

To: Lithuanian Securities Commission

26 05 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 Three Months Ended 31 March 2008 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 Three Months Ended 31 March 2008 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 THREE MONTHS ENDED 31 MARCH 2008
PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU**

AB LIETUVOS DUJOS, company code 120059523, Aguonų Str. 24, Vilnius, Lithuania
CONSOLIDATED AND THE PARENT COMPANY'S CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2008
(all amounts are in LTL thousand unless otherwise stated)

Balance sheets

		Group		Company	
		As of 31 March 2008 (pre-audited)	As of 31 December 2007 (audited)	As of 31 March 2008 (pre-audited)	As of 31 December 2007 (audited)
		ASSETS			
A.	Non-current assets	2,205,275	2,220,673	2,208,754	2,223,695
I.	Intangible assets	3,138	3,487	3,133	3,482
II.	Non-current tangible assets	2,202,062	2,216,707	2,194,809	2,209,401
II.1	Land	183	183	183	183
II.2	Buildings and structures	2,049,004	2,059,625	2,042,191	2,052,776
II.2.1	Buildings	81,780	82,542	74,967	75,693
II.2.2	Transmission networks and related installations	1,302,340	1,313,874	1,302,340	1,313,874
II.2.3	Distribution networks and related installations	655,922	654,101	655,922	654,101
II.2.4	Other buildings and structures	8,962	9,108	8,962	9,108
II.3	Machinery and equipment	82,952	84,839	82,952	84,839
II.4	Vehicles	11,510	12,025	11,484	11,994
II.5	Other equipment, tools and devices	29,727	31,123	29,370	30,754
II.6	Other non-current tangible assets	3,927	3,995	3,927	3,995
II.7	Construction in progress	24,759	24,917	24,702	24,860
III.	Non-current financial assets	75	75	10,812	10,812
III.1	Investments	-	-	10,737	10,737
III.2	Non-current accounts receivable	75	75	75	75
III.3	Other financial assets	-	-	-	-
IV.	Deferred tax assets	-	404	-	-
B.	Current assets	298,175	238,283	294,143	234,231
I.	Inventories and prepayments	33,572	109,388	33,552	109,370
I.1	Inventories	32,755	109,064	32,741	109,048
I.1.1	Raw materials, spare parts and other inventories	2,862	2,160	2,861	2,159
I.1.2	Goods for resale (including natural gas)	29,893	106,904	29,880	106,889
I.2	Prepayments	817	324	811	322
II.	Accounts receivable	119,635	91,579	119,602	91,524
II.1	Trade receivables	118,900	88,380	118,892	88,382
II.2	Other receivables	735	3,199	710	3,142
III.	Other current assets	68,727	3,722	65,000	-
IV.	Cash and cash equivalents	76,241	33,594	75,989	33,337
Total assets		2,503,450	2,458,956	2,502,897	2,457,926

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

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Balance sheets (cont'd)

	Notes	Group		Company	
		As of 31 March	As of 31 December	As of 31 March	As of 31 December
		2008	2007	2008	2007
		(pre-audited)	(audited)	(pre-audited)	(audited)
EQUITY AND LIABILITIES					
C. Equity		1,983,455	1,929,787	1,982,610	1,928,825
I. Share capital		469,068	469,068	469,068	469,068
II. Reserves		1,358,087	1,357,881	1,355,991	1,355,991
II.1 Legal reserves		17,972	17,962	17,795	17,795
II.2 Other reserves		1,340,115	1,339,919	1,338,196	1,338,196
III. Retained earnings		156,300	102,838	157,551	103,766
D. Liabilities		519,995	529,169	520,287	529,101
I. Non-current liabilities		339,804	338,876	340,206	338,876
I.1 Non-current borrowings	7	10,720	10,720	10,720	10,720
I.2 Grants (deferred revenue)		140,621	137,231	140,621	137,231
I.3 Deferred tax liability	6	188,463	190,925	188,865	190,925
II. Current liabilities		180,191	190,293	180,081	190,225
II.1 Current portion of non-current borrowings	7	7,569	10,839	7,569	10,839
II.2 Trade payables		97,579	119,515	97,559	119,498
II.3 Prepayments received		14,500	15,170	14,479	15,152
II.4 Income tax payable		20,287	12,950	20,287	12,950
II.5 Payroll related liabilities		9,605	6,555	9,537	6,524
II.6 Other current liabilities		30,651	25,264	30,650	25,262
Total equity and liabilities		2,503,450	2,458,956	2,502,897	2,457,926

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

General Manager	V. Valentukevičius	26 May 2008
Chief Accountant	Ž. Augutis	26 May 2008

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Income statements

	Notes	Group		Company		
		As of 31 March				
		2008	2007	2008	2007	
		(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)	
I.	Sales	503,943	328,448	503,787	328,297	
II.	Cost of sales	383,679	188,632	383,635	188,585	
III.	Gross profit	120,264	139,816	120,152	139,712	
IV.	Operating expenses	59,674	52,750	59,394	52,519	
V.	Other operating activities income (net)	2,376	1,440	2,376	1,440	
VI.	Profit from operations	62,966	88,506	63,134	88,633	
VII.	Financial and investing activities	738	(1,033)	685	(1,069)	
VII.1	Income	1,031	306	978	270	
VII.2	Expenses	293	1,339	293	1,339	
VIII.	Profit before tax	63,704	87,473	63,819	87,564	
IX.	Income tax	10,036	15,212	10,034	15,209	
IX.1	Current period income tax	12,094	12,142	12,094	12,142	
IX.2	Deferred income tax	(2,058)	3,070	(2,060)	3,067	
X.	Net profit	53,668	72,261	53,785	72,355	
	Basic and diluted earnings per share (LTL)	8	0.11	0.15	0.11	0.15

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

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

	V. Valentukevičius		26 May 2008
	Ž. Augutis		26 May 2008

Statements of changes in equity

Group	Share capital	Legal reserve	Corporate business development reserve	Retained earnings (deficit)	Total
Balance as of 1 January 2007 (audited)	469,068	14,996	1,313,561	58,184	1,855,809
Net profit for the reporting period	-	-	-	72,261	72,261
Balance as of 31 March 2007 (pre-audited)	469,068	14,996	1,313,561	130,445	1,928,070
Transfer to legal reserve	-	2,966	-	(2,966)	-
Transfers to corporate business development reserve	-	-	26,358	(26,358)	-
Dividends declared	-	-	-	(30,000)	(30,000)
Net profit for the year	-	-	-	103,978	103,978
Balance as of 31 December 2007 (audited)	469,068	17,962	1,339,919	102,838	1,929,787
Transfer to legal reserve	-	10	-	(10)	-
Transfers to corporate business development reserve	-	-	196	(196)	-
Net profit for the current period	-	-	-	53,668	53,668
Balance as of 31 March 2008 (pre-audited)	469,068	17,972	1,340,115	156,300	1,983,455

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

General Manager	V. Valentukevičius	26 May 2008
Chief Accountant	Ž. Augutis	26 May 2008

Statements of changes in equity (cont'd)

Company	Share capital	Legal reserve	Corporate business development reserve	Retained earnings (deficit)	Total
Balance as of 1 January 2007 (audited)	469,068	14,838	1,312,013	59,140	1,855,059
Net profit for the reporting period	-	-	-	72,355	72,355
Balance as of 31 March 2007 (pre-audited)	469,068	14,838	1,312,013	131,495	1,927,414
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 for the year	-	-	-	103,766	103,766
Balance as of 31 December 2007 (audited)	469,068	17,795	1,338,196	103,766	1,928,825
Net profit for the current period	-	-	-	53,785	53,785
Balance as of 31 March 2008 (pre-audited)	469,068	17,795	1,338,196	157,551	1,982,610

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

General Manager	V. Valentukevičius	26 May 2008
Chief Accountant	Ž. Augutis	26 May 2008

Cash flows statements

	<u>Group</u>		<u>Company</u>	
	<u>3 months period ended 31 March 2008</u>	<u>3 months period ended 31 March 2007</u>	<u>3 months period ended 31 March 2008</u>	<u>3 months period ended 31 March 2007</u>
	<u>(pre-audited)</u>	<u>(pre-audited)</u>	<u>(pre-audited)</u>	<u>(pre-audited)</u>
I. Cash flows from (to) operating activities				
I.1 Net profit	53.668	72.261	53.785	72.355
Adjustments of non-cash items:				
I.2 Depreciation and amortisation	23.378	23.400	23.314	23.341
I.3 (Gain) loss on non-current tangible assets, doubtful trade accounts receivable and inventories write-off and disposal	(94)	20	(94)	20
I.4 (Reversal of) impairment of non-current tangible assets, financial assets, (reversal of) allowance for doubtful trade accounts receivable and inventories	(133)	57	(133)	57
I.5 Income tax expenses	10.036	15.212	10.034	15.209
I.6 Interest (income)	(660)	(232)	(607)	(196)
I.7 Interest expenses	293	1.339	293	1.339
I.8 Elimination of other financial activity results	(178)	-	(178)	-
I.9 Amortisation of the grants, deferred revenue and other non-cash items	(791)	(879)	(791)	(879)
	85.519	111.178	85.623	111.246
Changes in working capital:				
I.10 (Increase) in inventories	76.342	(520)	76.341	(523)
I.11 (Increase) in trade accounts receivable	(30.730)	(5.395)	(30.719)	(5.406)
I.12 (Increase) decrease in other accounts receivable and prepayments	1.897	(280)	1.869	(363)
I.13 Increase in trade accounts payable	(23.774)	(44.479)	(23.778)	(44.301)
I.14 Increase in other current liabilities	10.984	9.417	10.944	9.397
I.15 Income tax (paid)	(4.757)	(5.492)	(4.757)	(5.476)
	29.962	(46.749)	29.900	(46.672)
Net cash flows from operating activities	115.481	64.429	115.523	64.574
II. Cash flows from (to) investing activities				
II.1 (Acquisitions) of non-current tangible and intangible assets	(6.545)	(13.135)	(6.534)	(13.109)
II.2 Proceeds from sales of non-current tangible assets	425	9	425	9
II.3 (Increase) in term deposits	(65.005)	20	(65.000)	-
II.4 Interest received	660	232	607	196
Net cash flows (to) investing activities	(70.465)	(12.874)	(70.502)	(12.904)

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

Cash flows statements (cont'd)

	Group		Company	
	3 months period ended 31 March 2008	3 months period ended 31 March 2007	3 months period ended 31 March 2008	3 months period ended 31 March 2007
	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)
III. Cash flows from (to) financing activities				
III.1 Dividends (paid)	(7)	(5)	(7)	(5)
III.2 Loans received	-	186,451	-	186,451
III.3 Loans (repaid)	(3,270)	(190,618)	(3,270)	(190,618)
III.4 Grants (received)	1,032	601	1,032	601
III.5 Interest (paid)	(124)	(1,137)	(124)	(1,137)
Net cash flows (to) financing activities	(2,369)	(4,708)	(2,369)	(4,708)
IV. Impact of changes in currency exchange rates on cash balance	-	-	-	-
V. Net increase in cash and cash equivalents	42,647	46,847	42,652	46,962
VI. Cash and cash equivalents at the beginning of the period	33,594	23,559	33,337	23,124
VII. Cash and cash equivalents at the end of the period	76,241	70,406	75,989	70,086

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

General Manager	V. Valentukevičius	26 May 2008
Chief Accountant	Ž. Augutis	26 May 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 March 2008, income statements, cash flows statements and statements of changes in equity for the three months ended 31 March 2008 and 31 March 2007 are not audited. The consolidated and the Company's financial statements for the year ended 31 December 2007 are audited and prepared according to International Financial Reporting Standards (IFRS). For better understanding of the information provided in those financial statements, the consolidated and the Company's condensed financial statements must be read together with the consolidated and the Company's annual financial statements of 2007.

The Company's shares are traded in the Vilnius Stock Exchange. On 1 January 2008 the Company's shares were moved from the Secondary List into the Main List of the Vilnius Stock Exchange.

2 Accounting principles

The Company's and the Group's condensed financial statements as of 31 March 2008 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

The principal accounting policies adopted in preparing the condensed financial statements for the three months period ended as of 31 March 2008 were the same as these used for preparing the financial statements for 2007 according to the IFRS, as adopted in European Union.

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. The Company and the Group merged Supply for regulated customers and Supply for eligible customers segments into one segment – Supply.

Segment information for the periods ended 31 March 2008 and 2007 is presented below:

Group

As of 31 March 2008	Transmission	Distribution	Supply	Other	Total
Sales	38.771	52.247	412.297	628	503.943
Profit from operations	14.296	11.335	35.992	1.343	62.966
As of 31 March 2007					
Sales	31.285	46.998	248.039	2.126	328.448
Profit from operations	8.628	16.275	61.437	2.166	88.506

Company

As of 31 March 2008	Transmission	Distribution	Supply	Other	Total
Sales	38.771	52.247	412.318	451	503.787
Profit from operations	14.296	11.335	35.992	1.511	63.134
As of 31 March 2007					
Sales	31.285	46.998	248.039	1.975	328.297
Profit from operations	8.628	16.275	61.437	2.293	88.633

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4 Inventories

	Group		Company	
	31 March 2008 (pre-audited)	31 December 2007 (pre-audited)	31 March 2008 (pre-audited)	31 December 2007 (pre-audited)
Raw materials, spare parts and other inventories	3,035	2,367	3,034	2,366
Goods for resale (including natural gas)	29,893	106,904	29,880	106,889
Inventories, gross	32,928	109,271	32,914	109,255
Less: allowance for inventories	(173)	(207)	(173)	(207)
	<u>32,755</u>	<u>109,064</u>	<u>32,741</u>	<u>109,048</u>

As of 31 December 2007 the Group's and the Company's balances of the goods for resale decreased significantly due to the lower volumes of natural gas kept in the natural gas storage facility in Latvia.

The cost of inventories participating in the evaluation of impairment amounted to LTL 2,125 thousand at net realizable value as of 31 March 2008 (LTL 1,422 thousand as of 31 December 2007). Changes in the allowance for inventories in the 1st quarter of 2008 and 2007 were included into operating expenses.

5 Other current assets

The other current assets of the Group and the Company as of 31 March 2008 total 68,727 thousand LTL and 65,000 thousand LTL (3,722 thousand LTL and 0 LTL as of 31 December 2007). During the 1st quarter of 2008 the Group's and the Company's balances of the other current assets increased significantly due to the new agreements for term deposits.

6 Income tax

6.1 Deferred income tax

Since that the Group's deferred income tax asset and deferred income tax liability are calculated in compliance with the requirements set by the same tax authority and that the deferred income tax asset will be realized and the liability will be covered at approximately the same time in the future, the deferred income tax asset and deferred income tax liability are netted.

The calculations of the net book value of the deferred income tax liability as of 31 March 2008 are presented below:

Group	31 March 2008 (pre-audited)
Deferred tax asset	402
Deferred tax liability	(188.865)
Less: deferred tax asset netted with deferred tax liability	402
Deferred tax liability, net	<u>(188.463)</u>

6.2 Income tax expenses

To calculate the income tax for the three months of 2008, including deferred tax, the 15 % rate was applied compared with the 3% social tax rate applied in addition to the valid 15 % rate when calculating the income tax for the three months of 2007.

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6 Income tax (cont'd)

6.2 Income tax expenses (cont'd)

The income tax expenses for the three months ended 31 March 2008 and 31 March 2007, evaluating the change in the deferred tax assets and liability, are provided below:

	Group		Company	
	31 March	31 March	31 March	31 March
	2008	2007	2008	2007
	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)
Income tax expenses:				
Current income tax	12,094	12,142	12,094	12,142
Deferred tax	(2,058)	3,070	(2,060)	3,067
Income tax expenses charged to the income statements	10,036	15,212	10,034	15,209

7 Borrowings

AB Lietuvos Dujos borrowings as of 31 March 2008:

Borrowings (pre-audited)	Borrowings and 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	7,569	8,576	2,144	18,289
	7,569	8,576	2,144	18,289

In the calculations, official currency exchange rates as of 31 March 2008 set by the Bank of Lithuania are applied: EUR/LTL 3.4528

As of 31 March 2008, weighted average annual interest rate of borrowings outstanding was 5.22 % (5.05% as of 31 December 2007). The borrowings outstanding as of 31 March 2008 were denominated in national currency (2.33 %) and in EUR (97.67 %).

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 March	31 March	31 March	31 March
	2008	2007	2008	2007
	(pre-audited)	(pre-audited)	(pre-audited)	(pre-audited)
Net profit attributable to the shareholders (in LTL thousand)	53,668	72,261	53,785	72,355
Weighted average number of shares in thousand	469,068	469,068	469,068	469,068
Basic earnings per share (in LTL)	0.11	0.15	0.11	0.15

9 Dividends

During the regular general shareholders' meeting on 16 April 2008, when approving the Company's 2007 profit and loss appropriation, the decision was made to pay to shareholders dividends for the year 2007 in the amount of LTL 50 million (LTL 0.114 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 the court of law 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. Vilnius County Administrative Court has rejected the claim.

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.

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. UAB Intergas went to an appeal court.

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. UAB Intergas has made a withdrawal of the lawsuit.

6. 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. A court of the first instance adjudged that the Commission had justly obligated AB Lietuvos dujos to issue terms for the connection to two of the four connection points requested by UAB Intergas. AB Lietuvos dujos has lodged an appeal.

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 the first quarter of the year 2008 and 2007 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)

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11 Related party transactions (cont'd)

31 March 2008 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OA0 Gazprom	307,352	3,008	969	90,145
UAB Palangos Perlas	15	21	7	1
AS Latvijas Gaze	3,527	-	-	1,772
	<u>310,894</u>	<u>3,029</u>	<u>976</u>	<u>91,918</u>

31 March 2007 (pre-audited)	Purchases	Sales	Accounts receivable	Accounts payable
OA0 Gazprom	188,995	3,222	-	5,295
UAB Palangos Perlas	33	14	5	10
AS Latvijas Gaze	1,317	-	-	1,296
	<u>190,345</u>	<u>3,236</u>	<u>5</u>	<u>6,601</u>