



CONSOLIDATED INTERIM REPORT FOR THE FIRST HALF OF 2008

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

**VILNIUS
2008**

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1. Reporting period for which the report has been prepared

The first half of 2008.

2. Main data about the Issuer

Name of the Issuer:	AB Lietuvos Dujos (hereinafter referred to as "the Company")
Legal and organisational form:	joint-stock company
Date and place of registration:	23 November 1990, Register of Legal Persons of the Republic of Lithuania
Company code:	120059523
Administrator of the Register of Legal Persons:	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

- Since 1 January, the Company's shares have been listed on the Main List of the Vilnius Stock Exchange (hereinafter referred to as "the VSE").
- Since 1 January, the new natural gas tariffs have been applicable to the Company customers. The rise in gas prices was caused by the increase in the price of natural gas imports and non-balanced changes in the legal base of the natural gas sector.
- Since 1 January, the Company has changed its organisational management structure according to the requirements set in the EU legal acts regarding the unbundling of the Company's transmission, distribution and supply activities.
- On 16 April, a regular general meeting of shareholders of the Company took place at which the shareholders approved the proposal of the Board of Directors to pay out dividends totalling LTL 50 million, i.e. LTL 0.11 per share, for the results achieved in Financial Year 2007.
- On 16 April, having regard to the requests of the members of the Board of Directors, Stephan Kamphues and Dr. Eike Benke resigned from their positions and Dr. Achim Saul and Marcus A. Soehrich were elected as new members of the Board of Directors. Dr. Achim Saul was elected Chairman of the Board of Directors.

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. Implementing the provisions of the new Licensing Regulations for Natural Gas Transmission, Distribution, Storage, Liquefaction and Supply approved by Resolution No. 1304 of the Government of the Republic of Lithuania dated 5 December 2007, the licences for the activities of natural gas transmission, distribution and supply, which were previously issued to the Company by the NCCPE, were amended and supplemented in 2008. According to the data of 30 June 2008, the Company had the licences for natural gas transmission in 10 counties and the licences for natural gas distribution in 40 out of 60 Lithuanian municipalities.

Natural gas prices. The Company imports natural gas from the Russian-based OAO Gazprom. Since the beginning of 2008, the price of natural gas has depended on the prices of heavy fuel oil with a sulphur content of 1% and diesel fuel (gasoil 0.2) on the European 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. During the reporting period, the prices of heavy fuel oil and diesel fuel (gasoil 0.2) have been rapidly growing on the markets. In the future, natural gas prices will be determined by the changing trends in the prices of these petroleum products and currency exchange rate fluctuations as well.

When the new Law on Natural Gas came into effect in 2007, natural gas transmission and distribution service tariffs and the natural gas supply prices for customers became regulated. The price caps are set for a five-year regulation term and are adjusted on an annual basis according to changes in the rate of inflation, taxes, gas consumption volumes, requirements of the legal acts, or in case gas companies have exceeded the set rates.

From 1 July 2007 all natural gas consumers became eligible customers and could choose a gas supplier. From 1 January 2008 all non-household customers of the Company pay for natural gas supplied to them a negotiated price of natural gas which depended on the prices of heavy fuel oil with a sulphur content of 1% and diesel fuel (gasoil 0.2) on the European market, on the currencies exchange rate fluctuations and on the average net calorific value of gas. Household customers pay for consumed natural gas based upon the prices set by the Company for a one-year period and approved by the NCCPE.

The new natural gas transmission and distribution service tariffs and the natural gas prices for household customers became applicable on 1 January 2008. Seeking to mitigate the rise in the natural gas price for household customers, the variable charge (the component of the natural gas price) was reduced for all household customers under the decision of the Board of Directors adopted on 23 January 2008. The gas price per cubic metre dropped 7 cents.

Information on the natural gas prices is available on the Company website at www.dujos.lt.

Market. In Half 1 of 2008, 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 2008 made up 1.8 billion m³.

In Half 1 of 2008, there were eight companies supplying natural gas to customers of Lithuania: the Company, AB Joniškio Energija, UAB Druskininkų Dujos and AB Agrofirma Josvainiai supplied natural gas to household and non-household customers, whereas UAB Dujotekana and UAB Haupas supplied natural gas only to non-household customers; UAB Kauno Termofikacijos Elektrinė imported natural gas for own needs, and AB Achema imported natural gas for own needs and supplied it to its group companies.

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

The main risk factors related to the Company's activities:

- The impact of a significant rise in the gas import price on consumption.
- Changes in the legal regulation of the Company's activities.
- Competition in the natural gas and alternative fuels (energy) sectors.
- Litigation and arbitration proceedings (information is provided in the Condensed Consolidated Financial Statements and the Company's Financial Statements for six months ended 30 June 2008).
- Credit risk, as the gas import price has significantly increased and the country's economic growth forecasts are worsening.
- Technical-technological risk factors.

6. Litigation and arbitration

Information on litigation and arbitration is presented in the Condensed Consolidated Financial Statements and the Company's Financial Statements for six months ended 30 June 2008.

7. Financial performance

Group's key financial indicators

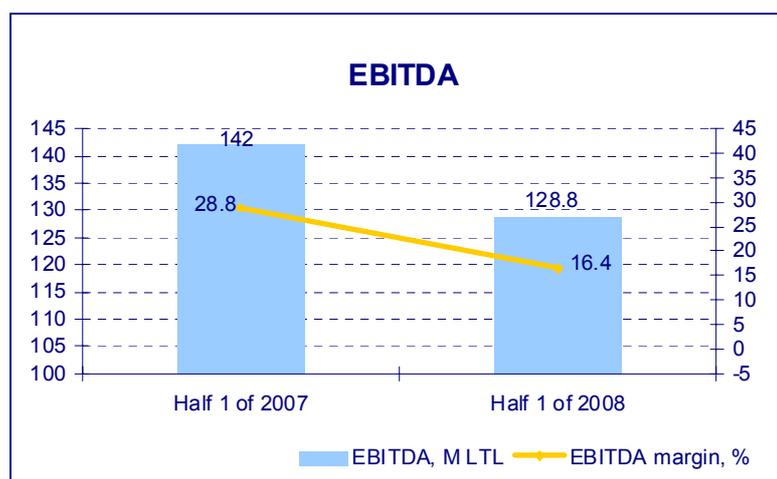
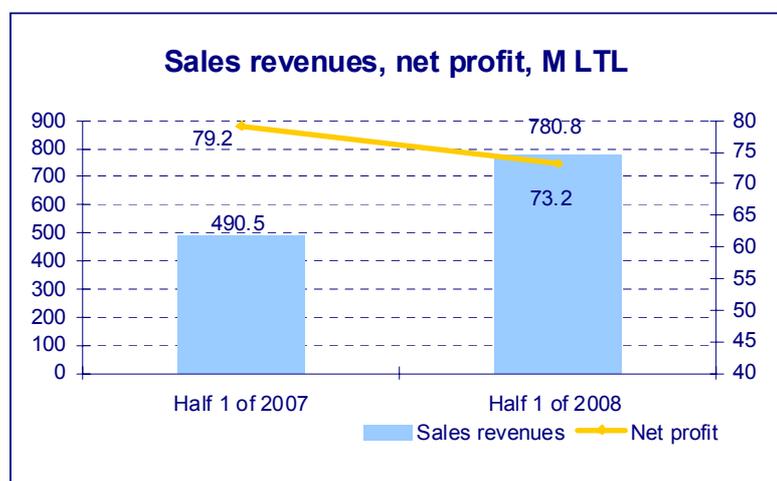
	30 June 2008	30 June 2007	31 Dec 2007
Financial results			
Sales, M LTL	780.8	490.5	1,024.3
Earnings before interest, tax, depreciation and amortisation (EBITDA), M LTL	128.8	142.0	219.2
Profit before taxes, M LTL	81.9	95.1	124.6
Net profit, M LTL	84.5	94.8	125.3
Investments, M LTL	27.0	36.1	118.4
Assets at the end of period, M LTL	2,424.3	2,355.9	2,459.0
Equity at the end of period, M LTL	1,953.0	1,905.0	1,929.8
Profitability ratios			
EBITDA margin, %	16.4	28.8	21.2
Profit from operations margin, %	10.4	19.3	12.1
Profit before tax margin, %	10.8	19.2	12.2
Net profit margin, %	9.3	16.1	10.1
Average return-on-assets ratio (ROA), %	3.0	3.4	4.4
Average return-on-equity ratio (ROE), %	3.8	4.2	5.5

Leverage			
Debt to equity ratio, %	24.1	23.7	27.4
Debt ratio, %	19.4	19.1	21.5
Market ratios			
Price-earnings ratio (P/E)	16.88	20.94	16.05
Basic earnings per share, LTL	0.16	0.17	0.22
Dividends per share for the current year, LTL	–	–	0.11

The Company prepared Consolidated Financial Statements for six months ended 30 June 2008, 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.

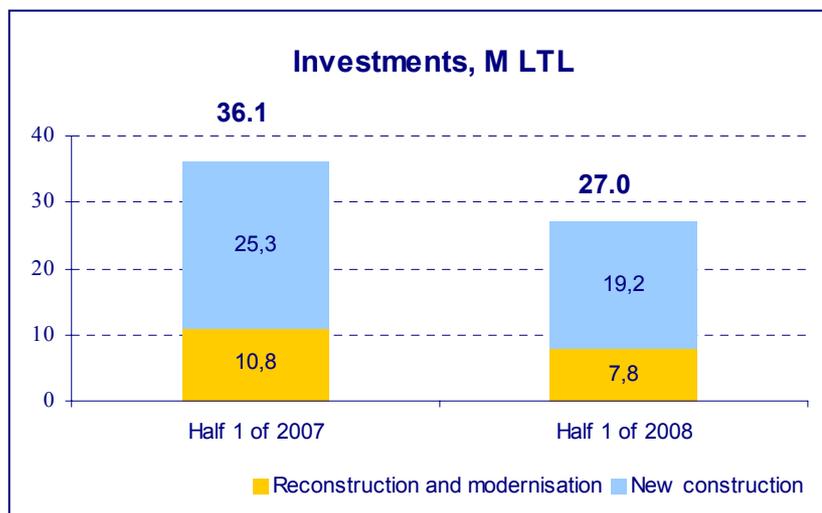
In Half 1 of 2008, the sales revenue of the Group amounted to LTL 780.8 million, an increase of 59.2% y/y (LTL 490.5 million). The highest growth was reported in the revenue from gas supply, an increase of 74.3%. The main reason for the revenue growth was the significantly higher natural gas import price. Natural gas acquisition costs account for more than 80% in the Company’s expense structure. The rise in the natural gas import price was determined by the growth of prices of oil and petroleum products on the global markets.

In Half 1 of 2008, the consolidated unaudited profit before tax amounted to LTL 84.5 million (LTL 94.8 million for Half I of 2007), whereas net profit totalled LTL 73.2 million (LTL 79.2 million for the same period last year). The main reason behind the drop in profits is the poorer results of the supply activity. A loss was incurred in the activity of gas supply to household customers. Due to business specifics and seasonal factors, the results for the first half of a year are usually much better than those of the remaining period.



Investments. In Half 1 of 2008, the Group invested LTL 27 million in the development of gas systems as well as reconstruction and modernization of its non-current assets (LTL 36.1 million in Half 1 of 2007).

Investments in the construction of new gas systems totalled LTL 19.2 million (LTL 25.3 million in Half 1 of 2007). Investments in the reconstruction and modernisation of the non-current assets amounted to LTL 7.8 million (LTL 10.8 million in Half 1 of 2007).



For more information on the financial results of the Group, see the Condensed Consolidated Financial Statements and the Company's Financial Statements for six months ended 30 June 2008.

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 2008 the natural gas volumes transmitted to customers of Lithuania via the transmission system of the Company will remain at the same level as in 2007. It is projected that in 2008 the natural gas volume sales to customers will decrease by 5.8%, compared to 2007. In 2008, the Company plans to connect approximately 5.6 thousand new customers to the natural gas grid. It is planned that in 2008, the residents of Rietavas will start using natural gas.

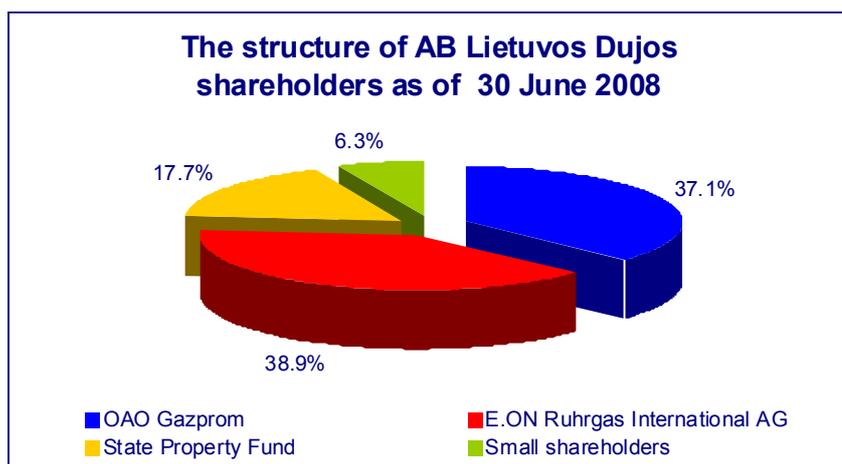
Every year the Company invests significant amounts in the construction of new systems for the connection of new customers and in the technological renovation of its assets. Following the corrections in the implementation of investment projects, the amount of investments scheduled for 2008 was reduced to approx. LTL 170 million. In 2007, the investments totalled LTL 118.4 million.

The year 2008 will see the construction of a gas compressor station in Jauniūnai, district of Širvintos, which will allow for the transportation of additional gas volumes to customers and enhancement of the safety and reliability of the supply following the decommissioning of the Igalina NPP. In addition, it will be possible to transport higher gas volumes to the District of Kaliningrad. The construction of the gas compressor station is scheduled for completion in 2010.

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 authorised 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. The Company's shares are fully paid up. In Half 1 of 2008, the value of the authorised capital and the structure of shareholders did not change.



As of 30 June 2008, the total number of shareholders stood at 2,129.

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 (privatisation) 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 (privatisation) agreements and the shareholders' agreements.

There exists one important arrangement in which the Company 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.

On 1 January 2008, the Company changed its organizational management structure according to the requirements of the EU legal acts regarding the unbundling of gas transmission, distribution and supply activities.

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.

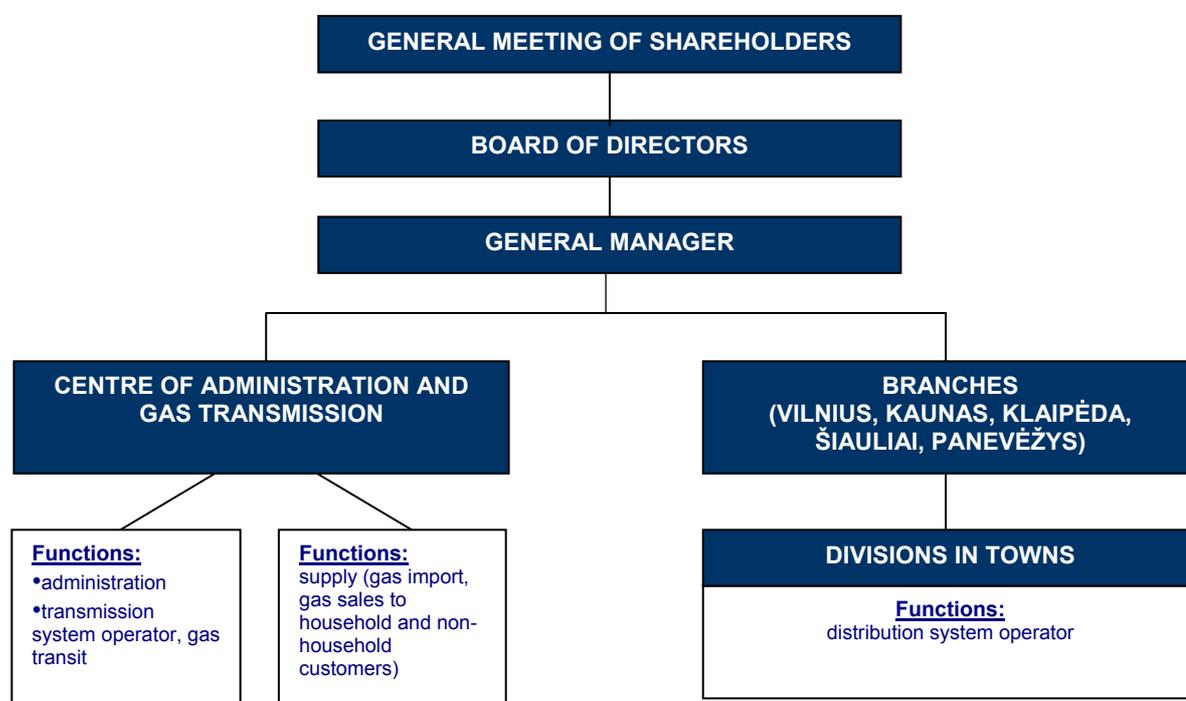
The Bylaws of the Company provide for a possibility of amending them by a decision of a general meeting of shareholders taken by a majority vote that shall be not less than 2/3 of all the votes carried by the shares held by the shareholders attending the general meeting of shareholders.

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.

Organisational Management Structure (since 1 January 2008)



Composition of the Board of Directors from 18 April 2007 to 16 April 2008:

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 – 16 April 2008
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 – 16 April 2008
4.	Vladas Kazimieras Gagilas	“	18 April 2007 – 18 April 2010
5.	Kirill Seleznev	“	18 April 2007 – 18 April 2010

Composition of the Board of Directors from 16 April 2008:

No.	Full name	Position title	Start and end of term
Members of the Board of Directors:			
1.	Dr. Achim Saul	Chairman of the Board of Directors	16 April 2008 – 18 April 2010
2.	Dr. Valery Golubev	Deputy Chairman of the Board of Directors	18 April 2007 – 18 April 2010
3.	Vladas Kazimieras Gagilas	Member of the Board of Directors	18 April 2007 – 18 April 2010
4.	Kirill Seleznev	“	18 April 2007 – 18 April 2010
5.	Marcus A. Soehrich	“	16 April 2008 – 18 April 2010

In Half 1 of 2008, tantiemes totalling LTL 79,000 were disbursed to the members of the Board of Directors, LTL 15,800 per member of the Board of Directors in average. Other payouts to the members of the Board of Directors totalled LTL 158,900, i.e. LTL 31,800 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	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 (from 1 January, 2008: Deputy General Manager – Chief Financial Officer)	19 April 2007 – 18 April 2010

*appointed General Manager on 28 June 2002.

**appointed Chief Finance Officer on 1 January 2004.

In Half 1 of 2008, payments related to employment relations and payments from the profit to the members of the Administration of the Company totalled LTL 1.25 million, i.e. LTL 250,000 per employee on average.

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

Full name	Position title	Participation in the Issuer's capital	
		Share of the authorised capital held, %	Share of votes, %
Board of Directors (as of 30 June 2008)			
Dr. Achim Saul	Chairman of the Board of Directors	-	-
Dr. Valery Golubev	Deputy Chairman of the Board of Directors	-	-

Vladas Kazimieras Gagilas	Member of the Board of Directors	-	-
Kirill Seleznev	“	-	-
Marcus A. Soehrich	“	-	-
Administration (as of 30 June 2008)			
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	Deputy General Manager – Chief Financial Officer	-	-

10. Subsidiary

As of 30 June 2008, the Company had one subsidiary, UAB Palangos Perlas.

Main data about UAB Palangos Perlas

Date and place of registration:	19 January 1998, Register of Legal Persons of the Republic of Lithuania
Company code:	152681177
Registered office:	Gintaro str. 36, LT-00133 Palanga, Lithuania
Telephone number:	+370 460 52441
E-mail address:	zydroji_liepsna@is.lt

100% of UAB Palangos Perlas shares are held by AB Lietuvos Dujos. The authorised 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. In Half 1 of 2008, the average number of employees was 30.

In Half 1 of 2008, due to the seasonal nature of its activities UAB Palangos Perlas incurred a loss of LTL 100,000 (a loss of LTL 36,000 in Half 1 of 2007).

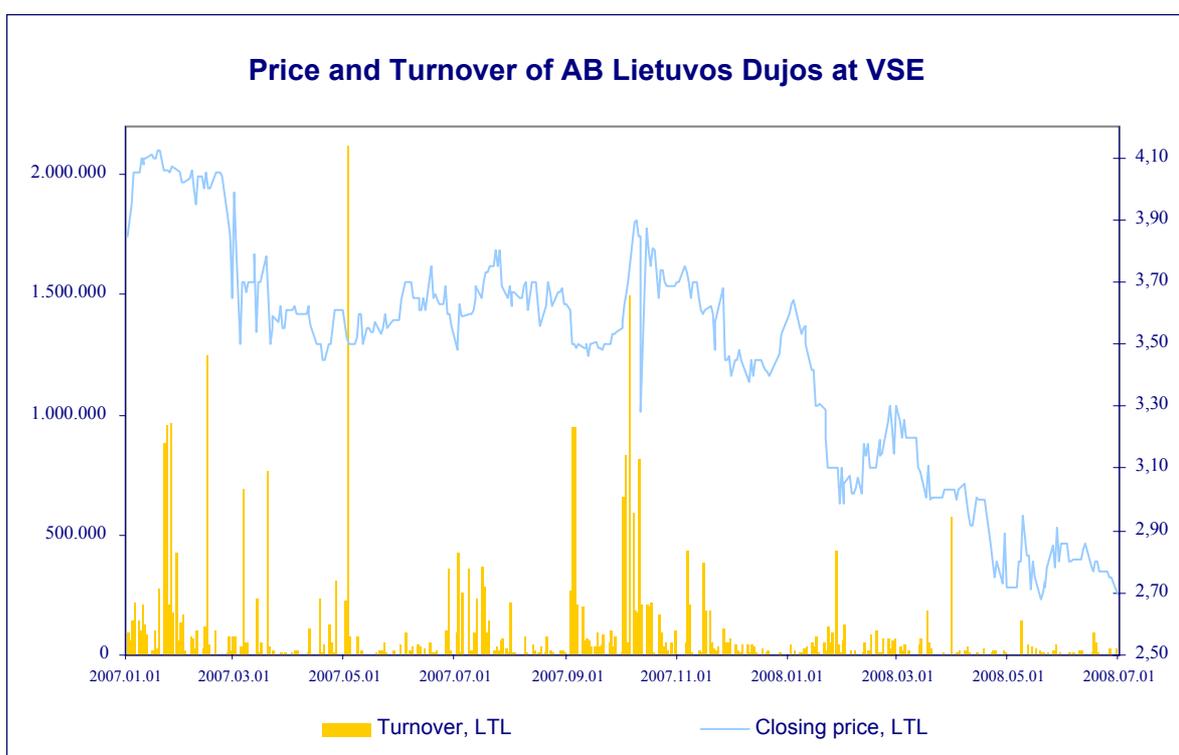
11. Data about trading in the Issuer's securities on the regulated markets

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 global stock exchange operator NASDAQ OMX.

As of 30 June 2008, on the VSE Main 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 2008, the capitalization of the Company's ordinary registered shares amounted to LTL 1,266.5 million. In Half 1 of 2008, the total turnover trade in the Company's stocks at the VSE stood at LTL 3.9 million, and 1,269,389 units of the shares were traded based on transactions concluded.

Share price dynamics in Half 1 of 2008 at VSE	
Price per share as of 31 December 2007	LTL 3.53
Highest price per share in Half 1 of 2008	LTL 3.64
Lowest price per share in Half 1 of 2008	LTL 2.68
Price per share as of 30 June 2008	LTL 2.70



The Company has not acquired its own shares and in Half 1 of 2008 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 2007, dividends in amount of LTL 50 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

Core business activity of the Company:

- **transmission:** transmission of natural gas via gas transmission pipelines (the Company is the operator of the natural gas transmission system of Lithuania responsible for the safe operation of the system and its development);
- **distribution:** distribution of natural gas via gas distribution pipelines;
- **supply:** gas imports and sales to customers.

In Half 1 of 2008, via the transmission system, 1,796.6 M m³ of natural gas were transmitted (a drop of 3.7% y/y).

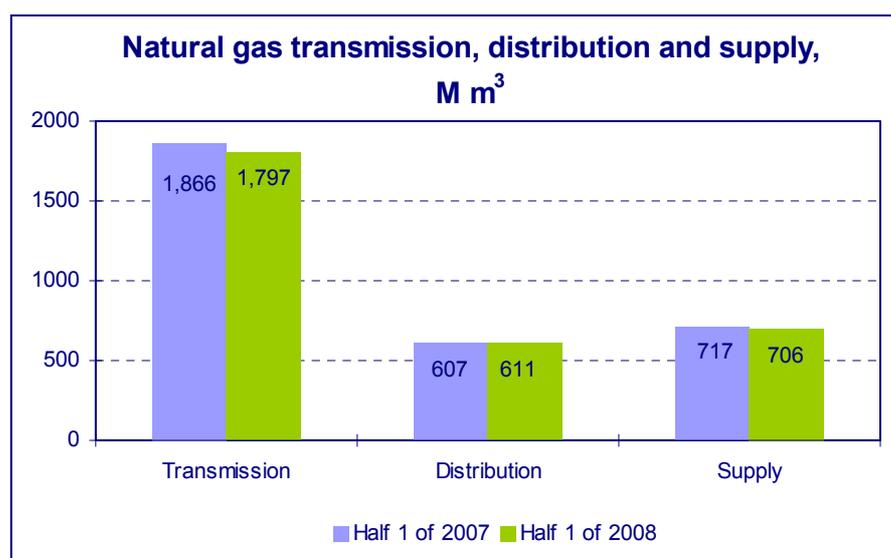
In Half 1 of 2008, natural gas transmission on transit to the District of Kaliningrad of the Russian Federation stood at 657.8 M m³. Compared to the respective period in 2007, there was a rise of 4.7%.

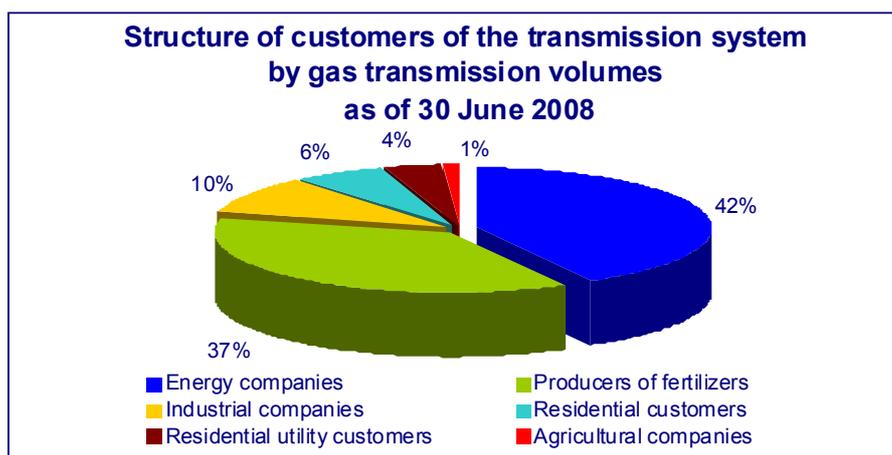
In Half 1 of 2008, the Company distributed 611.1 M m³ of natural gas (a rise of 0.7 % y/y).

In Half 1 of 2008, the Company purchased natural gas from one supplier, OAO Gazprom. Within the framework of the implementation of the requirements of Resolution No. 163 “On the Approval of the Description of the Measures Ensuring the Safety of Natural Gas Supply” of 26 February 2007 of the Government of the Republic of Lithuania, the Company keeps a certain volume of natural gas for household customers in the Incukalns Underground Gas Storage Facility (the Republic of Latvia) from 2008. In the event of breakdowns or emergencies in 2008, this accumulated volume would ensure uninterrupted gas supplies for 10 days.

In Half 1 of 2008, the Company supplied to customers 706 M m³ of natural gas, of which 599.2 M m³ was supplied to non-household customers and 106.8 M m³ to household customers. In comparison with Half 1 of 2007, the gas volume sales decreased by 1.6 %.

As of 30 June 2008, the Company sells natural gas to 544.2 thousand customers in the energy, industry, small and medium business and household sectors.





14. Personnel

Average number of the Group's employees on the roll

Year	Average number of employees on the roll	Change compared to previous year
2007	1,813	-0.8%*
Half 1 of 2008	1,814	0,1%**

*compared to 2006

**compared to 2007

Breakdown of the Group's employees by educational background

Average number of employees in 2007	Of this total, educational background:			
	University	College	Secondary	Unfinished secondary
1,813	695	467	600	51
100%	38.3%	25.8%	33.1	2.8%
Average number of employees in Half 1 of 2008	Of this total, educational background:			
	University	College	Secondary	Unfinished secondary
1,814	720	473	575	46
100%	39.7%	26.1%	31.7%	2.5%

Average monthly salary by employee groups (of the Group), in LTL

Employees	Average number of employees on the roll in 2007	Average monthly salary, LTL
Managing staff and specialists	1,076	3,027
Workers	737	1,934
Total:	1,813	2,582
Employees	Average number of employees on the roll in Half 1 of 2008	Average monthly salary, LTL
Managing staff and specialists	1,110	3,309
Workers	704	2,226
Total:	1,814	2,890

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.

Seeking to implement the Company's strategy in a more effective way and to enhance employee motivation, the employee activity management system has been developed and is being implemented at the Company.

The Company places major focus on the creation of appropriate working conditions for its employees and ensuring the salary corresponding to the market conditions and social guarantees.

A lot of attention was paid to employee training and enhancement of professional qualifications. In Half 1 of 2008, part of the training courses was financed from the EU Structural Funds. The plans are to seek to obtain EU assistance for employee training for 2009-2013.

15. Membership in associated structures

The Company is a member of the following organisations:

- The Lithuanian Gas Association. Website: www.dua.lt.
- 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 six months ended 30 June 2008.

17. Information on the observance of the Code of Governance

The Company basically continues observing the provisions of the Code of Governance, which was approved by the Board of Directors on 2 April 2008.