

To: Lithuanian Securities Commission

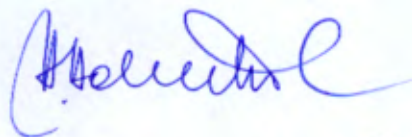
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### CONFIRMATION OF RESPONSIBLE PERSONS

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 Nine Months Ended 30 September 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 Nine Months Ended 30 September 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 NINE MONTHS ENDED 30 SEPTEMBER 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 NINE MONTHS ENDED 30 SEPTEMBER 2007**  
(all amounts are in LTL thousand unless otherwise stated)

**Balance sheets**

	Notes	Group		Company	
		As of 30 September 2007 (pre-audited)	As of 31 December 2006 (audited)	As of 30 September 2007 (pre-audited)	As of 31 December 2006 (audited)
<b>ASSETS</b>					
<b>A</b>	<b>Non-current assets</b>	<b>2.194.920</b>	<b>2.198.820</b>	<b>2.198.188</b>	<b>2.201.999</b>
I.	Intangible assets	2.062	2.845	2.056	2.844
II.	Non-current tangible assets	2.192.286	2.195.389	2.185.314	2.188.332
II.1.	Land	164	103	164	103
II.2.	Buildings and structures	2.019.277	2.047.655	2.012.757	2.041.035
II.2.1.	Buildings	80.228	82.213	73.708	75.593
II.2.2.	Transmission networks and related installations	1.298.670	1.332.781	1.298.670	1.332.781
II.2.3.	Distribution networks and related installations	631.178	623.673	631.178	623.673
II.2.4.	Other buildings and structures	9.201	8.988	9.201	8.988
II.3.	Machinery and equipment	82.504	78.976	82.504	78.976
II.4.	Vehicles	8.161	9.916	8.125	9.865
II.5.	Other equipment, tools and devices	29.773	32.024	29.458	31.688
II.6.	Construction in progress	48.450	23.269	48.349	23.219
II.7.	Other non-current tangible assets	3.957	3.446	3.957	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	491	500	-	-
<b>B</b>	<b>Current assets</b>	<b>187.971</b>	<b>104.269</b>	<b>183.467</b>	<b>100.017</b>
I.	Inventories and prepayments	65.502	25.416	65.482	25.391
I.1.	Inventories	65.011	25.257	64.996	25.237
I.1.1.	Raw materials, spare parts and other inventories	3.213	2.938	3.212	2.937
I.1.2.	Goods for resale (including natural gas)	61.798	22.319	61.784	22.300
I.2.	Prepayments	491	159	486	154
II.	Accounts receivable	47.927	51.608	47.859	51.502
II.1.	Trade receivables	47.262	50.966	47.197	50.954
II.2.	Other receivables	665	642	662	548
III.	Other current assets	3.992	3.686	0	-
IV.	Cash and cash equivalents	70.550	23.559	70.126	23.124
	<b>Total assets</b>	<b>2.382.891</b>	<b>2.303.089</b>	<b>2.381.655</b>	<b>2.302.016</b>

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

**Balance sheets (cont'd)**

	Notes	Group		Company	
		As of 30 September 2007 (pre-audited)	As of 31 December 2006 (audited)	As of 30 September 2007 (pre-audited)	As of 31 December 2006 (audited)
<b>EQUITY AND LIABILITIES</b>					
<b>C. Equity</b>		<b>1.912.986</b>	<b>1.855.809</b>	<b>1.911.941</b>	<b>1.855.059</b>
I. Share capital		469.068	469.068	469.068	469.068
II. Reserves		1.357.881	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		1.339.919	1.313.561	1.338.196	1.312.013
III. Retained earnings (loss)		86.037	58.184	86.882	59.140
<b>D. Liabilities</b>		<b>469.905</b>	<b>447.280</b>	<b>469.714</b>	<b>446.957</b>
I. Non-current liabilities		328.057	327.927	327.972	327.841
I.1. Non-current borrowings	7	11.792	21.559	11.792	21.559
I.2. Grants (deferred revenue)	6	122.840	111.101	122.840	111.101
I.3. Deferred taxes		193.425	195.267	193.340	195.181
II. Current liabilities		141.848	119.353	141.742	119.116
II.1. Current portion of non-current borrowings	7	13.339	14.570	13.339	14.570
II.2. Trade payables		63.452	59.079	63.433	58.901
II.3. Prepayments received		25.177	16.381	25.177	16.381
II.4. Income tax payable		21.225	10.527	21.216	10.523
II.5. Payroll related liabilities		6.373	4.656	6.296	4.603
II.6. Other current liabilities		12.282	14.140	12.281	14.138
<b>Total equity and liabilities</b>		<b>2.382.891</b>	<b>2.303.089</b>	<b>2.381.655</b>	<b>2.302.016</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 2007

(all amounts are in LTL thousand unless otherwise stated)

Income statements

	Group			Company			Group			Company		
	3 months period ended 30 September 2007 (pre-audited)	3 months period ended 30 September 2006 (pre-audited)	3 months period ended 30 September 2006 Restated	3 months period ended 30 September 2007 (pre-audited)	3 months period ended 30 September 2006 (pre-audited)	3 months period ended 30 September 2006 Restated	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited)	9 months period ended 30 September 2006 Restated	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited)	9 months period ended 30 September 2006 Restated
I. Sales	165,958	134,768	134,097	656,426	549,181	548,096	655,211	549,181	548,096	655,211	548,096	548,096
II. Cost of sales	106,582	82,000	81,933	394,038	346,837	346,672	393,867	346,837	346,672	393,867	346,672	346,672
III. Gross profit (loss)	59,376	52,768	52,164	262,388	202,344	201,424	261,344	202,344	201,424	261,344	201,424	201,424
IV. Operating expenses	53,191	56,179	55,900	163,798	160,965	160,259	162,998	160,965	160,259	162,998	160,259	160,259
V. Profit (loss) from operations	6,185	(3,411)	(3,736)	98,590	41,379	41,165	98,346	41,379	41,165	98,346	41,165	41,165
VI. Other operating activities	2,388	1,419	1,418	5,121	4,692	4,691	5,121	4,692	4,691	5,121	4,691	4,691
VI.1. Income	2,396	1,434	1,433	5,157	4,741	4,740	5,157	4,741	4,740	5,157	4,740	4,740
VI.2. Expenses	8	15	15	36	49	49	36	49	49	36	49	49
VII. Financial and investing activities	420	(123)	(156)	77	739	2,636	(36)	739	2,636	(36)	2,636	2,636
VII.1. Income	758	236	203	2,123	1,702	3,599	2,010	1,702	3,599	2,010	3,599	3,599
VII.2. Expenses	338	359	359	2,046	963	963	2,046	963	963	2,046	963	963
VIII. Profit (loss) before tax	8,993	(2,115)	(2,474)	103,788	46,810	48,492	103,431	46,810	48,492	103,431	48,492	48,492
IX. Income tax	985	(107)	(166)	925	16,614	8,358	16,549	8,422	8,358	16,549	8,358	8,358
IX.1. Current period income tax	3,489	2,792	2,736	18,447	17,487	17,431	18,390	17,487	17,431	18,390	17,431	17,431
IX.2. Deferred income tax	(2,504)	(2,899)	(2,902)	(2,507)	(1,833)	(9,073)	(1,841)	(9,065)	(9,073)	(1,841)	(9,073)	(9,073)
X. Net profit (loss)	8,008	(2,008)	(2,308)	7,680	87,174	40,134	86,882	38,388	40,134	86,882	40,134	40,134
Basic and diluted earnings (loss) per share (LTL)	0.02	0	0	0.02	0.19	0.09	0.19	0.08	0.09	0.19	0.09	0.09

Notes

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

General Manager

V. Valentukevičius

Chief accountant

Ž. Augustis



**AB LIETUVOS DUJOS CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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
<b>Balance as of 1 January 2006 (restated)</b>		<b>469.068</b>	<b>12.528</b>	<b>72.149</b>	<b>3.500</b>	<b>1.271.240</b>	<b>1.828.485</b>
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)
Other profit (loss) not recognized in the Income Statements		-	-	-	-	1	1
Net profit (loss) for the reporting period (restated)		-	-	-	-	38.388	38.388
<b>Balance as of 30 September 2006 (restated)</b>		<b>469.068</b>	<b>14.996</b>	<b>1.313.561</b>	<b>-</b>	<b>39.249</b>	<b>1.836.874</b>
Net profit (loss) for the reporting period		-	-	-	-	18.935	18.935
<b>Balance as of 31 December 2006 (audited)</b>		<b>469.068</b>	<b>14.996</b>	<b>1.313.561</b>	<b>-</b>	<b>58.184</b>	<b>1.855.809</b>
Transfer to legal reserve		-	2.966	-	-	(2.966)	-
Transfers to corporate business development reserve		-	-	26.358	-	(26.358)	-
Dividends declared		-	-	-	-	(30.000)	(30.000)
Other profit (loss) not recognized in the Income Statements		-	-	-	-	3	3
Net profit (loss) for the reporting period		-	-	-	-	87.174	87.174
<b>Balance as of 30 September 2007 (pre-audited)</b>		<b>469.068</b>	<b>17.962</b>	<b>1.339.919</b>	<b>-</b>	<b>86.037</b>	<b>1.912.986</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 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
<b>Balance as of 1 January 2006 (restated)</b>		<b>469.068</b>	<b>12.528</b>	<b>72.146</b>	<b>3.500</b>	<b>1.268.677</b>	<b>1.825.919</b>
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 (restated)		-	-	-	-	40.134	40.134
<b>Balance as of 30 September 2006 (restated)</b>		<b>469.068</b>	<b>14.838</b>	<b>1.312.013</b>	<b>-</b>	<b>40.134</b>	<b>1.836.053</b>
Net profit (loss) for the reporting period		-	-	-	-	19.006	19.006
<b>Balance as of 31 December 2006 (audited)</b>		<b>469.068</b>	<b>14.838</b>	<b>1.312.013</b>	<b>-</b>	<b>59.140</b>	<b>1.855.059</b>
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		-	-	-	-	86.882	86.882
<b>Balance as of 30 September 2007 (pre-audited)</b>		<b>469.068</b>	<b>17.795</b>	<b>1.338.196</b>	<b>-</b>	<b>86.882</b>	<b>1.911.941</b>

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General Manager

V. Valentukevičius

Chief Accountant

Ž. Augutis

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

**Cash flows statements**

	Group		Company	
	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited) Restated	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited) Restated
<b>I. Cash flows from (to) operating activities</b>				
I.1. Net profit (loss)	87.174	38.388	86.882	40.134
<b>Adjustment of non-cash items:</b>				
I.2. Depreciation and amortization	70.473	71.061	70.295	70.907
I.3. (Gain) loss on non-current tangible assets, doubtful trade accounts receivable and inventories write-off and disposal	(1.452)	(119)	(1.452)	(119)
I.4. (Reversal of) impairment of non-current tangible assets, financial assets, (reversal of) allowance for doubtful trade accounts receivable and inventories	(1.616)	178	(1.616)	178
I.5. Income tax expenses	16.614	8.422	16.549	8.358
I.6. Interest (income)	(1.905)	(430)	(1.792)	(327)
I.7. Interest expenses	2.045	1.633	2.045	1.633
I.8. Dividends (income)	-	-	-	(2.000)
I.9. Loss (gain) on foreign currency exchange	1	(1.089)	1	(1.089)
I.10. Elimination of other financial activity results	(413)	-	(413)	-
I.11. Amortization of the grants, deferred revenue and other non-cash items	(2.175)	(1.887)	(2.175)	(1.887)
	<b>168.746</b>	<b>116.157</b>	<b>168.324</b>	<b>115.788</b>
<b>Changes in working capital:</b>				
I.12. (Increase) decrease in inventories	(39.548)	(3.978)	(39.553)	(3.978)
I.13. (Increase) decrease in trade accounts receivable	5.106	13.602	5.159	13.615
I.14. (Increase) decrease in other accounts receivable and prepayments	(339)	46	(412)	50
I.15. Increase (decrease) in trade accounts payable	(7.984)	(7.635)	(7.825)	(7.631)
I.16. Increase (decrease) in other current liabilities	20.167	19.647	20.141	20.714
I.17. (Increase) decrease in other current assets	-	(670)	-	(670)
I.18. Income tax (paid)	(7.732)	(16.904)	(7.697)	(16.781)
	<b>(30.330)</b>	<b>4.108</b>	<b>(30.187)</b>	<b>5.319</b>
<b>Net cash flows from operating activities</b>	<b>138.416</b>	<b>120.265</b>	<b>138.137</b>	<b>121.107</b>
<b>II. Cash flows from (to) investing activities</b>				
II.1. (Acquisition) of non-current tangible and intangible assets	(55.719)	(65.316)	(55.622)	(64.858)
II.2. Proceeds from sales of non-current tangible assets	2.948	5.137	2.948	5.137
II.3. Non current loans and receivables recovered	-	6	-	6
II.4. Proceeds from sales of financial assets	5	4	5	4
II.5. (Increase) decrease in term deposits	(306)	(2.714)	-	-
II.6. Dividends received	-	-	-	2.000
II.7. Interest received	1.817	430	1.704	327
<b>Net cash flows (to) investing activities</b>	<b>(51.255)</b>	<b>(62.453)</b>	<b>(50.965)</b>	<b>(57.384)</b>



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

**Cash flows statements (cont'd)**

Notes	Group		Company	
	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited) Restated	9 months period ended 30 September 2007 (pre-audited)	9 months period ended 30 September 2006 (pre-audited) Restated
<b>III. Cash flows from (to) financing activities</b>				
III.1. Dividends (paid)	(29.958)	(29.963)	(29.958)	(29.963)
III.2. Loans received	186.451	158.122	186.451	158.122
III.3. Loans (repaid)	(197.450)	(158.625)	(197.450)	(158.625)
III.4. (Acquisition /purchase) of held-to-maturity investments	-	-	-	-
III.5. Proceeds from redemption of held-to-maturity investments	-	-	-	-
III.6. Grants received	2.667	1.378	2.667	1.378
III.7. Cash flows from (to) other financial activities	-	670	-	670
III.8. Interest (paid)	(1.881)	(1.379)	(1.881)	(1.379)
<b>Net cash flows from (to) financing activities</b>	<b>(40.171)</b>	<b>(29.797)</b>	<b>(40.171)</b>	<b>(29.797)</b>
<b>IV. Impact of changes in currency exchange rates on cash balance</b>	-	<b>(135)</b>	-	<b>(135)</b>
<b>V. Net increase (decrease) in cash and cash equivalents</b>	<b>46.990</b>	<b>27.880</b>	<b>47.001</b>	<b>33.791</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>23.559</b>	<b>12.168</b>	<b>23.124</b>	<b>6.052</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>70.549</b>	<b>40.048</b>	<b>70.125</b>	<b>39.843</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 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 September 2007, income statements, cash flows statements and statements of changes in equity for the nine months ended 30 September 2007 and 30 September 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 September 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 nine months period ended as of 30 September 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 September 2006 and 2007 is presented below:

#### Group

2006 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	71.015	90.123	383.340	4.703	549.181
Profit (loss) from operations	(3.326)	11.879	30.337	2.489	41.379

2007 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	76.552	89.824	485.789	4.261	656.426
Profit (loss) from operations	4.200	9.182	83.253	1.955	98.590

#### Company

2006 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	71.015	90.123	383.340	3.618	548.096
Profit (loss) from operations	(3.326)	11.879	30.337	2.275	41.165

2007 (pre-audited)	Transmission	Distribution	Supply	Other	Total
Sales	76.552	89.824	485.789	3.046	655.211
Profit (loss) from operations	4.200	9.182	83.253	1.711	98.346

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

(all amounts are in LTL thousand unless otherwise stated)

**4 Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>9 months period ended 30 September 2007 (pre-audited)</b>	<b>31 December 2006 (audited)</b>	<b>9 months period ended 30 September 2007 (pre-audited)</b>	<b>31 December 2006 (audited)</b>
<b>Raw materials, spare parts and other inventories</b>	3.754	3.687	3.753	3.686
<b>Goods for resale (including natural gas)</b>	61.798	22.319	61.784	22.300
<b>Inventories, gross</b>	65.552	26.006	65.537	25.986
<b>Less: allowance for inventories</b>	(541)	(749)	(541)	(749)
	<b>65.011</b>	<b>25.257</b>	<b>64.996</b>	<b>25.237</b>

As of 30 September 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 nine months of 2007.

The cost of slow moving inventories accounted for at net realizable value amounted to LTL 541 thousand as of 30 September 2006 (LTL 749 thousand as of 31 December 2006). Changes in the allowance for inventories in 2007 and 2006 were included into operating expenses.

**5 Disclosure of significant changes**

**5.1 Income tax:**

To calculate the income tax for the nine 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 nine months of 2006.

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

Income tax expenses:

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>
Current income tax	18.447	17.487	18.390	17.431
Deferred tax	(1.833)	(9.065)	(1.841)	(9.073)
Income tax expenses charged to the income statements	16.614	8.422	16.549	8.358

**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 September 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.

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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 September 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 September 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 September 2007 the comparative figures of 30 September 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)**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>
Balance as of 1 January 2007 and 1 January 2006	111.101	87.997	111.101	87.997
Additions per nine months of the year 2007	14.327	7.606	14.327	7.606
Sold during nine months of the year 2007	-	(115)	-	(115)
Amortization per nine months of the year 2007	(2.588)	(1.771)	(2.588)	(1.771)
Balance as of the end of the period	<u>122.840</u>	<u>93.717</u>	<u>122.840</u>	<u>93.717</u>

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.

**7 Borrowings**

AB Lietuvos Dujos borrowings as of 30 September 2007:

<b>Borrowings (pre-audited)</b>	<b>Borrowings or their portions, payable</b>			<b>Total</b>
	<b>Current borrowings</b>	<b>Payable after one year but not later than in five years</b>	<b>Payable after five years</b>	
Borrowings from Lithuanian credit institutions	13.339	8.576	3.216	25.131
Borrowings from foreign credit institutions	-	-	-	-
	<u>13.339</u>	<u>8.576</u>	<u>3.216</u>	<u>25.131</u>

In the calculations, official currency exchange rates as of 30 September 2007 set by the Bank of Lithuania are applied: EUR/LTL 3.4528

As of 30 September 2007, weighted average annual interest rate of borrowings outstanding was 4.96 % (4,63 % as of 31 December 2006).

The borrowings outstanding as of 30 September 2007 were denominated in national currency (4.76 %) and in EUR (95.24 %).

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**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:

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>	<b>30 September 2007 (pre-audited)</b>	<b>30 September 2006 (pre-audited) Restated</b>
Net profit attributed to the shareholders (in LTL thousand)	87.174	38.388	86.882	40.134
Weighted average number of shares in thousand	469.068	469.068	469.068	469.068
Basic earnings per share (in LTL)	<u>0.19</u>	<u>0.08</u>	<u>0.19</u>	<u>0.09</u>

**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).

**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 (providing) license**

Currently, AB Lietuvos Dujos is participating in several disputes related to granting the natural gas distribution licenses. The most important of them are listed below:

1. UAB Intergas applied to court for annulment of the agreement on the connection of new customers signed between AB Lietuvos Dujos and UAB Girių Bizonas and to adjudge the related actions of AB Lietuvos Dujos as illegal. Also,

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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 natural gas distribution license 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 from UAB Suskystintos Dujos. On 23 May 2007, the Court decided to reject the claim of UAB Intergas. The court of second Instance left the decision of the court of first Instance valid.

2. AB Lietuvos Dujos stands as a third party in the case in which UAB Intergas litigates the legitimacy of the refusal of the National Control Commission for Prices and Energy to issue a gas distribution license to UAB Intergas. The case is suspended.

3. AB Lietuvos stands as a third party in the case in which UAB Intergas applied for the annulment of the license for the construction of the Šakiai – Jurbarkas gas pipeline. Governor's administration of Tauragė County stands as a defendant in the case.

In this case, provisional remedies were applied: the validity of the disputed building permit was suspended, and the Governor's Administration of Tauragė County was prohibited, during the suspension period of the construction permit, to issue documents on the suitability for use of the gas pipeline Šakiai – Jurbarkas. Following the appeal of AB Lietuvos Dujos against this decision, the ruling of the court regarding provisional remedies was annulled. The case is suspended at the moment.

4. Also AB Lietuvos Dujos stands as a third party in the case in which UAB Intergas seeks the annulment of certain clauses in the Decree of the National Control Commission for Prices and Energy No 03-53 concerning the permission for AB Lietuvos Dujos to install Šakiai – Tauragė natural gas transmission system and gas pipeline branches to M&R Stations in Jurbarkas and Taurage.

5. AB Lietuvos Dujos stands as a third party in the case in which UAB Intergas pleads for prohibition for the National Control Commission for Prices and Energy and the members of the above mentioned Commission of issuing the permission to install the natural gas transmission systems in Ignalina District and in Rietavas.

6. AB Lietuvos Dujos along with the Municipality of Ignalina and Governor's Administration of Utena County stand as parties in the case in which UAB Intergas pleads for prohibition of planning and construction works of the gas pipeline in Ignalina.

**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 nine months of 2006 and 2005 were as 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).

<b>30 September 2006 (pre-audited)</b>	<b>Purchases</b>	<b>Sales</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>
OA0 Gazprom	340.298	7.959	-	32.380
AS Latvijas Gaze	303	-	-	117
UAB Palangos Perlas	121	22	1	8
	<b>340.722</b>	<b>7.981</b>	<b>1</b>	<b>32.505</b>

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<b>30 September 2007 (pre-audited)</b>	<b>Purchases</b>	<b>Sales</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>
OA0 Gazprom	433.510	7.160	-	45.708
AS Latvijas Gaze	3.765	-	-	1.746
UAB Palangos Perlas	73	23	1	0
	<u>437.348</u>	<u>7.183</u>	<u>1</u>	<u>47.454</u>