007, there were eight companies supplying natural gas to customers of Lithuania: the Company (to the eligible and the regulated customers), AB Achema (for own needs and to its group companies), UAB Dujotekana (to the eligible customers), UAB Kauno Termofikacijos Elektrinė (for own needs), UAB Haupas (to the eligible customers), AB Jonišchio Energija (to the regulated customers), AB Agrofirma Josvainiai (to the regulated customers) and UAB Druskininkų Dujos (to the regulated customers).

5. Main risk factors and unexpected events related to the Issuer's activities

Main risk factors related to the Issuer's activities:

- Changes in the legal regulation of the Company's activities.
- Competition with other companies: (heat, power, etc.) operating in the Energy Sector as well as with other gas companies.
- Competition with alternative fuels (heavy fuel oil, ore-emulsion, bio fuel, etc. as well as consumption of power energy).
- Competition in the Heating Sector with the district heating utilities.
- Technical-technological risk factors.
- Foreign currency risk: from the beginning of 2006, the price of natural gas imported by the Company depends on the fluctuations of the heavy fuel oil prices and foreign currencies exchange rates on respective markets.
- Interest rate risk: part of the borrowings of the Company (6.9%) are borrowings with variable interest rates related to VILIBOR.

6. Litigation and arbitration

Information on litigation and arbitration is presented in AB Lietuvos Dujos Consolidated and the Parent Company's Condensed Financial Statements for the Six Months ended 30 June 2007.

7. Financial performance

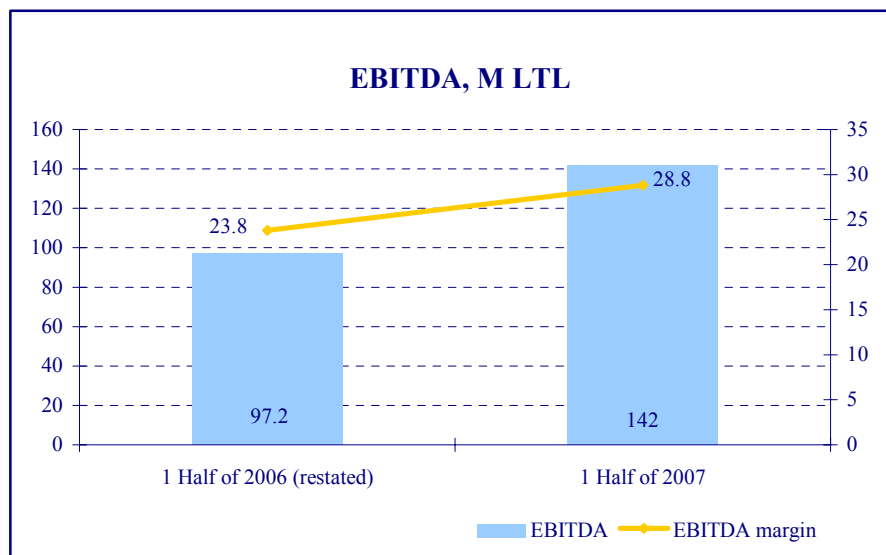
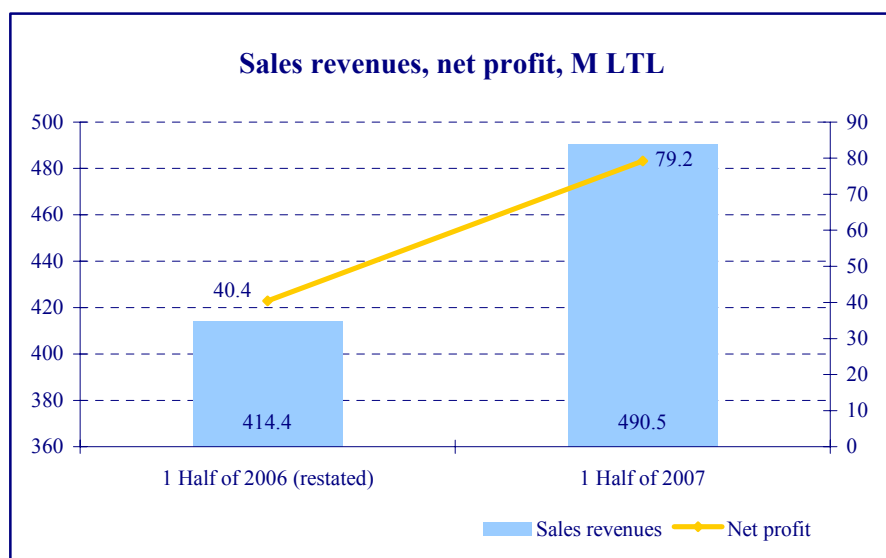
Group's key financial indicators

| | 30 June 2007 | 30 June 2006 | 31 Dec 2006 |
|--|--------------|--------------|-------------|
| Financial results | | | |
| Sales, M LTL | 490.5 | 414.4 | 779.6 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA), M LTL | 142.0 | 97.2 | 167.7 |
| Profit before taxes, M LTL | 94.8 | 48.9 | 71.7 |
| Net profit, M LTL | 79.2 | 40.4 | 57.3 |
| Investments, M LTL | 36.1 | 46.7 | 122.8 |
| Assets at the end of period, M LTL | 2,355.9 | 2,232.7 | 2,303.1 |
| Equity at the end of period, M LTL | 1,905.0 | 1,838.9 | 1,855.8 |
| Profitability ratios | | | |
| EBITDA margin, % | 28.8 | 23.3 | 21.2 |
| Profit before tax margin, % | 19.2 | 11.7 | 9.1 |
| Net profit margin, % | 16.1 | 9.7 | 7.3 |
| Average return-on-assets ratio (ROA), % | 3.4 | 1.8 | 2.5 |
| Average return-on-equity ratio (ROE), % | 4.2 | 2.2 | 3.1 |
| Leverage | | | |
| Debt to equity ratio, % | 23.7 | 21.4 | 24.1 |
| Debt ratio, % | 19.1 | 17.6 | 19.4 |
| Market ratios | | | |
| Price-earnings ratio (P/E) | 20.94 | 40.00 | 31.75 |
| Basic earnings per share, LTL | 0.17 | 0.09 | 0.12 |
| Dividends per share for the current year, LTL | – | – | 0.06 |

The Company prepared Consolidated Financial Statements for the Six Months ended 30 June 2007, where the financial results of its subsidiary UAB Palangos Perlas were also reflected. The overview of the financial results of AB Lietuvos Dujos Group (hereinafter "the Group") is presented below.

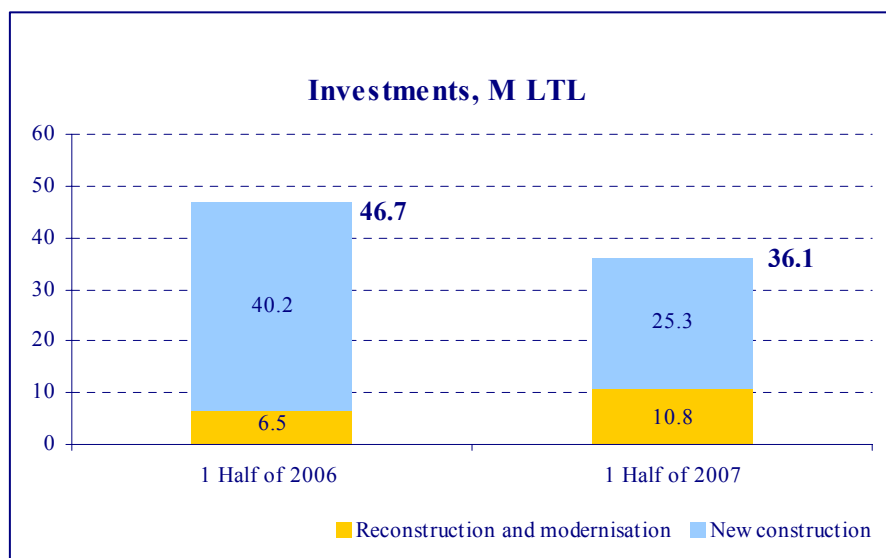
In Half 1 of 2007, the sales of the Group stood at LTL 490.5 million, an increase of 18.4% y/y (LTL 414.4 million). The major share of sales (99.4%) is represented by the revenue from gas transmission, distribution and supply to the eligible and regulated customers. The increase in sales was brought about by the increase in the natural gas sales prices which was caused by the higher natural gas import price. The rise in the natural gas import price was determined by the growth of prices of alternative fuels on the global markets.

The comparative financial data for Half 1 of 2006 presented herein have been adjusted. For detailed comments regarding the adjustment see AB Lietuvos Dujos Consolidated and the Parent Company's Condensed Financial Statements for the Six Months ended 30 June 2007.



Investments. In Half 1 of 2007, the Group invested LTL 36.1 million in the development of gas systems as well as reconstruction and modernization of its non-current assets (in Half 1 of 2006: LTL 46.7 million).

Investments in the construction of new gas systems totalled LTL 25.3 million (in Half 1 of 2006: LTL 40.2 million). Investments in the reconstruction and modernisation of the non-current assets amounted to LTL 10.8 million (in Half 1 of 2006: LTL 6.5 million).



For more information on the financial results of the Group see AB Lietuvos Dujos Consolidated and the Parent Company's Condensed Financial Statements for the Six Months ended 30 June 2007.

8. Business plans and projections

The priorities of the Company's business activities are focused on a continuous expansion of the natural gas market, a sustainable development of the natural gas infrastructure, a stable and safe supply of gas to customers, strengthening of customer and public relations, an efficient management of the Company, a rational use of resources and ensuring the professional performance and the quality of work carried out.

It is projected that in 2007, compared to 2006, the natural gas volumes transmitted to customers of Lithuania via the transmission system of the Company will increase by 19%, whereas the natural gas volume sales to customers are projected to remain at the same level as in 2006. In 2007, the Company plans to connect to the natural gas grid approximately 7 thousand new customers. It is planned that in 2007, residents of Kulautuva, Kaunas District, will start using natural gas.

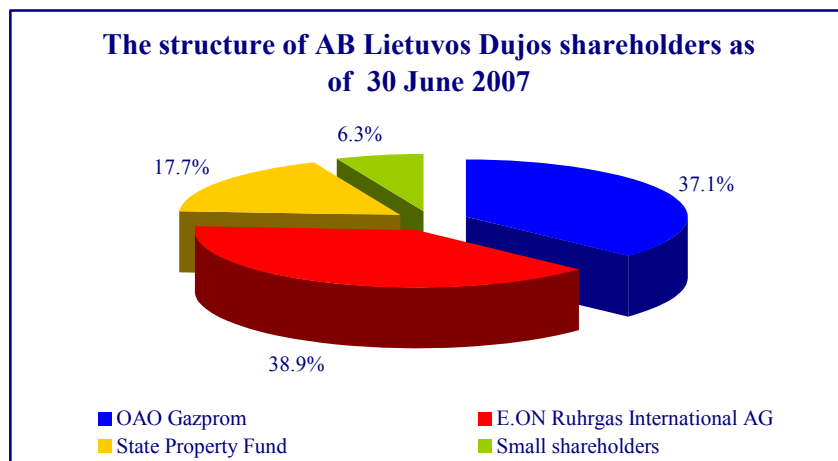
Every year the Company invests significant amounts in the construction of new systems for the connection of new customers and in the technological renovation of the gas pipeline system. In 2007, it is planned to invest a total amount of LTL 132 million (in 2006: LTL 122.8 million).

Following the coming into effect of the Law Amending the Law on Natural Gas, essential changes took place in the conditions of the connection of new territories to the natural gas grid. Since the Secondary Legislation, regulating in detail the connection of new territories to the natural gas grid, has not been drawn up as yet, the previously announced Company's plans regarding the introduction of natural gas to Kalvarijos may be either adjusted or postponed indefinitely. The case of the connection to the natural gas grid of Jurbarkas is currently in litigation. The connection of the settlements located in the vicinity of the projected Šakiai–Klaipėda gas pipeline route (Tauragė, Šilutė, Šilalė, Pagėgiai and Priekulė) may be postponed, too.

9. Management of the Company

The Company is a vertically integrated enterprise. The Company acts pursuant to the Company Law of the Republic of Lithuania, the Law on Securities of the Republic of Lithuania, the Bylaws of the Company as well as other legal acts of the Republic of Lithuania.

The authorized capital of AB Lietuvos Dujos amounts to LTL 469,068,254 and is divided into 469,068,254 fully paid ordinary registered shares with par value of LTL 1 (one) each. In Half 1 of 2007, the value of the authorised capital and the structure of shareholders did not change.



As of 30 June 2007, the total number of shareholders stood at 1,889.

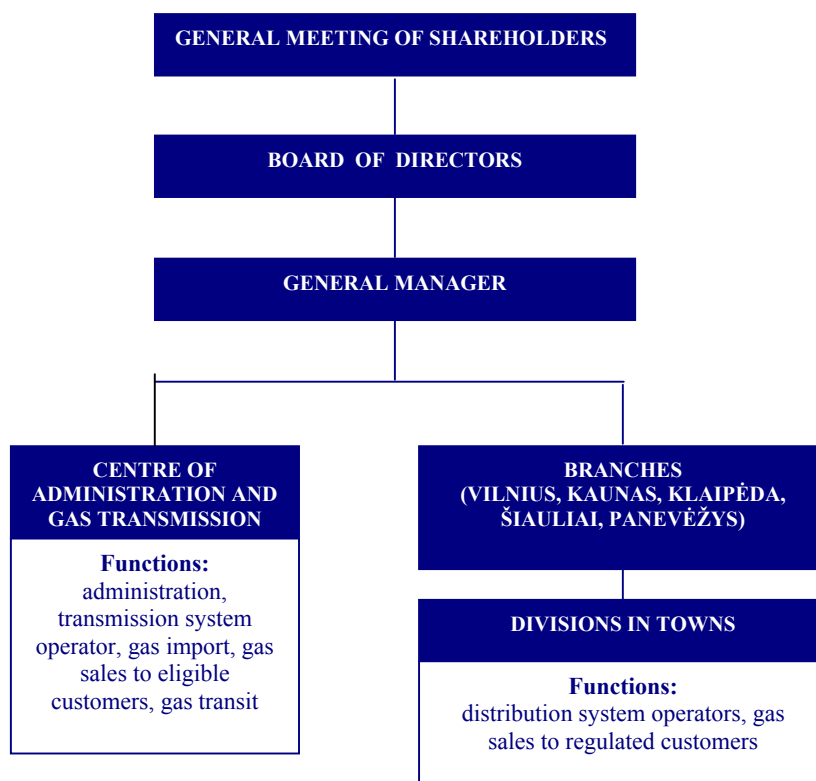
The shareholders of the Company E.ON Ruhrgas International AG, OAO Gazprom and the state enterprise State Property Fund have a controlling interest and have a casting vote when taking decisions at the general meeting of shareholders. The aforesaid major shareholders have concluded a shareholders' agreement setting out the shareholders' common aims related to the Company's activities. The agreement is confidential.

The Company's shareholders E.ON Ruhrgas International, OAO Gazprom and the state enterprise State Property Fund are not subject to any securities disposal restrictions except the ones provided for in the shares purchase-sale (privatization) agreements.

As far as the Company knows, there exist no shareholders arrangements that might serve as grounds for the securities disposal restrictions and/or voting right restrictions except the arrangements made in the shares purchase-sale (privatization) agreements and the shareholders' agreement.

There exists one important arrangement in which the Issuer is involved as a party and that would be changed or discontinued should there occur a change in the Issuer's control. The agreement is confidential.

Organisational management structure



The Company has five natural gas distribution and supply branches in different regions of Lithuania: Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys that have their respective local divisions in smaller towns.

The Bylaws of the Company provide for a possibility of amending them by a decision of a general meeting of shareholders taken by a majority vote that shall be not less than 2/3 of all the votes carried by the shares held by the shareholders attending the general meeting of shareholders.

The Company's Bylaws registered with the Register of Legal Entities on 18 May 2006 provide for the following managing bodies of the Company:

- The Board of Directors,
- The Chief Executive Officer – General Manager.

According to the Bylaws, the Company's Board of Directors consists of 5 (five) members elected for the period of three years under the provisions of the Company Law of the Republic of Lithuania. Members of the Board of Directors elect the Chairman of the Board of Directors. The Chairman of the Board of Directors and his or her Deputy are elected for the period of two years. Members of the Board of Directors may be re-elected for another term.

Composition of the Board of Directors from 29 April 2005 to 18 April 2007:

| No. | Full name | Position title | Start and end of term |
|---|---------------------------|---|----------------------------------|
| Members of the Board of Directors: | | | |
| 1. | Alexander Ryazanov | Chairman of the Board of Directors | 28 April 2004 – 18 April 2007 |
| 2. | Dr. Eike Benke | Deputy Chairman of the Board of Directors | 28 April 2004 – 18 April 2007 |
| 3. | Vladas Kazimieras Gagilas | Member of the Board of Directors | 28 April 2004 – 18 April 2007 |
| 4. | Stephan Kamphues | “ | 29 April 2005 – 18 April 2007 |
| 5. | Kirill Seleznev | “ | 28 April 2004 – 18 April 2007 |

Composition of the Board of Directors from 18 April 2007:

| No. | Full name | Position title | Start and end of term |
|---|---------------------------|---|----------------------------------|
| Members of the Board of Directors: | | | |
| 1. | Stephan Kamphues | Chairman of the Board of Directors | 18 April 2007 – 18 April 2010 |
| 2. | Dr. Valery Golubev | Deputy Chairman of the Board of Directors | 18 April 2007 – 18 April 2010 |
| 3. | Dr. Eike Benke | Member of the Board of Directors | 18 April 2007 – 18 April 2010 |
| 4. | Vladas Kazimieras Gagilas | “ | 18 April 2007 – 18 April 2010 |
| 5. | Kirill Seleznev | “ | 18 April 2007 – 18 April 2010 |

No tantiemes were disbursed to the members of the Board of Directors in Half 1 of 2007. Other payouts to the members of the Board of Directors totaled LTL 106.9 thousand, i.e. LTL 21.4 thousand per member of the Board of Directors on average.

Information on the start and end of the term of Administration Members

| No. | Full name | Position title | Start and end of term |
|-----------------------|--------------------------|---|--|
| Administration | | | |
| 1. | Viktoras Valentukevičius | General Manager | 29 April 2004 – 19 April 2007 19 April 2007 – 18 April 2010 |
| 2. | Joachim Hockertz | Deputy General Manager – Director of Commerce | From 1 July 2002 |
| 3. | Jonas Janulionis | Deputy General Manager – Technical Director | From 13 September 2002 |

| | | | |
|----|-------------------|--|--|
| 4. | Vladimir Obukhov | Deputy General Manager – Director for Gas Purchase | From 3 May 2004 |
| 5. | Giedrė Glinskienė | Chief Financial Officer | 29 April 2004 – 19 April 2007 19 April 2007 – 18 April 2010 |

In Half 1 of 2007, payments related to employment relations and payments from the profit to the members of the Administration of the Company totaled LTL 1.11 million, i.e. LTL 222.0 thousand per employee on average.

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

| Full name | Position title | Participation in the Issuer's capital | |
|--|--|---|---------------------|
| | | Share of the authorized capital held, % | Share of portion, % |
| Board of Directors (as of 30 June 2007) | | | |
| Stephan Kamphues | Chairman of the Board of Directors | - | - |
| Dr. Valery Golubev | Deputy Chairman of the Board of Directors | - | - |
| Dr. Eike Benke | Member of the Board of Directors | - | - |
| Vladas Kazimieras Gagilas | “ | - | - |
| Kirill Seleznev | “ | - | - |
| Administration (as of 30 June 2007) | | | |
| Viktoras Valentukevičius | CEO - General Manager | 0.00005 | 0.00005 |
| Joachim Hockertz | Deputy General Manager – Director of Commerce | - | - |
| Jonas Janulionis | Deputy General Manager – Technical Director | 0.00115 | 0.00115 |
| Vladimir Obukhov | Deputy General Manager – Director for Gas Purchase | - | - |
| Giedrė Glinskienė | Chief Financial Officer | - | - |

10. Subsidiary

As of 30 June 2007, the Company had one subsidiary, UAB Palangos Perlas.

Main data about UAB Palangos Perlas

| | |
|---------------------------------|---|
| Date and place of registration: | 19 January 1998, Klaipėda Branch of the State Enterprise Center of Registers |
| Company code: | 152681177 |
| Registered office: | Gintaro str. 36, LT-00133 Palanga, Lithuania |
| Telephone number: | +370 460 52441 |
| E-mail address: | zydrojiliepsna@is.lt |

100% of UAB Palangos Perlas shares are held by AB Lietuvos Dujos. The authorized capital of UAB Palangos Perlas is divided into 9,703,763 ordinary registered shares with par value of LTL 1 (one) each. This subsidiary owns the Žydroji Liepsna hotel in Palanga, the rest house Vilnis in Pervalka and the resort complex Žydroji Liepsna in Šventoji. The main areas of the company activities are associated with hotel and other board and lodging services as well as with the organization of seminars and conferences. The company employs 30 persons.

In Half 1 of 2007, UAB Palangos Perlas incurred a loss of LTL 36 thousand (In Half 1 of 2006: a loss of LTL 46 thousand).

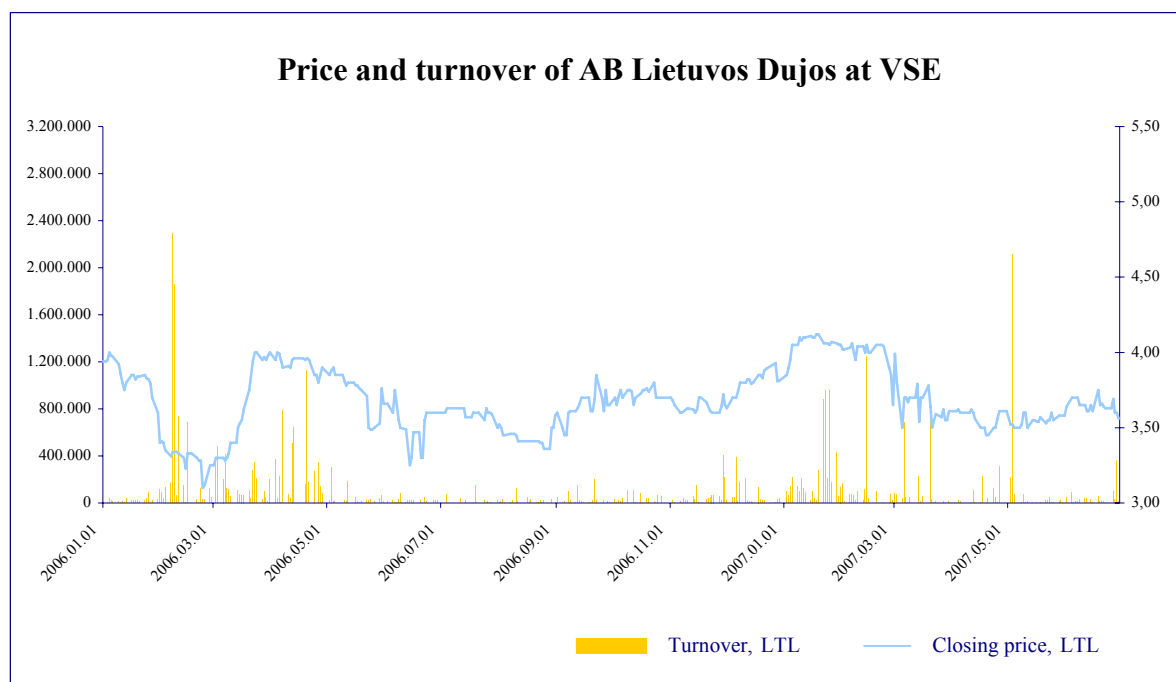
11. Data about trading in the Issuer's securities on the regulated markets

The Company's shares are traded and quoted on the Secondary List of AB Vilniaus Vertybinių Popierių Birža (hereinafter "Vilnius Stock Exchange" or "VSE") which belongs to the largest stock exchange operator in Northern Europe OMX.

As of 30 June 2007, on the VSE Secondary List, there were 469,068,254 ordinary registered shares of the Company with par value of LTL 1 (one) each (ISIN code LT0000116220); the total par value of the shares amounted to LTL 469,068,254.

As of 30 June 2007, the capitalization of the Company's ordinary registered shares amounted to LTL 1,669.9 million. In Half 1 of 2007, the total turnover trade in the Company's stocks at the VSE stood at LTL 14.1 million, and 3,700,346 units of the shares were traded based on transactions concluded.

| Share price dynamics in Half 1 of 2007 at VSE | |
|---|----------|
| Price per share as of 31 December 2006 | LTL 3.81 |
| Highest price per share in Half 1 of 2007 | LTL 4.12 |
| Lowest price per share in Half 1 of 2007 | LTL 3.45 |
| Price per share as of 30 June 2007 | LTL 3.56 |



The Company has not acquired its own shares and in Half 1 of 2007 did not conclude any transactions associated with the acquisition or disposal of its own shares.

Starting from 2002, each year the Company has been appropriating part of its profit to the payout of dividends. For the results achieved in the Financial Year 2006, dividends in amount of LTL 30 million were paid out.

12. Agreements with intermediaries of public trading in securities

On 26 November 2003, the Company signed an agreement with the financial brokerage company AB Finasta (address of the registered office: Konstitucijos ave. 23, Vilnius, Company code 122570630, License No. A087) regarding the provision of services whereby the Company assigned the financial brokerage company AB Finasta accounting of securities issued by it as well as administration of personal securities accounts.

13. Core activities of the Company

The Company is engaged in the following business activities:

- Natural gas transmission;
- Natural gas distribution;
- Natural gas supply to the eligible and the regulated customers;
- Provision of services related to the use of natural gas.

Transmission of natural gas means transportation of gas to customers via gas transmission pipelines. The transmission system consists of gas transmission pipelines, gas metering and distribution stations, equipment protecting gas pipelines against corrosion as well as the data transmission and telecommunication systems. The Company is the operator of the natural gas transmission system of Lithuania responsible for the safe operation of the system and its development.

In Half 1 of 2007, via the transmission system, 1,865.7 M m³ of natural gas were transmitted (a rise of 12.6% y/y), of which 1,148.4 M m³ were transmitted by the Company to consumers who purchase gas not from the Company, but from other suppliers.

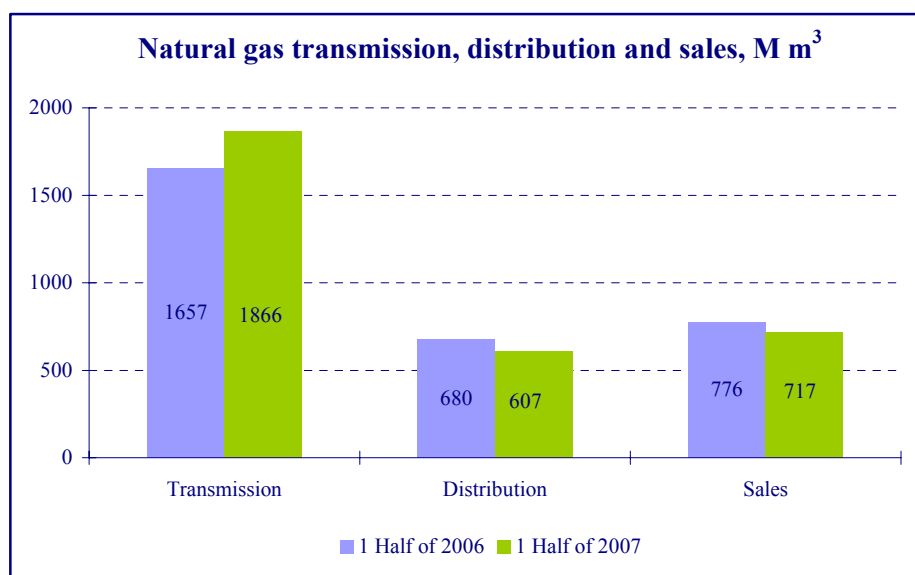
In Half 1 of 2007, natural gas transmission on transit to the Kaliningrad Region of the Russian Federation stood at 628.1 M m³ (a rise of 0.9% y/y).

Distribution of natural gas means transportation of gas via the distribution network for the purpose of delivering gas to customers. The distribution system is comprised of gas pipelines and their facilities, gas regulation equipment, measuring and metering equipment, equipment protecting gas pipelines against the corrosion as well as the systems of telemetry and telecommunications. The Company is the operator of the distribution system within the territory specified in the license.

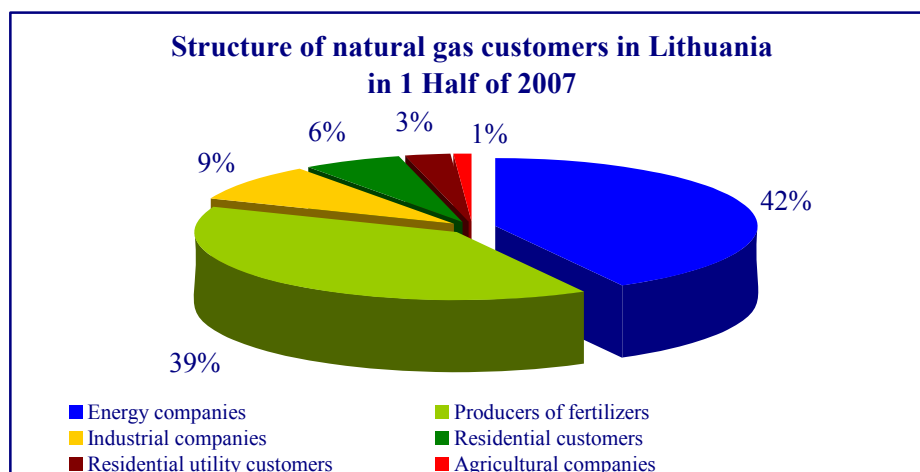
In Half 1 of 2007, the Company distributed 607.1 M m³ of natural gas (a drop of 10.7 % y/y).

Supply of natural gas means delivery and/or sales of gas to consumers. In Half 1 of 2007, the Company purchased natural gas from one supplier, OAO Gazprom. Within the framework of the implementation of the National Energy Strategy and seeking to secure safe and uninterrupted natural gas supplies to gas consumers, the Company keeps a certain volume of natural gas in the Incukalns Underground Gas Storage Facility (the Republic of Latvia).

The Company supplied to customers 717.3 M m³ of natural gas, of which to the eligible customers 378.6 M m³ and to the regulated ones 338.7 M m³. In comparison with Half 1 of 2006, the gas volume sales decreased by 7.6 %.



As of 30 June 2007, the Company sells natural gas to 540.7 thousand customers in the energy, industry, small and medium business and household sectors.



Besides the Company, in Half 1 of 2007, natural gas was sold to customers by UAB Dujotekana. Two eligible gas consumers, AB Achema and UAB Kauno Termofikacijos Elektrinė, purchased natural gas directly from OAO Gazprom under long-term agreements.

14. Personnel

Average number of Group's employees on the roll

| Year | Average number of employees on the roll | Change compared to previous year |
|----------------|---|----------------------------------|
| 2006 | 1,827 | -8.0%* |
| Half 1 of 2007 | 1,822 | -0.3%** |

*compared to 2005

**compared to 2006

Breakdown of Group's employees by educational background

| Average number of employees in | Of this total, educational background: | | | |
|--------------------------------|--|---------|-----------|----------------------|
| | University | College | Secondary | Unfinished secondary |
| 2006 | | | | |
| 1,827 | 657 | 488 | 627 | 55 |
| 100% | 36.0% | 26.7% | 34.3% | 3.0% |
| Average number of employees in | Of this total, educational background: | | | |
| | University | College | Secondary | Unfinished secondary |
| Half 1 of 2007 | | | | |
| 1,822 | 672 | 470 | 625 | 55 |
| 100% | 36.9% | 25.8% | 34.3% | 3.0% |

Average monthly salary by employee groups (Group's), in LTL

| Employees | Average number of employees on the roll in 2006 | Average monthly salary, LTL |
|--------------------------------|---|-----------------------------|
| Managing staff and specialists | 1,036 | 2,700 |
| Workers | 791 | 1,670 |
| Total: | 1,827 | 2,252 |
| Employees | Average number of employees on the roll in Half 1 of 2007 | Average monthly salary, LTL |
| Managing staff and specialists | 1,065 | 2,899 |
| Workers | 757 | 1,885 |
| Total: | 1,822 | 2,477 |

On 6 December 2006 a new Collective Bargaining Agreement of the Company was concluded for the term until 20 May 2010.

Neither the labour contracts, nor the Collective Bargaining Agreement provide for any extraordinary Issuer's employees rights or duties. The rights and duties usually applied in general practice have been established.

15. Membership in associated structures

The Company is a member of the following organizations:

- The Lithuanian Gas Association. Website: www.dua.lt.
- The association of companies of European countries operating transmission pipelines "Gas Infrastructure Europe (GIE)". Website: www.gie.waxinteractive3.com.
- The association of transmission pipeline companies of the Baltic Sea Region "Baltic Gas". Website: www.balticgas.org.
- The Chamber of Commerce of Germany and the Baltic countries ("AHK") in Estonia, Latvia and Lithuania. Website: www.ahk-balt.org.
- The association of the largest and most active investors in the economy of Lithuania "Investors' Forum". Website: www.investorsforum.lt.

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

The member of the associations GIE, "Baltic Gas" and The Chamber of Commerce of Germany and the Baltic countries ("AHK") E.ON Ruhrgas International AG and the member of the association "Baltic Gas" OAO Gazprom each holds over 5 percent of shares of the Company.

16. Transactions of associated parties

Information is presented in the AB Lietuvos Dujos Consolidated and the Parent Company's Condensed Financial Statements for the Six Months ended 30 June 2007.

17. Information on the observance of the Code of Governance

The Company basically continues observing the provisions of the Code of Governance which was adopted by the Board of Directors on 5 April 2005.

AB LIETUVOS DUJOS

To: Lithuanian Securities Commission

31 08 2007

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Viktoras Valentukevičius, General Manager and Giedrė Glinskienė, Chief Financial Officer of AB Lietuvos dujos, hereby confirm that to the best of our knowledge, the attached AB Lietuvos dujos Consolidated and Parent Company's Condensed Financial Statements for the Six Months Ended 30 June 2007 Prepared According to International Financial Reporting Standards as Adopted by European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of AB Lietuvos dujos and the Group.

ENCLOSURE: AB Lietuvos dujos Consolidated and Parent Company's Condensed Financial Statements for the Six Months Ended 30 June 2007 Prepared According to International Financial Reporting Standards as Adopted by European Union (14 pages).

General Manager



Viktoras Valentukevičius

Chief Financial Officer



Giedrė Glinskienė

AB LIETUVOS DUJOS

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU**

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets

| Notes | Group | | Company | | |
|---------------|--|--|--|--|------------------|
| | As of 30 June 2007 (pre-audited) | As of 31 December 2006 (audited) | As of 30 June 2007 (pre-audited) | As of 31 December 2006 (audited) | |
| ASSETS | | | | | |
| A | Non-current assets | | | | |
| I. | Intangible assets | 2.306 | 2.845 | 2.300 | 2.844 |
| II. | Non-current tangible assets | 2.185.151 | 2.195.389 | 2.178.176 | 2.188.332 |
| II.1. | Land | 164 | 103 | 164 | 103 |
| II.2. | Buildings and structures | 2.025.124 | 2.047.655 | 2.018.574 | 2.041.035 |
| II.2.1. | Buildings | 81.432 | 82.213 | 74.882 | 75.593 |
| II.2.2. | Transmission networks and related installations | 1.310.001 | 1.332.781 | 1.310.001 | 1.332.781 |
| II.2.3. | Distribution networks and related installations | 625.069 | 623.673 | 625.069 | 623.673 |
| II.2.4. | Other buildings and structures | 8.622 | 8.988 | 8.622 | 8.988 |
| II.3. | Machinery and equipment | 74.611 | 78.976 | 74.611 | 78.976 |
| II.4. | Vehicles | 8.728 | 9.916 | 8.687 | 9.865 |
| II.5. | Other equipment, tools and devices | 29.554 | 32.024 | 29.220 | 31.688 |
| II.6. | Construction in progress | 43.194 | 23.269 | 43.144 | 23.219 |
| II.7. | Other non-current tangible assets | 3.776 | 3.446 | 3.776 | 3.446 |
| III. | Non-current financial assets | 81 | 86 | 10.818 | 10.823 |
| III.1. | Investments | - | - | 10.737 | 10.737 |
| III.2. | Non-current accounts receivable | 81 | 81 | 81 | 81 |
| III.3. | Other financial assets | - | 5 | - | 5 |
| IV. | Deferred tax assets | 494 | 500 | - | - |
| B | Current assets | | | | |
| I. | Inventories and prepayments | 59.744 | 25.416 | 59.721 | 25.391 |
| I.1. | Inventories | 58.668 | 25.257 | 58.652 | 25.237 |
| I.1.1. | Raw materials, spare parts and other inventories | 3.216 | 2.938 | 3.215 | 2.937 |
| I.1.2. | Goods for resale (including natural gas) | 55.452 | 22.319 | 55.437 | 22.300 |
| I.2. | Prepayments | 1.076 | 159 | 1.069 | 154 |
| II. | Accounts receivable | 27.829 | 51.608 | 27.748 | 51.502 |
| II.1. | Trade receivables | 26.514 | 50.966 | 26.473 | 50.954 |
| II.2. | Other receivables | 1.315 | 642 | 1.275 | 548 |
| III. | Other current assets | 38.283 | 3.686 | 34.591 | - |
| IV. | Cash and cash equivalents | 42.052 | 23.559 | 41.641 | 23.124 |
| | Total assets | 2.355.940 | 2.303.089 | 2.354.995 | 2.302.016 |

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Balance sheets (cont'd)

| | Notes | Group | | Company | |
|---|-------|--|--|--|--|
| | | As of 30 June 2007 (pre-audited) | As of 31 December 2006 (audited) | As of 30 June 2007 (pre-audited) | As of 31 December 2006 (audited) |
| EQUITY AND LIABILITIES | | | | | |
| C. Equity | | 1.904.975 | 1.855.809 | 1.904.261 | 1.855.059 |
| I. Share capital | | 469.068 | 469.068 | 469.068 | 469.068 |
| II. Reserves | | 1.357.880 | 1.328.557 | 1.355.991 | 1.326.851 |
| II.1. Legal reserve | | 17.962 | 14.996 | 17.795 | 14.838 |
| II.2. Other reserves | | 1.339.918 | 1.313.561 | 1.338.196 | 1.312.013 |
| III. Retained earnings (loss) | | 78.027 | 58.184 | 79.202 | 59.140 |
| D. Liabilities | | 450.965 | 447.280 | 450.734 | 446.957 |
| I. Non-current liabilities | | 327.478 | 327.927 | 327.393 | 327.841 |
| I.1. Non-current borrowings | 7 | 14.727 | 21.559 | 14.727 | 21.559 |
| I.2. Grants (deferred revenue) | 6 | 116.819 | 111.101 | 116.819 | 111.101 |
| I.3. Deferred taxes | | 195.932 | 195.267 | 195.847 | 195.181 |
| II. Current liabilities | | 123.487 | 119.353 | 123.341 | 119.116 |
| II.1. Current portion of non-current borrowings | 7 | 13.664 | 14.570 | 13.664 | 14.570 |
| II.2. Trade payables | | 51.353 | 59.079 | 51.322 | 58.901 |
| II.3. Prepayments received | | 21.407 | 16.381 | 21.396 | 16.381 |
| II.4. Income tax payable | | 20.011 | 10.527 | 20.006 | 10.523 |
| II.5. Payroll related liabilities | | 7.138 | 4.656 | 7.054 | 4.603 |
| II.6. Other current liabilities | | 9.914 | 14.140 | 9.899 | 14.138 |
| Total equity and liabilities | | 2.355.940 | 2.303.089 | 2.354.995 | 2.302.016 |

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

General Manager

V. Valentukevičius

Chief Accountant

Ž. Augutis

AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007
(all amounts are in LTL thousand unless otherwise stated)

Income statements

| | Notes | Group | | Company | | Group | | Company | |
|--------------|--|--|--|--|--|---|---|---|---|
| | | 3 months period ended 30 June 2007 (pre-audited) | 3 months period ended 30 June 2006 (pre-audited) Restated | 3 months period ended 30 June 2007 (pre-audited) | 3 months period ended 30 June 2006 (pre-audited) Restated | 6 months period ended 30 June 2007 (pre-audited) | 6 months period ended 30 June 2006 (pre-audited) Restated | 6 months period ended 30 June 2007 (pre-audited) | 6 months period ended 30 June 2006 (pre-audited) Restated |
| I. | Sales | 162.020 | 133.168 | 161.689 | 132.906 | 490.468 | 414.413 | 489.986 | 413.999 |
| II. | Cost of sales | 97.534 | 82.105 | 98.767 | 82.056 | 287.456 | 264.837 | 287.352 | 264.739 |
| III. | Gross profit (loss) | 64.486 | 51.063 | 62.922 | 50.850 | 203.012 | 149.576 | 202.634 | 149.260 |
| IV. | Operating expenses | 59.147 | 54.066 | 57.606 | 53.843 | 110.607 | 104.786 | 110.125 | 104.359 |
| V. | Profit (loss) from operations | 5.339 | (3.003) | 5.316 | (2.993) | 92.405 | 44.790 | 92.509 | 44.901 |
| VI. | Other operating activities | 1.293 | 1.291 | 1.293 | 1.291 | 2.733 | 3.273 | 2.733 | 3.273 |
| VI.1. | Income | 1.301 | 1.311 | 1.301 | 1.311 | 2.761 | 3.307 | 2.761 | 3.307 |
| VI.2. | Expenses | 8 | 20 | 8 | 20 | 28 | 34 | 28 | 34 |
| VII. | Financial and investing activities | 690 | 802 | 654 | 2.768 | (343) | 862 | (416) | 2.792 |
| VII.1. | Income | 1.059 | 469 | 1.022 | 2.435 | 1.365 | 1.466 | 1.292 | 3.396 |
| VII.2. | Expenses | 369 | (333) | 368 | (333) | 1.708 | 604 | 1.708 | 604 |
| VIII. | Profit (loss) before tax | 7.322 | (910) | 7.263 | 1.066 | 94.795 | 48.925 | 94.826 | 50.966 |
| IX. | Income tax | 417 | (1.644) | 415 | (1.646) | 15.629 | 8.529 | 15.624 | 8.524 |
| IX.1. | Current period income tax | 2.816 | 1.192 | 2.816 | 1.192 | 14.958 | 14.695 | 14.958 | 14.695 |
| IX.2. | Deferred income tax | (2.399) | (2.836) | (2.401) | (2.838) | 671 | (6.166) | 666 | (6.171) |
| X. | Net profit (loss) | 6.905 | 734 | 6.848 | 2.712 | 79.166 | 40.396 | 79.202 | 42.442 |
| | Basic and diluted earnings (loss) per share (LTL) | 0.01 | 0 | 0.01 | 0.01 | 0.17 | 0.09 | 0.17 | 0.09 |

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

General Manager

Chief accountant

V. Valentukevičius

Ž. Augutis

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Statements of changes in equity

Group

| | Notes | Share capital | Legal reserve | Corporate business development reserve | Reserve for securing social guarantees provided for in the Collective agreement, for support and for other purposes | Retained earnings (deficit) | Total |
|---|-------|----------------|---------------|--|---|-----------------------------|------------------|
| Balance as of 1 January 2006 (restated) | | 469.068 | 12.528 | 72.149 | 3.500 | 1.271.240 | 1.828.485 |
| Transfer to legal reserve | | - | 2.468 | - | - | (2.468) | - |
| Transfer from reserve for securing social guarantees provided for in the Collective agreement, for support and for other purposes | | - | - | - | (3.500) | 3.500 | - |
| Transfers to corporate business development reserve | | - | - | 1.241.412 | - | (1.241.412) | - |
| Dividends declared | | - | - | - | - | (30.000) | (30.000) |
| Net profit (loss) for the reporting period | | - | - | - | - | 40.396 | 40.396 |
| Balance as of 30 June 2006 (restated) | | 469.068 | 14.996 | 1.313.561 | - | 41.257 | 1.838.882 |
| Net profit (loss) for the reporting period | | - | - | - | - | 16.927 | 16.927 |
| Balance as of 31 December 2006 (audited) | | 469.068 | 14.996 | 1.313.561 | - | 58.184 | 1.855.809 |
| Transfer to legal reserve | | - | 2.966 | - | - | (2.966) | - |
| Transfers to corporate business development reserve | | - | - | 26.357 | - | (26.357) | - |
| Dividends declared | | - | - | - | - | (30.000) | (30.000) |
| Net profit (loss) for the reporting period | | - | - | - | - | 79.166 | 79.166 |
| Balance as of 30 June 2007 (pre-audited) | | 469.068 | 17.962 | 1.339.918 | - | 78.027 | 1.904.975 |

The accompanying notes are an integral part of these financial statements

General Manager

V. Valentukevičius

Chief Accountant

Ž. Augutis

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Statements of changes in equity (cont'd)

Company

| | Notes | Share capital | Legal reserve | Corporate business development reserve | Reserve for securing social guarantees provided for in the Collective agreement, for support and for other purposes | Retained earnings (deficit) | Total |
|---|-------|----------------|---------------|--|---|-----------------------------|------------------|
| Balance as of 1 January 2006 (restated) | | 469.068 | 12.528 | 72.146 | 3.500 | 1.268.677 | 1.825.919 |
| Transfer to legal reserve | | - | 2.310 | - | - | (2.310) | - |
| Transfer from reserve for securing social guarantees provided for in the Collective agreement, for support and for other purposes | | - | - | - | (3.500) | 3.500 | - |
| Transfers to corporate business development reserve | | - | - | 1.239.867 | - | (1.239.867) | - |
| Dividends declared | | - | - | - | - | (30.000) | (30.000) |
| Net profit (loss) for the reporting period | | - | - | - | - | 42.442 | 42.442 |
| Balance as of 30 June 2006 (restated) | | 469.068 | 14.838 | 1.312.013 | - | 42.442 | 1.838.361 |
| Net profit (loss) for the reporting period | | - | - | - | - | 16.698 | 16.698 |
| Balance as of 31 December 2006 (audited) | | 469.068 | 14.838 | 1.312.013 | - | 59.140 | 1.855.059 |
| Transfer to legal reserve | | - | 2.957 | - | - | (2.957) | - |
| Transfers to corporate business development reserve | | - | - | 26.183 | - | (26.183) | - |
| Dividends declared | | - | - | - | - | (30.000) | (30.000) |
| Net profit (loss) for the reporting period | | - | - | - | - | 79.202 | 79.202 |
| Balance as of 30 June 2007 (pre-audited) | | 469.068 | 17.795 | 1.338.196 | - | 79.202 | 1.904.261 |

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

General Manager

V. Valentukevičius

Chief Accountant

Ž. Augutis

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Cash flows statements

| Notes | Group | | Company | |
|--|--|--|---|--|
| | 6 months period ended 30 June2007 (pre-audited) | 6 months period ended 30 June2006 (pre-audited) Restated | 6 months period ended 30 June 2007 (pre-audited) | 6 months period ended 30 June2006 (pre-audited) Restated |
| I. Cash flows from (to) operating activities | | | | |
| I.1. | 79.166 | 40.396 | 79.202 | 42.442 |
| Adjustment of non-cash items: | | | | |
| I.2. | 46.863 | 47.466 | 46.743 | 47.368 |
| I.3. | (92) | 476 | (92) | 476 |
| I.4. | (90) | (2.783) | (90) | (2.783) |
| I.5. | 15.629 | 8.529 | 15.624 | 8.524 |
| I.6. | (1.207) | (297) | (1.134) | (227) |
| I.7. | 1.707 | 1.274 | 1.707 | 1.274 |
| I.8. | - | - | - | (2.000) |
| I.9. | 1 | (1.024) | 1 | (1.024) |
| I.10. | (111) | - | (111) | - |
| I.11. | (1.619) | (1.218) | (1.619) | (1.218) |
| | 140.247 | 92.819 | 140.231 | 92.832 |
| Changes in working capital: | | | | |
| I.12. | (33.244) | (1.994) | (33.248) | (1.993) |
| I.13. | 24.376 | 26.370 | 24.405 | 26.371 |
| I.14. | (1.411) | (610) | (1.484) | (545) |
| I.15. | (16.626) | (19.607) | (16.479) | (19.593) |
| I.16. | 8.571 | 4.678 | 8.514 | 5.759 |
| I.17. | - | (670) | - | (670) |
| I.18. | (5.496) | (9.469) | (5.476) | (9.469) |
| | (23.830) | (1.302) | (23.768) | (140) |
| Net cash flows from operating activities | 116.417 | 91.517 | 116.463 | 92.692 |
| II. Cash flows from (to) investing activities | | | | |
| II.1. | (27.227) | (36.021) | (27.182) | (35.587) |
| II.2. | 128 | 3.536 | 128 | 3.536 |
| II.3. | - | 6 | - | 6 |
| II.4. | 5 | 4 | 5 | 4 |
| II.5. | (6) | (2.498) | - | - |
| II.6. | - | - | - | 2.000 |
| II.7. | 1.207 | 297 | 1.134 | 227 |
| Net cash flows (to) investing activities | (25.893) | (34.676) | (25.915) | (29.814) |

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Cash flows statements (cont'd)

| | Notes | Group | | Company | |
|---|-------|---|---|---|---|
| | | 6 months period ended 30 June 2007 (pre-audited) | 6 months period ended 30 June 2006 (pre-audited) Restated | 6 months period ended 30 June 2007 (pre-audited) | 6 months period ended 30 June 2006 (pre-audited) Restated |
| III. Cash flows from (to) financing activities | | | | | |
| III.1. Dividends (paid) | | (29.937) | (29.945) | (29.937) | (29.945) |
| III.2. Loans received | | 186.451 | 138.122 | 186.451 | 138.122 |
| III.3. Loans (repaid) | | (194.190) | (156.525) | (194.190) | (156.525) |
| III.4. (Acquisition /purchase) of held-to-maturity investments | | (34.591) | - | (34.591) | - |
| III.5. Proceeds from redemption of held-to-maturity investments | | - | - | - | - |
| III.6. Grants received | | 1.970 | 402 | 1.970 | 402 |
| III.7. Cash flows from (to) other financial activities | | - | 670 | - | 670 |
| III.8. Interest (paid) | | (1.734) | (1.319) | (1.734) | (1.319) |
| Net cash flows from (to) financing activities | | (72.031) | (48.595) | (72.031) | (48.595) |
| IV. Impact of changes in currency exchange rates on cash balance | | - | (136) | - | (136) |
| V. Net increase (decrease) in cash and cash equivalents | | 18.493 | 8.110 | 18.517 | 14.147 |
| VI. Cash and cash equivalents at the beginning of the period | | 23.559 | 12.168 | 23.124 | 6.052 |
| VII. Cash and cash equivalents at the end of the period | | 42.052 | 20.278 | 41.641 | 20.199 |

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

General Manager

V. Valentukevičius

Chief Accountant

Ž. Augutis

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

Notes to the financial statements

1 General information

AB Lietuvos Dujos (hereinafter "the Company") and consolidated AB Lietuvos Dujos and UAB Palangos Perlas (hereinafter "the Group") condensed financial statements, including the balance sheets as of 30 June 2007, income statements, cash flows statements and statements of changes in equity for the six months ended 30 June 2007 and 30 June 2006 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2006 are audited and prepared according to International Financial Reporting Standards (IFRS), including IFRS 1 "First time adoption of international financial reporting standards", except that the date of the transitional period is 1 January 2005 instead of 1 January 2004, as required by 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 2006.

2 Accounting principles

The Company's and the Group's condensed financial statements as of 30 June 2007 have been prepared in accordance with IAS 34 Interim Financial Statements.

The principal accounting policies adopted in preparing the condensed financial statements for the six months period ended as of 30 June 2007 were the same as these used for preparing the financial statements for 2006 according to the IFRS, as adopted in European Union, except for the income tax and deferred tax accounting principles described in Note 5 Disclosure of significant changes.

3 Segment information

Segment information for the periods ended 30 June 2006 and 2007 is presented below:

Group

| 2006 (pre-audited) | Transmission | Distribution | Supply for regulated customers | Supply for eligible customers | Other | Total |
|--------------------------------------|---------------------|---------------------|---------------------------------------|--------------------------------------|--------------|--------------|
| Sales | 49.984 | 73.376 | 135.382 | 152.199 | 3.472 | 414.413 |
| Profit (loss) from operations | 2.247 | 21.737 | 4.258 | 14.458 | 2.090 | 44.790 |

| 2007 (pre-audited) | Transmission | Distribution | Supply for regulated customers | Supply for eligible customers | Other | Total |
|--------------------------------------|---------------------|---------------------|---------------------------------------|--------------------------------------|--------------|--------------|
| Sales | 54.617 | 70.515 | 180.965 | 181.391 | 2.980 | 490.468 |
| Profit (loss) from operations | 7.270 | 14.772 | 36.885 | 31.982 | 1.496 | 92.405 |

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

3 Segment information (cont'd)

Company

| 2006 (pre-audited) | Transmission | Distribution | Supply for regulated customers | Supply for eligible customers | Other | Total |
|--------------------------------------|---------------------|---------------------|---------------------------------------|--------------------------------------|--------------|--------------|
| Sales | 49.984 | 73.376 | 135.382 | 152.199 | 3.058 | 413.999 |
| Profit (loss) from operations | 2.247 | 21.737 | 4.258 | 14.458 | 2.201 | 44.901 |

| 2007 (pre-audited) | Transmission | Distribution | Supply for regulated customers | Supply for eligible customers | Other | Total |
|--------------------------------------|---------------------|---------------------|---------------------------------------|--------------------------------------|--------------|--------------|
| Sales | 54.617 | 70.515 | 180.965 | 181.391 | 2.498 | 489.986 |
| Profit (loss) from operations | 7.270 | 14.772 | 36.885 | 31.982 | 1.600 | 92.509 |

4 Inventories

| | Group | | Company | |
|---|---|-----------------------------------|---|-----------------------------------|
| | 6 months period ended 30 June 2007 (pre-audited) | 31 December 2006 (audited) | 6 months period ended 30 June 2007 (pre-audited) | 31 December 2006 (audited) |
| Raw materials, spare parts and other inventories | 3.803 | 3.687 | 3.802 | 3.686 |
| Goods for resale (including natural gas) | 55.452 | 22.319 | 55.437 | 22.300 |
| Inventories, gross | 59.255 | 26.006 | 59.239 | 25.986 |
| Less: allowance for inventories | (587) | (749) | (587) | (749) |
| | 58.668 | 25.257 | 58.652 | 25.237 |

As of 30 June 2007 the Group's and the Company's balances of the goods for resale increased significantly due to purchases of natural gas for storage in Latvia during the six months of 2007.

The cost of slow moving inventories accounted for at net realizable value amounted to LTL 587 thousand as of 30 June 2006 (LTL 749 thousand as of 31 December 2006). Changes in the allowance for inventories in 2007 and 2006 were included into operating expenses.

**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

(all amounts are in LTL thousand unless otherwise stated)

5 Disclosure of significant changes

5.1 Income tax:

To calculate the income tax for the six months of 2007, including deferred tax, in addition to the valid 15 % rate the 3% social tax rate was applied compared with the 4 % rate applied when calculating the income tax for the six months of 2006.

The income tax expenses for the six months of 2006 and 2007, evaluating the change in the deferred tax assets and liability, are provided below:

Income tax expenses:

| | Group | | Company | |
|--|-------------------------------|---|-------------------------------|---|
| | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated |
| Current income tax | 14.958 | 14.695 | 14.958 | 14.695 |
| Deferred tax | 671 | (6.166) | 666 | (6.171) |
| Income tax expenses charged to the income statements | 15.629 | 8.529 | 15.624 | 8.524 |

5.2 Changes in income tax and deferred tax accounting:

On 18 April 2007, the Company received a letter from the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, explaining that from 1 January 2005, income from connecting new customers to the Company's natural gas system for income tax calculation purposes may be recognized over the useful life of the capitalized assets.

The result of recalculation of the income tax of 2005 and 2006 from the income earned from connecting new customers was prospectively reflected in the Company's and the Group's financial statements of 30 June 2007, i.e. the amount of current income tax expenses in the Income statements and the amount of the income tax liabilities in the balance sheet were reduced by LTL 6,412 thousand.

Recalculation income tax of 2005 and 2006 in the mentioned period eliminated the temporary differences between net book value and tax value of liabilities (grants (deferred revenue)). The results of recalculation of the deferred taxes of 2005 and 2006 were prospectively reflected in the Company's and the Group's financial statements of 30 June 2007, i.e. the deferred tax expenses in the Income statement were increased and the amount of the deferred tax liabilities in the balance sheet was reduced by LTL 5,470 thousand.

The income from connecting new customers to the Company's natural gas system earned in January through June 2007 was taxed with income tax according to the new accounting principle. Considering the fact that the results of recalculation of the income tax and deferred taxes of 2005 and 2006 were reflected prospectively, in the financial statements of 30 June 2007 the comparative figures of 30 June 2006 are provided rearranged according to the figures of the annual financial statements of 2006, i.e. without recalculation of the income tax and deferred taxes from the income earned from connecting new consumers.

6 Grants (deferred revenue)

| | Group | | Company | |
|--|-------------------------------|---|-------------------------------|---|
| | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated |
| Balance as of 1 January 2007 and 1 January 2006 | 111.101 | 87.997 | 111.101 | 87.997 |
| Additions per the first half of the year 2007 | 7.447 | 5.145 | 7.447 | 5.145 |
| Sold during the first half of the year 2007 | - | (38) | - | (38) |
| Amortization per the first half of the year 2007 | (1.729) | (1.179) | (1.729) | (1.179) |
| Balance as of the end of the period | 116.819 | 91.925 | 116.819 | 91.925 |

Grants (deferred revenue) include non-current tangible assets received free of charge and the payments received from new customers for the connections to the Group's and the Company's natural gas system, the grants are charged to the income statements in portions on a straight-line basis over the estimated useful life of the assets'.

Grants also involve the amounts, received as a compensation of incurred expenses.

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7 Borrowings

AB Lietuvos Dujos borrowings as of 30 June 2007:

| Borrowings (pre-audited) | Borrowings or their portions, payable | | | Total |
|--|--|--|-------------------------------------|---------------|
| | Current borrowings | Payable after one year but not later than in five years | Payable after five years | |
| Borrowings from Lithuanian credit institutions | 13.664 | 11.511 | 3.216 | 28.391 |
| Borrowings from foreign credit institutions | - | - | - | - |
| | 13.664 | 11.511 | 3.216 | 28.391 |

In the calculations, official currency exchange rates as of 30 June 2007 set by the Bank of Lithuania are applied:

EUR/LTL 3.4528

As of 30 June 2007, weighted average annual interest rate of borrowings outstanding was 4,81 % (4,63 % as of 31 December 2006).

The borrowings outstanding as of 30 June 2007 were denominated in national currency (6,89 %) and in EUR (93,11 %).

8 Earnings per share

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

| | Group | | Company | |
|---|---------------------------------------|--|---------------------------------------|--|
| | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated | 30 June 2007 (pre-audited) | 30 June 2006 (pre-audited) Restated |
| Net profit attributed to the shareholders (in LTL thousand) | 79.166 | 40.396 | 79.202 | 42.442 |
| Weighted average number of shares in thousand | 469.068 | 469.068 | 469.068 | 469.068 |
| Basic earnings per share (in LTL) | 0.17 | 0.09 | 0.17 | 0.09 |

9 Dividends

During the regular general shareholders' meeting on 18 April 2007, when approving the Company's 2006 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2006 in the amount of LTL 30 million (LTL 0.06 per ordinary registered share with the par value of LTL 1 per share).

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10 Commitments and contingencies

Litigation with the National Control Commission for Prices and Energy

AB Lietuvos Dujos financial results from regulated activities were negatively affected by the Decree No 03-36, of 30 June 2005 of the National Control Commission for Prices and Energy that unilaterally established the natural gas transmission and distribution prices and the gas prices for regulated customers for the Company effective from 1 July 2005. The Company applied to a County Administrative Court for cancellation of the following decrees of the National Control Commission for Prices and Energy: Decree No 03-18 dated 29 April 2005 on natural gas transmission and distribution price caps and natural gas price caps for the regulated customers for AB Lietuvos Dujos; Decree No 03-30 dated 30 May 2005 on natural gas transmission and distribution prices and prices for regulated customers for AB Lietuvos Dujos; Decree No 03-36 dated 30 June 2005 on natural gas transmission and distribution prices and prices for regulated customers for AB Lietuvos Dujos.

All three cases were merged into one and the case was suspended, as Vilnius County Administrative Court addressed the Supreme Administrative Court of Lithuania for an investigation whether certain clauses of the natural gas price caps calculation methodology approved by the Commission Decree No 03-15 of 12 April 2005 do not contradict the primary legislation. Also, AB Lietuvos Dujos applied to the County Administrative Court by asking to annul the Decree of the National Control Commission for Prices and Energy No 03-20, dated 27 April 2006 on adjustment of the natural gas transmission and distribution price caps and natural gas price caps for the regulated customers for AB Lietuvos Dujos. This case was merged to the case with the three aforementioned cases. On 19 October 2006 the Supreme Administrative Court of Lithuania adjudged that the respective clauses of the natural gas price caps calculation methodology approved by the National Control Commission for Prices and Energy by the Decree No 03-15 of 12 April 2005 do not contradict the primary legislation. On 13 March 2007, Vilnius County Administrative Court decided to reject the claim as unjustified. The Company appealed against the decision of the court to the Supreme Administrative Court of the Republic of Lithuania.

Litigation on obtaining license in Kazlų Rūda

Currently, AB Lietuvos Dujos is participating in four disputes related to granting the natural gas distribution license in the territory of Kazlų Rūda.

UAB Intergas applied to court for annulment of the agreement of new consumer connection signed between AB Lietuvos Dujos and UAB Girių Bizonas and to adjudge the related actions of AB Lietuvos Dujos as illegal. Also, UAB Intergas addressed Vilnius County Administrative Court for annulment of the Decree of the National Control Commission for Prices and Energy No 03-57, according to which the license of the natural gas distribution was issued to AB Lietuvos Dujos. In this case AB Lietuvos Dujos stands as a third party. Both cases mentioned above are suspended.

Furthermore, UAB Intergas applied to Vilnius Second District Court for annulment of the cancellation of Kazlų Rūda gas pipeline rent agreements between UAB Intergas and UAB Suskystintos Dujos and for obliging the defendant (UAB Suskystintos Dujos) to implement the above rent agreements. AB Lietuvos Dujos stands as a third party in this case, because on 13 April 2006 it acquired the above pipelines under the litigation from UAB Suskystintos Dujos. On 23 May 2007, the Court decided to reject the claim of UAB Intergas.

AB Lietuvos Dujos applied to Vilnius County Administrative Court for including the company as third party into the case, in which UAB Intergas litigates the legitimacy of the refusal of the National Control Commission for Prices and Energy to issue a license to UAB Intergas. The Court granted the suit of AB Lietuvos Dujos. The case was suspended till the end of legal hearing of the above-mentioned case (regarding the annulment of the cancellation of the gas pipeline rent agreements).

11 Transactions of related parties

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

The related parties of the Company and related major party transactions in the six months of 2006 and 2005 were as

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follows:

- E.ON Ruhrgas International AG (one of the major shareholders of the Company since 2002);
- OAO Gazprom (one of the major shareholders of the Company since 2004);
- State Property Fund (one of the major shareholders of the Company);
- AS Latvijas Gaze (jointly controlled by the major shareholders of the Company);
- UAB Palangos Perlas (subsidiary of the Company).

| 30 June 2006 (pre-audited) | Purchases | Sales | Accounts receivable | Accounts payable |
|-----------------------------------|------------------|--------------|--------------------------------|-----------------------------|
| OAO Gazprom | 256.728 | 5.887 | | 18.827 |
| AS Latvijas Gaze | 146 | | | 17 |
| UAB Palangos Perlas | 94 | 19 | 31 | 1 |
| | <u>256.968</u> | <u>5.906</u> | <u>31</u> | <u>18.845</u> |

| 30 June 2007 (pre-audited) | Purchases | Sales | Accounts receivable | Accounts payable |
|-----------------------------------|------------------|--------------|--------------------------------|-----------------------------|
| OAO Gazprom | 320.731 | 5.480 | | 38.565 |
| AS Latvijas Gaze | 2.196 | | | 202 |
| UAB Palangos Perlas | 70 | 20 | 1 | 1 |
| | <u>322.997</u> | <u>5.500</u> | <u>1</u> | <u>38.768</u> |