

To: Lithuanian Securities Commission

28 02 2008

**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, Deputy General Director-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 Twelve Months Ended 31 December 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 Twelve Months Ended 31 December 2007 Prepared According to International Financial Reporting Standards as Adopted by European Union (13 pages).

General Manager



Viktoras Valentukevičius

Deputy General Director-Chief Financial Officer



Giedrė Glinskienė

# **AB LIETUVOS DUJOS**

**CONSOLIDATED AND PARENT COMPANY'S CONDENSED FINANCIAL  
STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU**

**AB LIETUVOS DUJOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania**  
**CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**  
(all amounts are in LTL thousand unless otherwise stated)

**Balance sheets**

	Notes	Group		Company	
		As of 31 December 2007 (pre-audited)	As of 31 December 2006 (audited)	As of 31 December 2007 (pre-audited)	As of 31 December 2006 (audited)
<b>ASSETS</b>					
<b>A. Non-current assets</b>		<b>2,220,673</b>	<b>2,198,820</b>	<b>2,223,695</b>	<b>2,201,999</b>
I. Intangible assets		3,487	2,845	3,482	2,844
II. Non-current tangible assets		<b>2,216,707</b>	<b>2,195,389</b>	<b>2,209,401</b>	<b>2,188,332</b>
II.1 Land		183	103	183	103
II.2 Buildings and structures		<b>2,059,625</b>	<b>2,047,655</b>	<b>2,052,776</b>	<b>2,041,035</b>
II.2.1 Buildings		82,542	82,213	75,693	75,593
II.2.2 Transmission networks and related installations		1,313,874	1,332,781	1,313,874	1,332,781
II.2.3 Distribution networks and related installations		654,101	623,673	654,101	623,673
II.2.4 Other buildings and structures		9,108	8,988	9,108	8,988
II.3 Machinery and equipment		84,839	78,976	84,839	78,976
II.4 Vehicles		12,025	9,916	11,994	9,865
II.5 Other equipment, tools and devices		31,123	32,024	30,754	31,688
II.6 Other non-current tangible assets		3,995	3,446	3,995	3,446
II.7 Construction in progress		24,917	23,269	24,860	23,219
III. Non-current financial assets		<b>75</b>	<b>86</b>	<b>10,812</b>	<b>10,823</b>
III.1 Investments		-	-	10,737	10,737
III.2 Non-current accounts receivable		75	81	75	81
III.3 Other financial assets		-	5	-	5
IV. Deferred tax assets		404	500	-	-
<b>B. Current assets</b>		<b>238,283</b>	<b>104,269</b>	<b>234,231</b>	<b>100,017</b>
I. Inventories and prepayments		<b>109,388</b>	<b>25,416</b>	<b>109,370</b>	<b>25,391</b>
I.1 Inventories	4	109,064	25,257	109,048	25,237
I.1.1 Raw materials, spare parts and other inventories		2,160	2,938	2,159	2,937
I.1.2 Goods for resale (including natural gas)		106,904	22,319	106,889	22,300
I.2 Prepayments		324	159	322	154
II. Accounts receivable		<b>91,579</b>	<b>51,608</b>	<b>91,524</b>	<b>51,502</b>
II.1 Trade receivables		88,380	50,966	88,382	50,954
II.2 Other receivables		3,199	642	3,142	548
III. Other current assets		<b>3,722</b>	<b>3,686</b>	<b>-</b>	<b>-</b>
IV. Cash and cash equivalents		<b>33,594</b>	<b>23,559</b>	<b>33,337</b>	<b>23,124</b>
<b>Total assets</b>		<b>2,458,956</b>	<b>2,303,089</b>	<b>2,457,926</b>	<b>2,302,016</b>

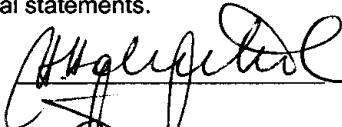
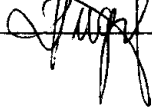
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The accompanying notes are an integral part of these financial statements.

## Balance sheets (cont'd)

	Notes	Group		Company	
		As of 31 December 2007 (pre-audited)	As of 31 December 2006 (audited)	As of 31 December 2007 (pre-audited)	As of 31 December 2006 (audited)
<b>EQUITY AND LIABILITIES</b>					
<b>C. Equity</b>		<b>1,929,787</b>	<b>1,855,809</b>	<b>1,928,825</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		102,838	58,184	103,766	59,140
<b>D. Liabilities</b>		<b>529,169</b>	<b>447,280</b>	<b>529,101</b>	<b>446,957</b>
I. Non-current liabilities		338,876	327,927	338,876	327,841
I.1 Non-current borrowings	7	10,720	21,559	10,720	21,559
I.2 Grants (deferred revenue)	6	137,231	111,101	137,231	111,101
I.3 Deferred taxes		190,925	195,267	190,925	195,181
II. Current liabilities		190,293	119,353	190,225	119,116
II.1 Current portion of non-current borrowings		10,839	14,570	10,839	14,570
II.2 Current borrowings	7	-	-	-	-
II.3 Trade payables		119,515	59,079	119,498	58,901
II.4 Prepayments received		15,170	16,381	15,152	16,381
II.5 Income tax payable		12,950	10,527	12,950	10,523
II.6 Payroll related liabilities		6,555	4,656	6,524	4,603
II.7 Other current liabilities		25,264	14,140	25,262	14,138
<b>Total equity and liabilities</b>		<b>2,458,956</b>	<b>2,303,089</b>	<b>2,457,926</b>	<b>2,302,016</b>

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

General Manager	V. Valentukevičius		28 February 2008
Chief Accountant	Ž. Augutis		28 February 2008

AB LIETUVOS DUJOS, company code 120059523, Agonuų Str. 24, Vilnius, Lithuania  
**CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**  
(all amounts are in LTL thousand unless otherwise stated)

**Income statements**

	Group		Company		Group		Company	
	3 months period ended 31 December 2007 (pre-audited)	3 months period ended 31 December 2006 (pre-audited)	3 months period ended 31 December 2007 (pre-audited)	3 months period ended 31 December 2006 (pre-audited)	12 months period ended 31 December 2007 (pre-audited)	12 months period ended 31 December 2006 (audited)	12 months period ended 31 December 2007 (pre-audited)	12 months period ended 31 December 2006 (audited)
I. Sales	367.838	230.398	367.670	230.222	1.024.264	779.579	1.022.881	778.318
II. Cost of sales	281.531	148.644	281.481	148.591	675.569	495.481	675.348	495.263
<b>III. Gross profit (loss)</b>	<b>86.307</b>	<b>81.754</b>	<b>86.189</b>	<b>81.631</b>	<b>348.695</b>	<b>284.098</b>	<b>347.533</b>	<b>283.055</b>
IV. Operating expenses	67.530	62.079	67.270	61.838	231.328	223.044	230.268	222.097
V. Other operating activities income (net)	2.159	5.489	2.160	5.490	7.280	10.181	7.281	10.181
<b>VI. Profit (loss) from operations</b>	<b>20.936</b>	<b>25.164</b>	<b>21.079</b>	<b>25.283</b>	<b>124.647</b>	<b>71.235</b>	<b>124.546</b>	<b>71.139</b>
<b>VII. Financial and investing activities</b>	<b>608</b>	<b>(227)</b>	<b>566</b>	<b>(259)</b>	<b>685</b>	<b>512</b>	<b>530</b>	<b>2.377</b>
VII.1 Income	911	354	869	322	3.034	2.056	2.879	3.921
VII.2 Expenses	303	581	303	581	2.349	1.544	2.349	1.544
<b>VIII. Profit (loss) before tax</b>	<b>21.544</b>	<b>24.937</b>	<b>21.645</b>	<b>25.024</b>	<b>125.332</b>	<b>71.747</b>	<b>125.076</b>	<b>73.516</b>
<b>IX. Income tax</b>	<b>4.740</b>	<b>6.001</b>	<b>4.761</b>	<b>6.018</b>	<b>21.354</b>	<b>14.423</b>	<b>21.310</b>	<b>14.376</b>
IX.1 Current period income tax	7.153	11.254	7.176	11.273	25.600	28.741	25.566	28.704
IX.2 Deferred income tax	(2.413)	(5.253)	(2.415)	(5.255)	(4.246)	(14.318)	(4.256)	(14.328)
<b>X. Net profit (loss)</b>	<b>16.804</b>	<b>18.936</b>	<b>16.884</b>	<b>19.006</b>	<b>103.978</b>	<b>57.324</b>	<b>103.766</b>	<b>59.140</b>
Basic and diluted earnings per share (LTL)	0,04	0,04	0,04	0,04	0,22	0,12	0,22	0,13

Notes

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

The income statements for the three and the twelve months ended 31 December 2007 and 31 December 2006 are restated due to the reclassification of the result from the other operating activities.

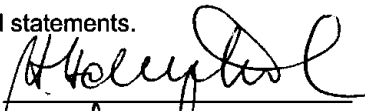
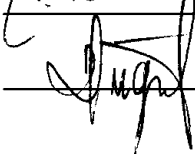
General Manager V. Valentukevičius 28 February 2008

Chief Accountant Ž. Augutis 28 February 2008

## 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</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	9	-	-	-	-	(30,000)	(30,000)
Net profit for the year		-	-	-	-	57,324	57,324
<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	9	-	-	-	-	(30,000)	(30,000)
Net profit for the year		-	-	-	-	103,978	103,978
<b>Balance as of 31 December 2007 (pre-audited)</b>		<b>469,068</b>	<b>17,962</b>	<b>1,339,919</b>	<b>-</b>	<b>102,838</b>	<b>1,929,787</b>

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

General Manager	V. Valentukevičius		28 February 2008
Chief Accountant	Ž. Augutis		28 February 2008

**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</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 purpose		-	-	-	(3,500)	3,500	-
Transfers to corporate business development reserve		-	-	1,239,867	-	(1,239,867)	-
Dividends declared	9	-	-	-	-	(30,000)	(30,000)
Net profit for the year		-	-	-	-	59,140	59,140
<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	9	-	-	-	-	(30,000)	(30,000)
Net profit for the year		-	-	-	-	103,766	103,766
<b>Balance as of 31 December 2007 (pre-audited)</b>		<b>469,068</b>	<b>17,795</b>	<b>1,338,196</b>	<b>-</b>	<b>103,766</b>	<b>1,928,825</b>

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

General Manager V. Valentukevičius  28 February 2007

Chief Accountant Ž. Augutis  28 February 2007

## Cash flows statements

	Group		Company	
	12 months period ended 31 December 2007 (pre-audited)	12 months period ended 31 December 2006 (audited)	12 months period ended 31 December 2007 (pre-audited)	12 months period ended 31 December 2006 (audited)
<b>I. Cash flows from (to) operating activities</b>				
I.1 Net profit	103,978	57,324	103,766	59,140
<b>Adjustments of non-cash items:</b>				
I.2 Depreciation and amortisation	94,503	94,676	94,269	94,467
I.3 (Gain) loss on non-current tangible assets, doubtful trade accounts receivable and inventories write-off and disposal	(1,832)	(3,219)	(1,832)	(3,220)
I.4 (Reversal of) impairment of non-current tangible assets, financial assets, (reversal of) allowance for doubtful trade accounts receivable and inventories	(1,948)	(837)	(1,948)	(837)
I.5 Income tax expenses	21,354	14,423	21,309	14,376
I.6 Interest (income)	(2,688)	(698)	(2,533)	(563)
I.7 Interest expenses	2,346	2,214	2,346	2,214
I.8 Dividends (income)	-	-	-	(2,000)
I.9 Loss (gain) on foreign currency exchange	1	(1,059)	1	(1,059)
I.10 Elimination of other financial activity results	(577)	(3)	(577)	(3)
I.11 Amortisation of the grants, deferred revenue and other non-cash items	(3,144)	(2,890)	(3,144)	(2,890)
	<b>211,993</b>	<b>159,931</b>	<b>211,657</b>	<b>159,625</b>
<b>Changes in working capital:</b>				
I.12 (Increase) n inventories	(83,480)	(15,175)	(83,485)	(15,175)
I.13 (Increase) in trade accounts receivable	(35,227)	(5,271)	(35,242)	(5,295)
I.14 (Increase) decrease in other accounts receivable and prepayments	(2,686)	195	(2,732)	282
I.15 Increase in trade accounts payable	59,301	15,635	59,463	15,639
I.16 Increase in other current liabilities	38,444	29,487	38,447	30,577
I.17 Income tax (paid)	(23,184)	(20,876)	(23,139)	(20,747)
<b>Net cash flows from operating activities</b>	<b>165,161</b>	<b>163,926</b>	<b>164,969</b>	<b>164,906</b>
<b>II. Cash flows from (to) investing activities</b>				
II.1 (Acquisitions) of non-current tangible and intangible assets	(117,288)	(122,841)	(116,799)	(122,173)
II.2 Proceeds from sales of non-current tangible assets	3,428	9,972	3,427	9,972
II.3 Recovery of non-current loans and accounts receivable	6	346	6	346
II.4 Proceeds from sales of financial assets	5	5	5	5
II.5 (Increase) in term deposits	(37)	(2,168)	-	-
II.6 Dividends received	-	-	-	2,000
II.7 Interest received	2,688	698	2,533	563
<b>Net cash flows (to) investing activities</b>	<b>(111,198)</b>	<b>(113,988)</b>	<b>(110,828)</b>	<b>(109,287)</b>

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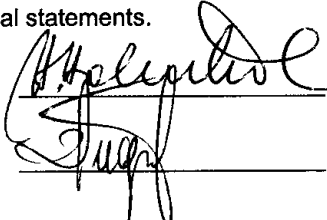
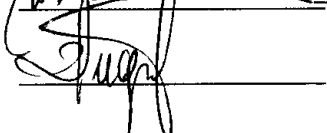
The accompanying notes are an integral part of these financial statements.



### Cash flows statements (cont'd)

	<b>Group</b>		<b>Company</b>	
	<b>12 months period ended 31 December 2007 (pre-audited)</b>	<b>12 months period ended 31 December 2006 (audited)</b>	<b>12 months period ended 31 December 2007 (pre-audited)</b>	<b>12 months period ended 31 December 2006 (audited)</b>
<b>III. Cash flows from (to) financing activities</b>				
III.1 Dividends (paid)	(29,969)	(29,965)	(29,969)	(29,965)
III.2 Loans received	186,451	158,122	186,451	158,122
III.3 Loans (repaid)	(201,022)	(166,293)	(201,022)	(166,293)
III.4 Grants (received)	3,004	1,360	3,004	1,360
III.5 Cash flows from other financial activities increase	-	670	-	670
III.6 Interest (paid)	(2,392)	(2,306)	(2,392)	(2,306)
<b>Net cash flows from (to) financing activities</b>	<b>(43,928)</b>	<b>(38,412)</b>	<b>(43,928)</b>	<b>(38,412)</b>
<b>IV. Impact of changes in currency exchange rates on cash balance</b>	-	<b>(135)</b>	-	<b>(135)</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>10,035</b>	<b>11,391</b>	<b>10,213</b>	<b>17,072</b>
<b>VI. Cash and cash equivalents at the beginning of the year</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 year</b>	<b>33,594</b>	<b>23,559</b>	<b>33,337</b>	<b>23,124</b>

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

General Manager	V. Valentukevičius		28 February 2008
Chief Accountant	Ž. Augutis		28 February 2008

## 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 31 December 2007, income statements, cash flows statements and statements of changes in equity for the twelve months ended 31 December 2007 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.

The Company's shares are traded in the Vilnius Stock Exchange on the Secondary List. Starting 1 January 2008 the Company's shares are included into the Official list.

### 2 Accounting principles

The Company's and the Group's condensed financial statements as of 31 December 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 twelve months period ended as of 31 December 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

Till 1 July 2007 supply activities were separated between regulated and eligible customers, after this date due to changes in legislation all customers became eligible, therefore free to choose supply company. The Company and the Group merged Supply for regulated customers and Supply for eligible customers segments into one segment – Total supply. Therefore the data for the year 2007 for this segment is presented in a different way.

#### Group

	<u>Transmission</u>	<u>Distribution</u>	<u>Supply for regulated customers</u>	<u>Supply for eligible customers</u>	<u>Total supply</u>	<u>Other</u>	<u>Total</u>
<b>2007</b>							
<b>Sales</b>	106,670	134,187			777,811	5,596	1,024,264
<b>Profit (loss) from operations</b>	5,740	12,914			99,498	6,495	124,647

#### 2006

<b>Sales</b>	99,807	126,647	250,162	297,453	547,615	5,510	779,579
<b>Profit (loss) from operations</b>	658	12,527	17,809	30,064	47,873	10,177	71,235

#### Company

	<u>Transmission</u>	<u>Distribution</u>	<u>Supply for regulated customers</u>	<u>Supply for eligible customers</u>	<u>Total supply</u>	<u>Other</u>	<u>Total</u>
<b>2007</b>							
<b>Sales</b>	106,670	134,187			777,811	4,213	1,022,881
<b>Profit (loss) from operations</b>	5,740	12,914			99,498	6,394	124,546

#### 2006

<b>Sales</b>	99,807	126,647	250,162	297,453	547,615	4,249	778,318
<b>Profit (loss) from operations</b>	658	12,527	17,809	30,064	47,873	10,081	71,139

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#### 4 Inventories

	Group		Company	
	31 December 2007 (pre-audited)	31 December 2006 (audited)	31 December 2007 (pre-audited)	31 December 2006 (audited)
Raw materials, spare parts and other inventories	2,367	3,687	2,366	3,686
Goods for resale (including natural gas)	106,904	22,319	106,889	22,300
Inventories, gross	109,271	26,006	109,255	25,986
Less: allowance for inventories	(207)	(749)	(207)	(749)
	<u>109,064</u>	<u>25,257</u>	<u>109,048</u>	<u>25,237</u>

As of 31 December 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 twelve months of 2007.

The cost of inventories participating in the evaluation of impairment amounted to LTL 1,422 thousand at net realizable value as of 31 December 2007 (LTL 2,556 thousand as of 31 December 2006).

#### 5 Disclosure of significant changes

##### 5.1 Income tax

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

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

Income tax expenses:

	Group		Company	
	31 December 2007 (pre-audited)	31 December 2006 (audited)	31 December 2007 (pre-audited)	31 December 2006 (audited)
Current income tax	25,600	28,741	25,566	28,704
Deferred tax	(4,246)	(14,318)	(4,256)	(14,328)
Income tax expenses charged to the income statements	<u>21,354</u>	<u>14,423</u>	<u>21,310</u>	<u>14,376</u>

##### 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 31 December 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 sheets 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 31 December 2007, i.e. the deferred tax expenses in the Income statements were increased and the amount of the deferred tax liabilities in the balance sheets was reduced by LTL 5,470 thousand.

The income from connecting new customers to the Company's natural gas system earned in January through December 2007 was taxed with income tax according to the new accounting principle.

**AB LIETUVOS DUJOS, company code 120059523, Abugonų Str. 24, Vilnius, Lithuania**  
**CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**  
(all amounts are in LTL thousand unless otherwise stated)

**6 Grants (deferred revenue)**

Group and Company	31 December 2007 (pre-audited)			31 December 2006 (audited)		
	Deferred revenue	Grants	Total	Deferred revenue	Grants	Total
Balance at the beginning of the period	50,975	60,126	111,101	27,194	60,803	87,997
Additions per year	25,529	4,094	29,623	24,419	1,360	25,779
Grants receivable for compensation of expenses	-	227	227	-	198	198
Amortisation per year	(1,068)	(2,046)	(3,114)	(638)	(2,034)	(2,672)
Grants used for compensation of expenses	-	(606)	(606)	-	(201)	(201)
Balance at the end of the period	<u>75,436</u>	<u>61,795</u>	<u>137,231</u>	<u>50,975</u>	<u>60,126</u>	<u>111,101</u>

Increase in grants (deferred revenue) in 2007 is mainly influenced by the payments received from the new connections of the customers to the Group's and the Company's natural gas system.

Grants also include non-current tangible assets received free of charge and charged to the income statement in portions on a straight-line basis over the assets' estimated useful life.

**7 Borrowings**

AB Lietuvos Dujos borrowings as of 31 December 2007:

Borrowings (pre-audited)	Current borrowings	Payable after one year but not later than in five years	Payable after five years	Total
Borrowings from Lithuanian credit institutions	10,839	8,576	2,144	21,559
	<u>10,839</u>	<u>8,576</u>	<u>2,144</u>	<u>21,559</u>

In the calculations, official currency exchange rates as of 31 December 2007 set by the Bank of Lithuania are applied: EUR/LTL 3.4528

As of 31 December 2007, weighted average annual interest rate of borrowings outstanding was 5.05 % (4.63 % as of 31 December 2006).

The borrowings outstanding as of 31 December 2007 were denominated in national currency (5.54 %) and in EUR (94.46 %).

**AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania**  
**CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**  
(all amounts are in LTL thousand unless otherwise stated)

## 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	
	31 December 2007 (pre-audited)	31 December 2006 (audited)	31 December 2007 (pre-audited)	31 December 2006 (audited)
Net profit attributable to the shareholders (in LTL thousand)	103,978	57,324	103,766	59,140
Weighted average number of shares in thousand	469,068	469,068	469,068	469,068
Basic earnings per share (in LTL)	0,22	0,12	0,22	0,13

## 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

### Legal disputes related to licence receipt / issue

AB Lietuvos Dujos is a party to a number of legal disputes related to the natural gas distribution licence including the following major ones:

1. UAB Intergas applied to the court with a request to annul the New Consumer Connection Agreement concluded between AB Lietuvos Dujos and UAB Girių Bizonas and to recognise the actions of AB Lietuvos Dujos in relation to the agreement conclusion as illicit. Also, UAB Intergas addressed Vilnius County Administrative Court for annulment of the Decree of the National Control Commission for Prices and Energy (hereinafter, the Commission) No 03-57 of 31 August 2006 on the amendment of the natural gas distribution licence for AB Lietuvos Dujos, according to which the license of natural gas distribution in the municipalities of Marijampolė, district municipalities of Šakiai, Vilkaviškis and Kazlų Rūda was issued to AB Lietuvos Dujos. Both cases mentioned above have been suspended.

Furthermore, UAB Intergas applied to Vilnius Second District Court for recognition of the cancellation of Kazlų Rūda gas pipeline rent agreements between UAB Intergas and UAB Suskystintos Dujos as illegitimate and for obliging the defendant (UAB Suskystintos Dujos) to fulfil the above rent agreements. AB Lietuvos Dujos stands as a third party in this case, because on 13 April 2006 according to a sales-purchase agreement, it acquired the pipelines, the lease of which is under litigation, located in Kazlų Rūda from UAB Suskystintos Dujos. The claim has been rejected.

2. AB Lietuvos Dujos stands as a third party in the case where UAB Intergas contests the Commission Resolution No O3-80 of 16 December 2005 and requests to obligate the Commission to issue a licence to UAB Intergas for gas distribution in the municipality of Kazlų Rūda and the district municipalities of Ignalina, Jurbarkas and Tauragė.

3. AB Lietuvos Dujos stands as a third party in the case where UAB Intergas requests annulment of the building permit for Šakiai-Jurbarkas pipeline. The defendant is Tauragė County Governor's Administration. Requirement security measures were applied in this case: validity of the contested building permit was temporarily suspended and Tauragė County Governor's Administration was forbidden to issue documents on the recognition of the transmission pipeline Šakiai – Jurbarkas as suitable for use during the building licence suspension. As AB Lietuvos Dujos appealed against this ruling, and on 10 September 2007 the court ruling on the requirement security measures was overruled. Currently, this case is suspended.

## 10 Commitments and contingencies (cont'd)

4. Lietuvos Dujos stands as a third party in the case where UAB Intergas requests annulment of a part of the Commission Regulation No 03-53 of 24 July 2007 regarding a permit for AB Lietuvos Dujos to install a natural gas transmission system Šakiai-Tauragė with branches to Jurbarkas and Tauragė M&R Stations. Vilnius County Administrative Court dismissed the claim of UAB Intergas.

5. AB Lietuvos Dujos stands as a third party in the case where UAB Intergas lodged a preventive claim that the Commission and its members should be forbidden to issue a permit for the installation of natural gas transmission systems in Ignalina district and Rietavas.

6. AB Lietuvos Dujos together with Utena County Governor's Administration and Ignalina District Municipality participate in the case where UAB Intergas lodged a preventive claim that design and building work should be forbidden in Ignalina district.

7. Vilnius County Administrative Court has an open case based on an appeal of AB Lietuvos Dujos regarding partial annulment of the Commission Resolution of 7 February 2007, by which the Commission stated that AB Lietuvos Dujos must issue the terms for connection to AB Lietuvos Dujos gas system requested by UAB Intergas.

## 11 Related party transactions

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

The related parties of the Group and the Company and related party transactions in 2007 and 2006 were as follows:

- E.ON Ruhrgas International AG;
- OAO Gazprom ;
- State Property Fund (one of the major shareholders of the Company);
- UAB Palangos Perlas (subsidiary of the Company);
- AS Latvijas Gaze (sister Company, same shareholder)

### 31 December 2007 (pre-audited)

	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	746,676	10,218	-	100,393
UAB Palangos Perlas	106	36	7	-
AS Latvijas Gaze	3,782	-	-	7
	<b>750,564</b>	<b>10,254</b>	<b>7</b>	<b>100,400</b>

### 31 December 2006 (audited)

	Purchases	Sales	Accounts receivable	Accounts payable
OAO Gazprom	501,551	11,106	-	58,031
UAB Palangos Perlas	160	30	4	-
AS Latvijas Gaze	580	-	-	7
	<b>502,291</b>	<b>11,136</b>	<b>4</b>	<b>58,038</b>