



**THE 2006 CONSOLIDATED
ANNUAL REPORT**

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MAJOR DEVELOPMENTS OF THE YEAR

- On January 1, new prices of natural gas for regulated customers came into effect. The change in the prices was brought about by the natural gas import price increase.
- In May, Vilnius hosted the General Assembly of the Baltic Gas and a joint Baltic Gas/BASREC/Eurogas Conference the organization whereof was entrusted to AB Lietuvos Dujos (hereinafter LD, the Company). The Conference was attended by the EU Energy Commissioner Andris Piebalgs.
- In June, LD participated in the World Natural Gas Conference and Exhibition held in the Netherlands.
- On July 1, new natural gas transmission and distribution tariffs and new prices of natural gas for the regulated customers came into effect.
- In August, a new settlement procedure for household customers of natural gas introducing AB Lietuvos Dujos payment books.
- In September, the town of Kazlų Rūda was connected to the national natural gas grid.
- In October, a large-scale investment project “Gas Transmission Pipeline Šiauliai – Kuršėnai (Line 2)” was finalized and a gas metering station was constructed on the gas pipeline branch to the town of Mažeikiai.
- November saw the completion of Stage 1 of the works for the construction of a natural gas supply infrastructure for the towns of Švenčionėliai and Švenčionys which included the construction of the gas transmission pipeline branches, gas distribution station and gas distribution pipeline in Švenčionėliai.
- The Board of Directors at its Meeting held in December decided not to raise natural gas tariffs for the household customers from 1 January 2007.

NATURAL GAS BUSINESS ENVIRONMENT

Licensing

The Law on Natural Gas prescribes 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 NCCPE). On 18 December 2001, the Company was granted the licence for the activities of natural gas transmission and distribution and on 16 May 2002 LD was granted the licence for the supply of natural gas. The aforementioned licences are open-ended.

Natural gas prices

LD imports natural gas from the Russian-based OAO Gazprom. The price of natural gas depends on the price of heavy – fuel oil on the international market, on the currency exchange rate fluctuations and on the average net calorific value of gas. Due to these factors in 2006 there has been an increase in the natural gas import price.

The price caps of natural gas transmission and distribution services and the caps of natural gas prices for the regulated customers are fixed by the NCCPE in accordance with the Methodology for Calculating the Natural Gas Price Caps approved on 29 April 2005. Hence fixed caps of prices stay in force for a three-year regulation term.

The price caps are adjusted on the annual basis considering the inflation, the efficiency rates set by the NCCPE, changes in the gas consumption volumes and any other developments beyond the Company's control.

LD decided not to increase the natural gas prices for the most sensitive segment of customers, i.e. residential consumers from 1 January 2007. The aforementioned decision was made based on the assumption that in Half 1 of 2007 there will not be any dramatic changes in the oil and gas markets and following the successful achievement of the respective agreement with the supplier, i.e. OAO Gazprom.

These factors also preconditioned of the lower than projected natural gas prices for the eligible customers.

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

Law on Natural Gas

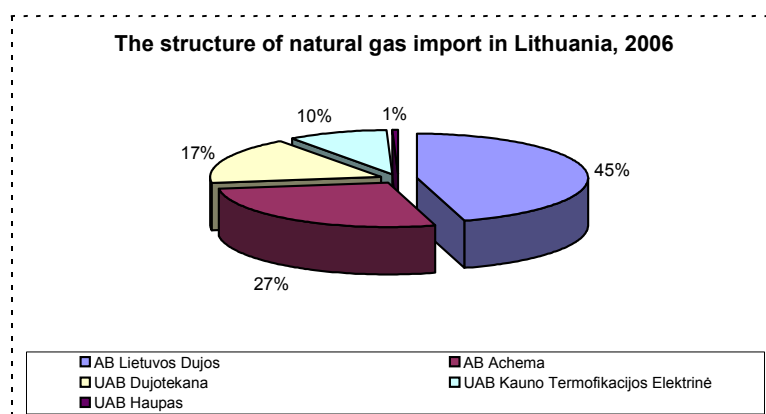
The law to amend the existing Law on Natural Gas initiated already in 2004 and aimed at transposing the provisions of the EU Directive 2003/55/EC concerning common rules for the internal market in natural gas and other legislation regulating the market of natural gas to the legislative framework of the Republic of Lithuania was not adopted by the Seimas of the Republic of Lithuania in 2006, either.

Regulations

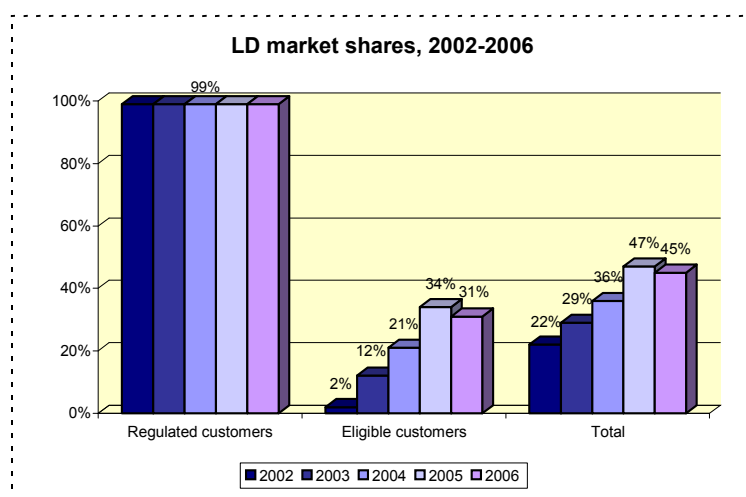
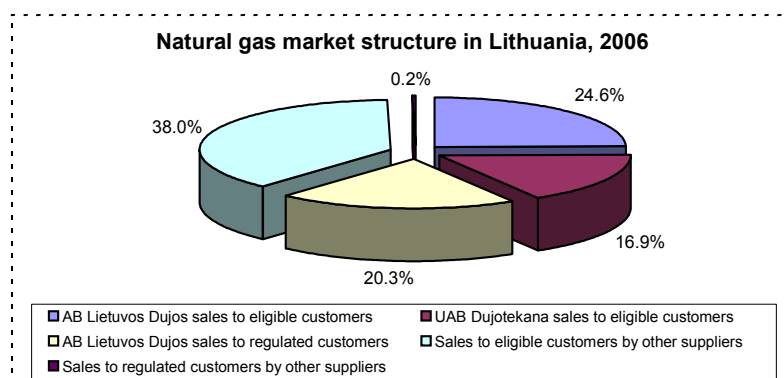
Under Order No.4-171 of the Minister of Economy of the Republic of Lithuania of 18 May 2006, the restriction on the application of item 143 of the Rules on the Transmission, Distribution, Storage and Supply of Natural Gas, whereby heat supply utilities were granted billing privileges in for the delivery of natural gas, was repealed. Hence, as of 1 July 2006, all customers shall be billed for the delivery of natural gas based on the volume of natural gas at each particular point of delivery.

Market

In 2006, there were five companies importing f natural gas to Lithuania: AB Lietuvos Dujos, AB Achema, UAB Dujotekana, UAB Kauno Termofikacijos Elektrinė and UAB Haupas. The total volume of natural gas imported to Lithuania in 2006 made up 3.1 billion m³.



In 2006, there were eight companies supplying natural gas to customers of Lithuania: AB Lietuvos Dujos (to the eligible and the regulated customers), AB Achema (for own needs and to group companies), UAB Dujotekana (to the eligible customers), UAB Kauno Termofikacijos Elektrinė (for own needs) and UAB Haupas (to the eligible customers), AB Jonišio Energija (to the regulated customers), AB Agrofirma Josvainiai (to the regulated customers) and UAB Druskininkų Dujos (to the regulated customers).



GROUP FINANCIAL PERFORMANCE

Group key financial indicators

	2006	2005	Change, %
Financial results			
Sales, M LTL	779.6	596.5	30.7
Earnings before interest, tax, depreciation and amortisation (EBITDA), M LTL	167.7	134.1	25.1
Profit before taxes, M LTL	71.7	42.0	70.7
Net profit, M LTL	57.3	37.8	51.6
Investments, M LTL	122.8	187.7	-34.6
Assets at the end of period, M LTL	2,303.1	2,248.0	2.5
Equity at the end of period, M LTL	1,855.8	1,828.5	1.5

Profitability ratios			
EBITDA margin, %	21.2	22.2	
Profit before tax margin, %	9.1	7.0	
Net profit margin, %	7.3	6.3	
Average return-on-assets ratio (ROA), %	2.5	1.7	
Average return-on-equity ratio (ROE), %	3.1	2.1	
Leverage			
Debt to equity ratio, %	24.1	22.9	
Debt ratio, %	19.4	18.7	
Market ratios			
Price-earnings ratio (P/E)	31.75	49.25	
Basic earnings per share, LTL	0.12	0.08	50.0
Dividends per share for the current year, LTL	0.06*	0.06	-

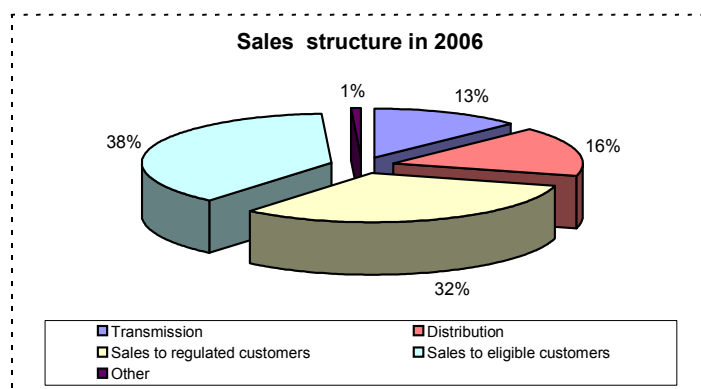
* proposed for approval by General Meeting of Shareholders

In 2006, the Company prepared consolidated financial statements 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.

Core activities

In 2006, the sales of the Group hit the record, it increased from 596.5 M LTL to 779.6 M LTL thus exceeding the sales in 2005 by 30.7 %. The major share of sales (99.3%) is represented by the revenue from gas transmission, distribution and supply to the eligible and the regulated customers. The prices of gas transmission, distribution and supply to the regulated customers are subject to regulation.

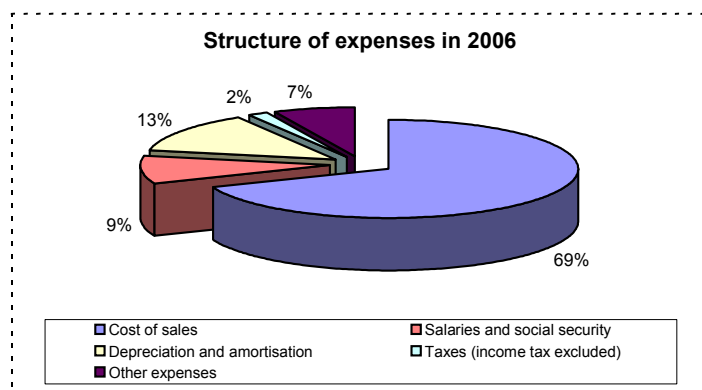
The revenue from the sales of gas to the regulated and the eligible customers increased from 385.3 M LTL to 547.7 M LTL, or by 42.1%. This increase was brought about largely by the increase in natural gas import price from 2006. The rise in the natural gas import price was determined by the growth of prices of alternative fuels, in particular heavy fuel oil on the global markets. The revenue from transmission and distribution services increased from 206.1 M LTL to 226.4 M LTL, i.e. by 9.8 %.



The cost of sales increased from 340.5 M LTL to 495.5 M LTL, or by 45.5 %. In 2006 and 2005, the major share in the structure of sales cost (99.9 %) was represented by gas purchase expenses.

In 2006, LD operating expenses amounted to 223.0 M LTL and in comparison with 2005 increased by 10.2 M LTL, or by 4.8 %. The major share of expenses (43 %) was represented by depreciation expenses. The increase in the depreciation expenses by 4.1 M LTL was preconditioned by the increase in the scope of investment in 2005 and 2006.

The structure of the Group business expenses (cost of sales and operating expenses) is presented below:



The Company is continuously increasing the efficiency of its business activities. In comparison with 2002 that marked the start of Company privatization, the volume of natural gas transmitted per employee increased by 66.6%, the length of gas pipelines under operation per employee increased by 46.0% and the number of customers per employee increased by 33.6%.

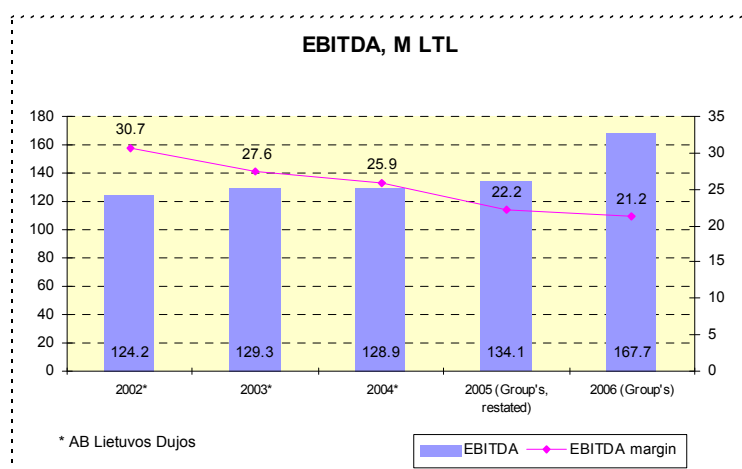
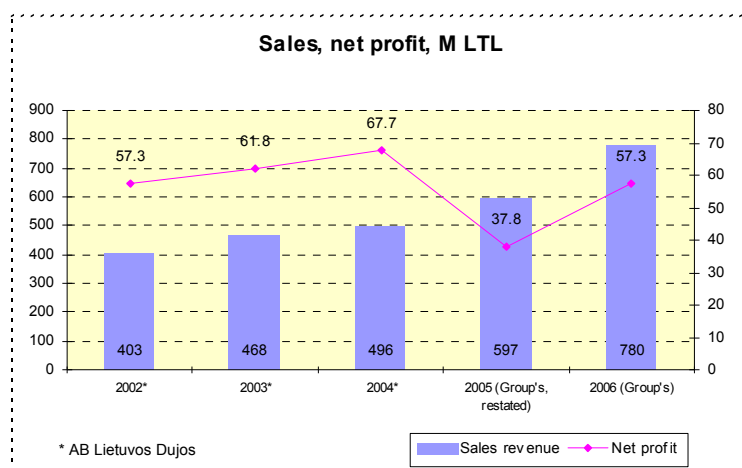
Financial, investment and other activities

A considerable positive change in the results of the financial and investment activities of the Group achieved in 2006, if compared with the year 2005, was mainly preconditioned by favourable changes in the currency exchange rates. Better financial results of other operating activities were achieved largely due to the increased gain from the disposal of the redundant non-current tangible assets no longer used in the Group activities.

Results of activities

In 2006, the Group earnings before interest, taxes, depreciation and amortisation (EBITDA), compared with the year 2005, increased by 33.6 M LTL and made up 167.7 M LTL. The profit before taxes amounted to 71.7 M LTL (cf. with 42.0 M LTL in 2005). The net profit increased by 19.5 M LTL and made up 57.3 M LTL (cf. with 37.8 M LTL in 2005).

In 2006, the accounting policy regarding accounting of the new customers' fees received for the connection to the Company's gas system was changed. The financial result for 2005 was adjusted accordingly. Detailed comments are presented in the financial statements for 2006.



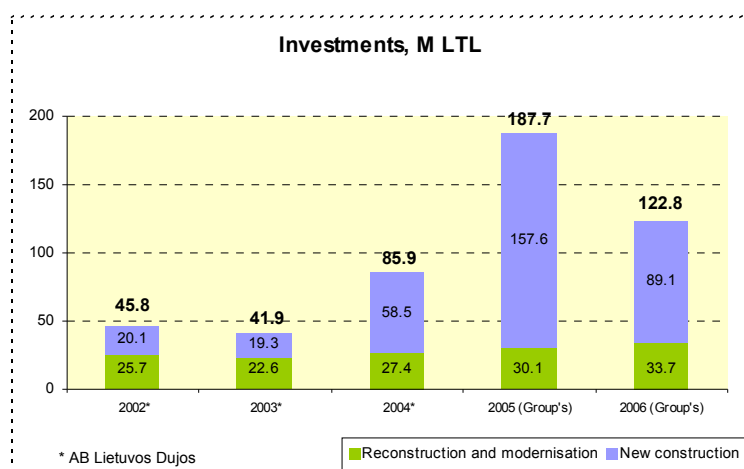
However, certain issues concerning the gas price regulation still remain unresolved, which has a negative effect upon the financial results of the Group. Within the regulated business of gas supply activity, the NCCPE in its tariff calculations assumes only a minimum for profit before taxes (< 1 M LTL) that is calculated based only on the operating expenses. Therefore, even though the Company assumes full risk of supplying with gas over 540 thousand customers, it is prevented from earning even the minimum profit margin from the gas import price. Since the NCCPE does not take into account part of the depreciation expenses of the non-current assets, the Company incurs losses from the regulated activities of gas transmission. The results are also worsened by the fact that the NCCPE when setting the regulated tariffs, fixes the profit before taxes indicator re and not the net profit indicator as is the case with other similar utilities operating in the sector energy sector.

Investments

In 2006, the Group invested 122.8 M LTL in the development of gas systems as well as reconstruction and modernisation of its non-current assets (cf. with 187.7 M LTL in 2005 when the Company carried out projects of a larger scale).

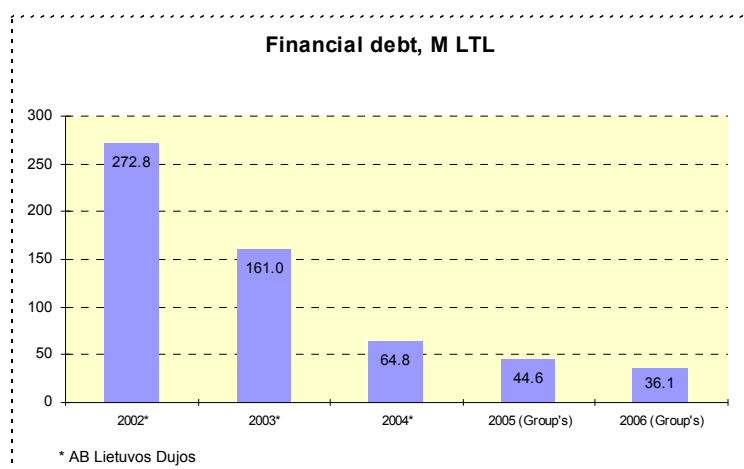
Investments in the construction of new gas systems totalled 89.1 M LTL (cf. with 157.6 M LTL in 2005). In comparison with the previous years, the investments in the construction of new gas distribution systems were considerably higher.

Investments in the reconstruction and modernisation of the non-current assets amounted to 33.7 M LTL (cf. with 30.1 M LTL in 2005). The increase was basically due to the higher investments in the reconstruction of gas distribution stations.



Financial debt

As of 31 December 2006, the financial debt of the Group made up 36.1 M LTL and was by 8.5 M LTL lower than the debt as of 31 December 2005.



Balance structure

Assets

Over the year 2006, the value of the assets owned by the Group increased by 55.1 M LTL, i.e. from 2 248.0 M LTL to 2 303.1 M LTL. The major share of the assets (95.5 %) was represented by the non-current assets that over the year 2006 grew in value

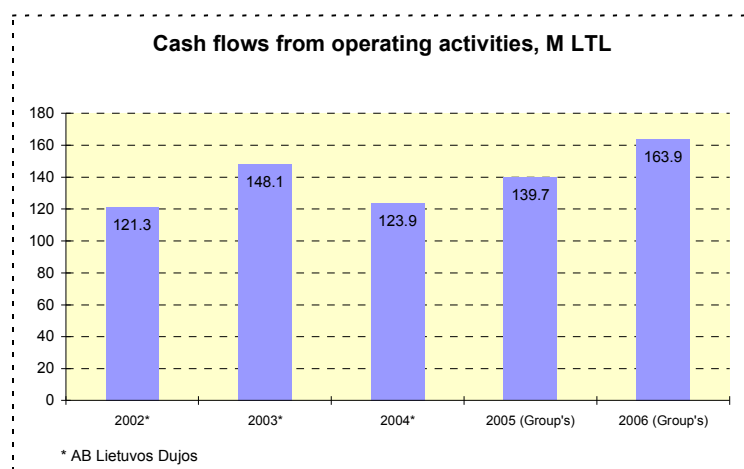
by 23.4 M LTL and made up 2 198.8 M LTL. The increase was basically due to the investments in the expansion and reconstruction of gas systems. The major share of the non-current assets (89.0 %) was made up of transmission and distribution networks and related installations. The major share of current assets (48.9 %) was represented by trade receivables.

Equity and liabilities

Over the year 2006 the value of the Group equity increased by 27.3 M LTL, i.e. from 1828.5 to 1 855.8 M LTL. The major share of the liabilities (68.5 %) was represented by grants (deferred revenue) and deferred taxes.

Cash flows

Over the year 2006, the cash flows of the Group from its operating activities increased by 24.2 M LTL, or by 17.3 %, and made up 163.9 M LTL (cf. with 139.7 M LTL in 2005).



COMPANY BUSINESS PLANS AND PROJECTIONS

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

As part of the implementation of the National Energy Strategy, in 2007, the Company plans to construct the gas transmission pipeline section Šakiai – Jurbarkas. This will be the first strategically important stage of the construction of the gas transmission pipeline Šakiai – Klaipėda. This construction project aims at enhancing the reliability of natural gas supply to the Lithuanian consumers and, at the same time, at creating the preconditions for the introduction of gas supply to Tauragė, Šilutė, Šilalė, Pagėgiai and Priekulė.

It is anticipated that in 2007 residents of Jurbarkas, Kalvarijos and Kulautuva will start using gas.

Exceptional attention will be paid to the transposition of European Union legislation to the legal framework of the Republic of Lithuania and to the issue of the legal unbundling of the transmission, distribution and supply activities of the Company. The uncertainty concerning the final version of the provisions of the draft Law on Natural Gas that has been deliberated already for four years already impedes the implementation of the aforementioned legal unbundling of activities and prevents the Company from making even short-term projections of its activity results.

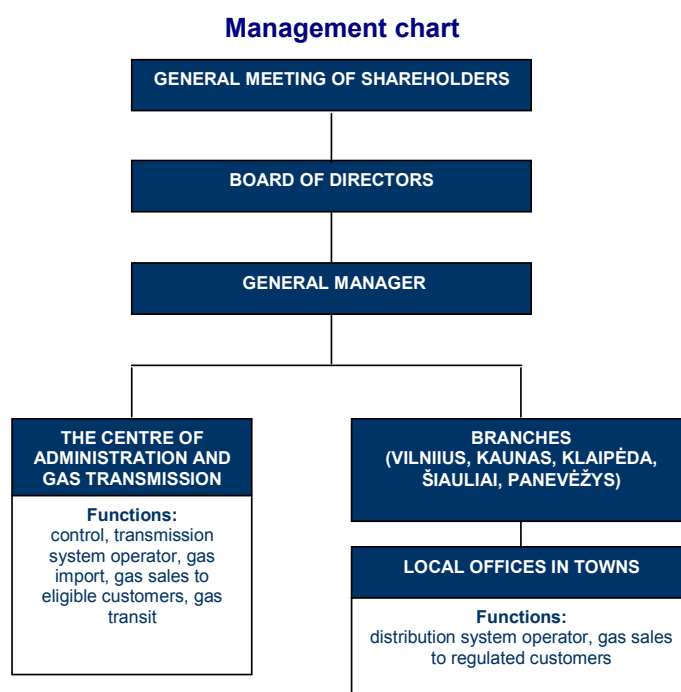
In 2007, the Company plans to enhance its productivity through the implementation of new information technologies and business management systems as well as through the employee training and improvement of the staff incentive system.

MANAGEMENT OF THE COMPANY

Management of the Company

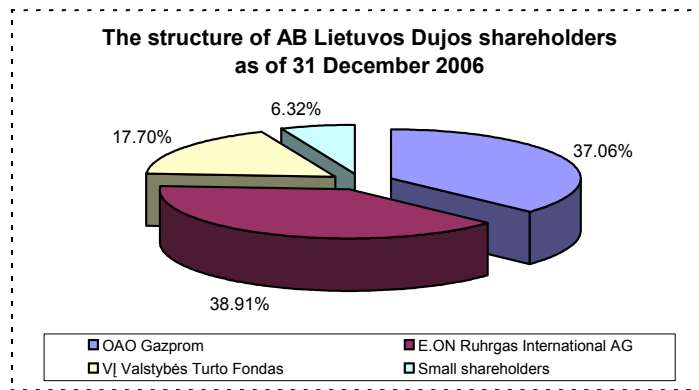
AB Lietuvos Dujos is a vertically integrated company.

LD has five branches operating in different regions of Lithuania: Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys that have their respective local divisions in smaller towns.



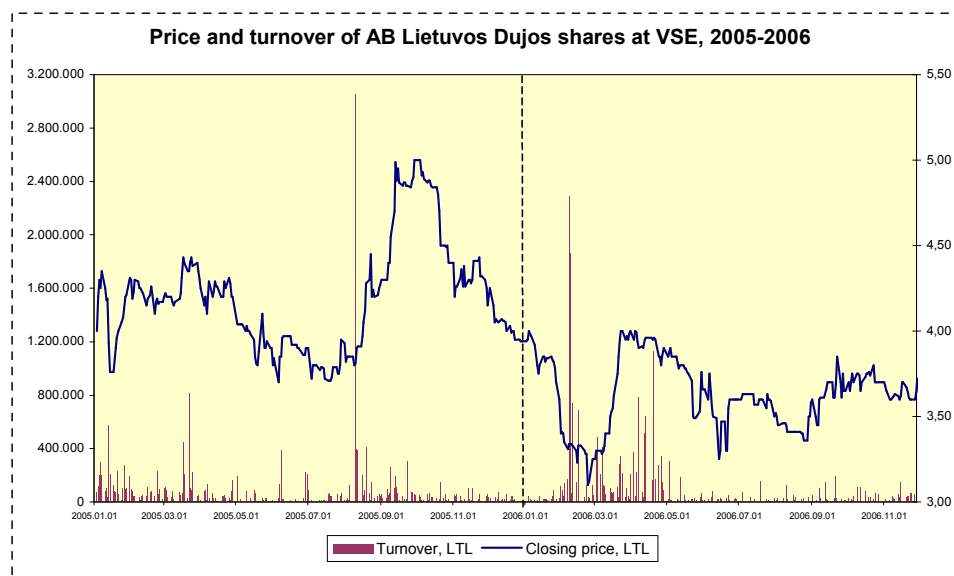
LD shareholders and shares

The authorized capital of AB Lietuvos Dujos amounts to 469,068,254 LTL and is divided into 469 068 254 fully paid ordinary registered shares with par value of 1 (one) LTL each. Over the year 2006, the value of the authorised capital as well as the structure of shareholders did not change.



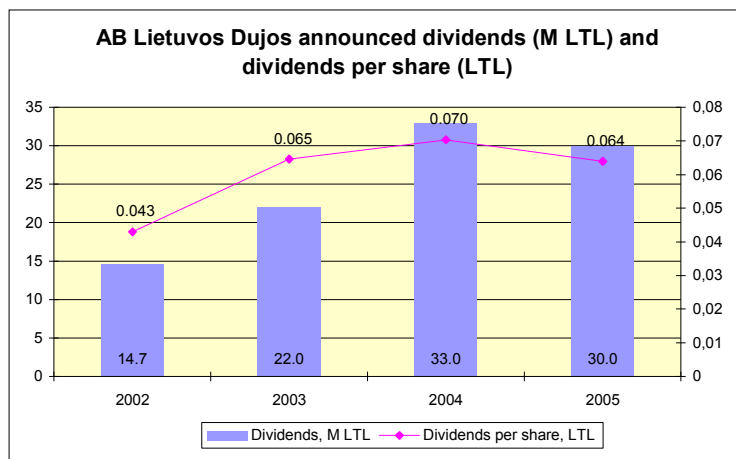
AB Lietuvos Dujos shares are traded and they are on the I-list of AB Vilniaus Vertybinių Popierių Birža (hereinafter “Vilnius Stock Exchange”, VSE) which belongs to the largest stock exchange operator in North Europe OMX. As of 31 December 2006, AB Lietuvos Dujos capitalization stood at 1787.15 M LTL. Over the year 2006, the turnover of trade in AB Lietuvos Dujos stocks at the VSE increased by 14.3 % and reached the amount of 21.37 M LTL. 5 964 387 units of shares were traded based on transactions concluded (cf. with 4 554 062 shares in 2005).

Share price dynamics at VSE, 2006	
Price per share at the end of 2005	3.94 LTL
Highest price per share during 2006	4.00 LTL
Lowest price per share during 2006	3.10 LTL
Price per share at the end of 2006	3.81 LTL



The Company has not acquired its own shares and in 2006 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 for the payment of dividends. The total value of dividends paid for the results achieved in the financial year 2005 amounted to 30 M LTL.



Subsidiary

UAB Palangos Perlas is a subsidiary of AB Lietuvos dujos subsidiary. 100 % of UAB Palangos Perlas shares are held by AB Lietuvos Dujos. The authorized capital of UAB Palangos Perlas is divided into 9 703 763 ordinary registered shares with par value of 1 (one) LTL each. This subsidiary owns the Žydroji Liepsna hotel in Palanga, a rest house Vilnis in Pervalka and a resort complex Žydroji Liepsna in Šventoji. The main areas of company activities are associated with hotel and other board and lodging services as well as with the organization of seminars and conferences. The company employs 28 persons.

In 2006, UAB Palangos Perlas earned 0.2 M LTL of net profit (cf. with 2.9 M LTL in 2005).

Lithuanian natural gas transmission and distribution systems



- Gas transmission pipelines
- Largest gas distribution pipelines
- Compressor station
- ▲ Gas metering stations
- ▲ Gas metering station constructed in 2006
- Gas distribution stations constructed in 2006
- Gas transmission pipelines and largest gas distribution pipelines constructed in 2006
- - - Gas transmission pipelines planned to be constructed in 2007-2010
- Towns connected to natural gas system
- Towns planned to be connected to natural gas system in 2007-2010

The infrastructure operated by LD

Gas transmission pipelines	Gas distribution pipelines	Gas distribution stations	Gas metering stations	Gas compressor station
1.8 thou km	7.2 thou km	63	3	1

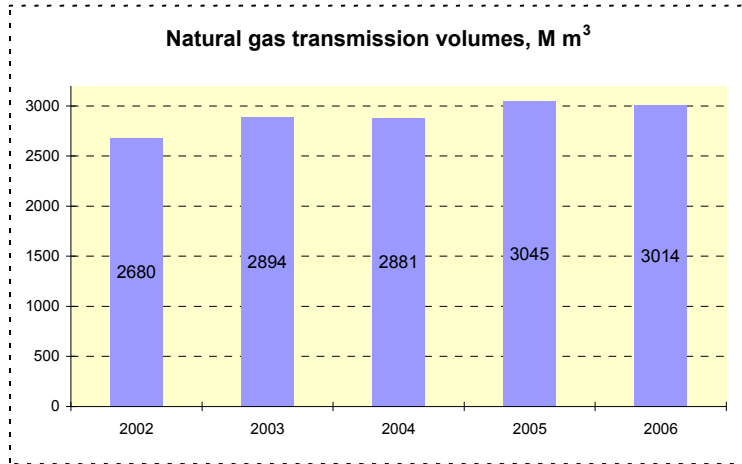
AB LIETUVOS DUJOS CORE ACTIVITIES

AB Lietuvos Dujos business activities:

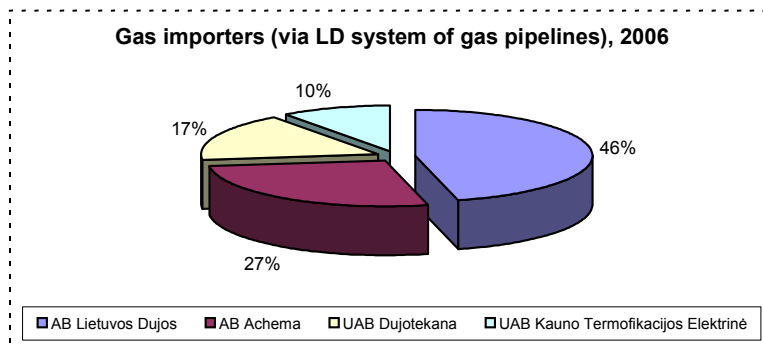
- transmission,
- distribution,
- supply of gas to the eligible and the regulated customers ,
- provision of services associated with the use of natural gas.

NATURAL GAS TRANSMISSION

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

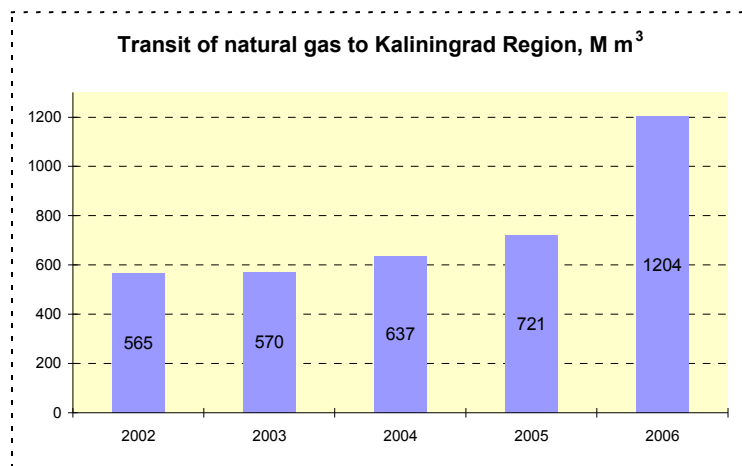


In 2006, 3,013.9 M m³ of natural gas were transported via the transmission system, (by 1.1 % less than in 2005), including 1,653.3 M m³ of gas transported to consumers who purchase gas from other suppliers.



Transit

In 2006, 1,203.5 M m³ of natural gas were transported on transit to the Kaliningrad Region of the Russian Federation. In comparison with 2005, the transit volumes increased by 66.9 %.



Investments in the transmission system

In 2006, investments in the construction of new gas transmission systems amounted to 43.3 M LTL constructed in all, 33.5 km of gas transmission pipelines, 1 gas metering station and 2 gas distribution stations (hereinafter GDS) were constructed. With the view to increasing the capacity of the gas transmission pipeline Šauliai – Klaipėda and introducing of gas to the town of Mažeikiai, the strategically important Line 2 of the gas transmission pipeline Šauliai – Kuršėnai was constructed with a gas metering station on the gas pipeline branch to Mažeikiai. In Panevėžys a new gas distribution station was constructed to increase the reliability of city gas system operation and enable the connection of a new cogeneration power plant installed by AB Panevėžio Energija. A gas transmission pipeline branch and a gas distribution station were constructed in the vicinity of Švenčionėliai. The design of the gas transmission pipeline Šakiai – Jurbarkas – Tauragė was started.

The investments in the reconstruction the transmission systems amounted to 13.8 M LTL. The amount of 11.1 M LTL was invested into the reconstruction of five GDSs, of them two were replaced by new container-type stations. 43 GDSs of the existing 63 now meet up-to-date requirements. The reconstruction of the remaining 20 GDSs is planned to be completed within the period of the coming 5-6 years.

Operation and maintenance of the transmission system

The year 2006 marks the completion of the repair works on the gas transmission pipeline Ivacevičiai – Vilnius – Riga section from Panevėžys up to the border with Latvia (the repairs were started back in 1999). Thus we managed to ensure the reliability of gas transportation given the increase in the gas flows through the border metering station in Kiemėnai.

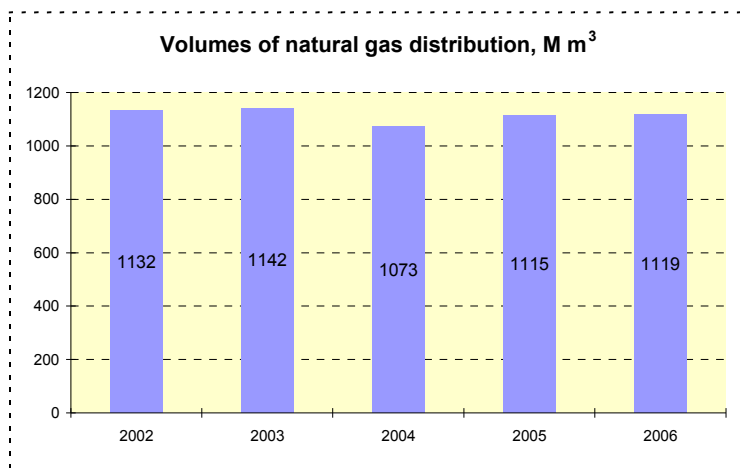
On the gas transmission pipeline Minskas – Vilnius known for its largest diameter in Lithuania we installed a Line Block Valve Site. With the reduction of the distance between the Line Block Valves achieved the compliance with the requirements of design standard regulations. The Lithuanian contractors managed to successfully carry out the works, (undertaken for the first time in the history of the Company) on installing Line Block Valves of such a diameter.

We completed the complex repairs of the technological lines of the Jonava gas distribution station aimed at improving the reliability of natural gas supply to the largest user of LD system, AB Achema.

NATURAL GAS DISTRIBUTION

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

In 2006, the volumes of gas distributed by the Company distributed gas made up 1,119.0 M m³ which was by 0.3 % higher than in 2005.



Investments in the distribution system

In 2006, the Company invested 45.8 M LTL into the construction of new gas distribution systems, constructed 243.8 km of new distribution pipelines and connected 5.1 thousand new consumers. Three large-scale investment projects in Panevėžys, Švenčionėliai and Kazlų Rūda were implemented. With the view to ensuring the reliability of the gas distribution system of the town of Panevėžys, we constructed 5.6 km of distribution networks. Within the framework of introducing gas supply to the town of Švenčionėliai, we constructed a distribution pipeline (length 13.3 km). For the purpose of introducing gas supply to Kazlų Rūda, we laid a distribution pipeline Marijampolė – Kazlų Rūda (length 27 km) and introduced gas supply to UAB Girių Bizonas, a large company manufacturing timber products.

In 2006, our investments in the reconstruction of gas distribution systems totalled 7.6 M LTL including 3.9 M LTL allocated for the reconstruction of gas pipelines. In the cities of Kaunas and Vilnius 15.8 km of gas pipelines were reconstructed by inserting PE pipes inside the existing worn out steel pipelines.

Operation and maintenance of the distribution system

With the view of achieving reliable and safe operation of the gas distribution system, the Company is implementing a complex of technical and organizational measures.

The gas pipelines are periodically subjected to leakage tests performed using high sensitivity gas detectors and special devices enabling the identification of insulation defects on steel pipelines. For ensuring additional protection of steel gas pipelines against the corrosion, cathodic protection equipment is used.

The reliable functioning of pressure regulation equipment is ensured through the implementation of technical testing system. The system is supplemented by the means of telemetry.

The repair programs are planned and implemented on the basis of the defects established and the state of gas system identified when carrying out the routine technical maintenance tasks.

The buy back of gas pipelines

Pursuant to Order No 201 of the Minister of Economy, dated 20 June 2001, the Company continues the process of buying back the natural gas systems of common use belonging to other legal and natural persons. In 2006, we concluded 26 purchase-sales agreements and bought back 25.8 km of distribution systems at prices approved by the NCCPE. Since the very start of the process of buying back the systems, LD has already received and registered 337 requests regarding the buy-back of the common use systems (total length 391.9 km). In all, 263.9 km of gas pipelines have already been bought back.

Through the buy back of gas pipelines the Company seeks to ensure the integrity of the gas system, its safe and reliable operation and further development by connecting new consumers.

NATURAL GAS SUPPLY

Supply of natural gas means the delivery and/or sales of gas to consumers.

In 2006, LD purchased natural gas from OAO Gazprom and UAB Dujotekana.

Within the framework of implementing the National Strategy of Energy and for the purpose of ensuring safe and uninterrupted supply of natural gas to consumers, AB Lietuvos Dujos keeps a certain volume of gas in the Incukalns (the Republic of Latvia) Underground Gas Storage Facility.

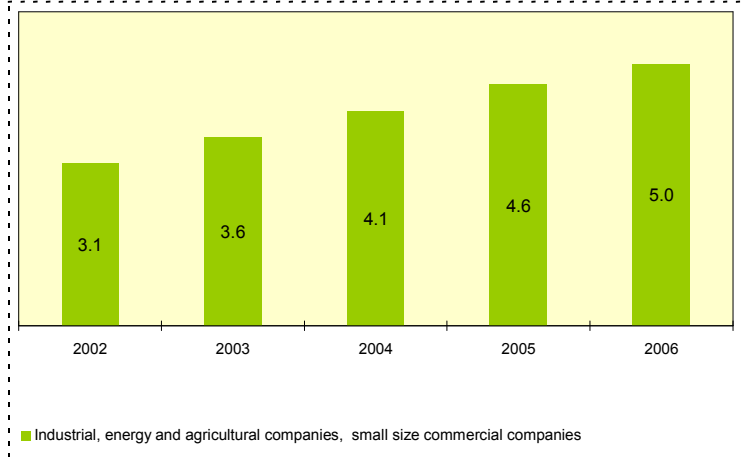
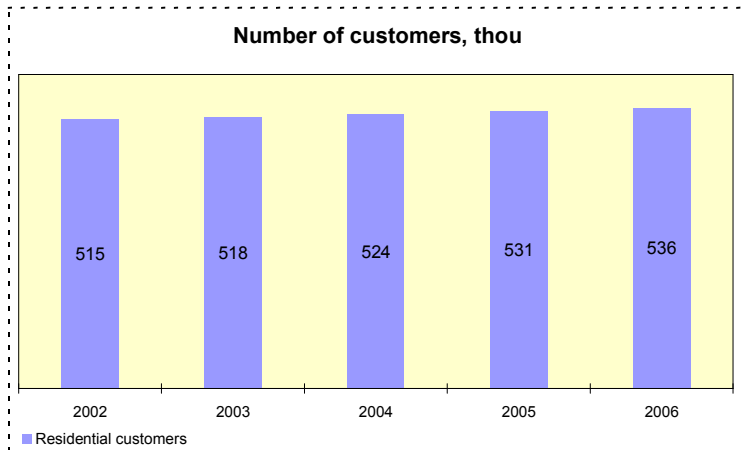
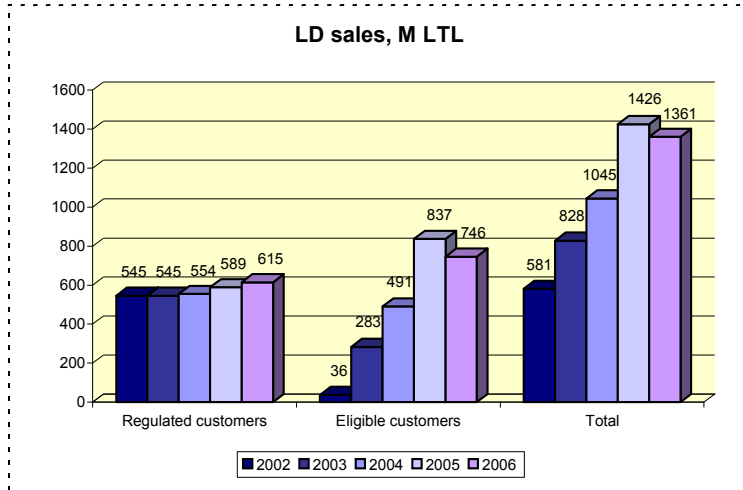
Customers

All natural gas customers are divided into the eligible and the regulated ones. The eligible customers are entitled to select the suppliers at their own discretion and buy natural gas at negotiated market prices, whereas the supply of gas at a fixed price to the regulated customers is the responsibility of the licensed distribution Company operating on that particular territory.

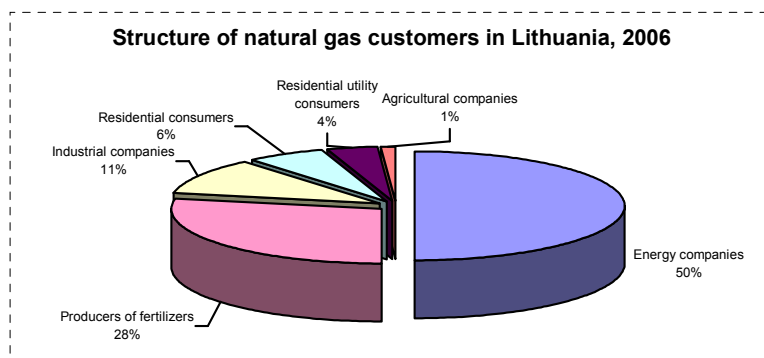
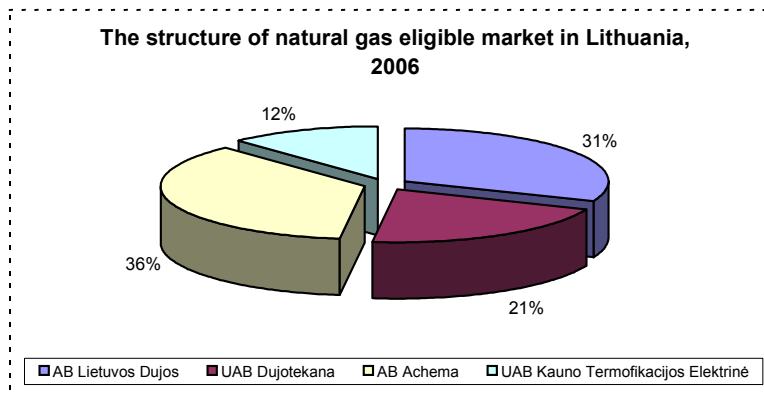
In 2006, the total volume of natural gas supplied by LD to its customers amounted to 1,360.6 M m³, of which 745.6 M m³ were supplied to 18 eligible customers and 615.0

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M m³ were supplied to 540.7 thousand regulated ones. In comparison with the year 2005, the gas sales volumes decreased by 4.6 %.



Besides LD, UAB Dujotekana was also engaged in the sales of natural gas to the eligible customers. Two eligible customers, AB Achema and UAB Kauno Termofikacijos Elektrinė purchased natural gas on the basis of long-term agreements directly from OAO Gazprom. Now nearly 50 % of the eligible consumers purchase natural gas by concluding direct agreements.



New settlement procedure for residents

With the view of improving the system of accounting and settlements, LD has established a new settlement procedure for residential customers in effect as of 1 July 2006. The Company has issued a new separate AB Lietuvos Dujos payment book. This project is aimed at introduction of a uniform customers accounting system, accomplishment of the customer database and achievement of a more effective cooperation with those financial intermediaries who are accepting payments. The new payment books are delivered to customers upon signing new gas purchase-sales agreements. The project is supposed to be finalized by 1 July 1 2007.

STAFF

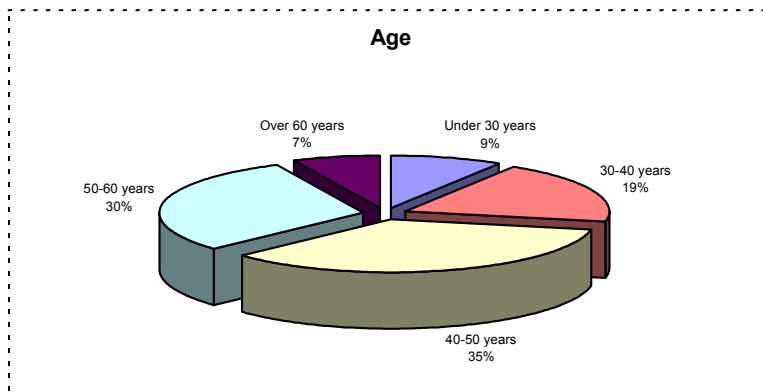
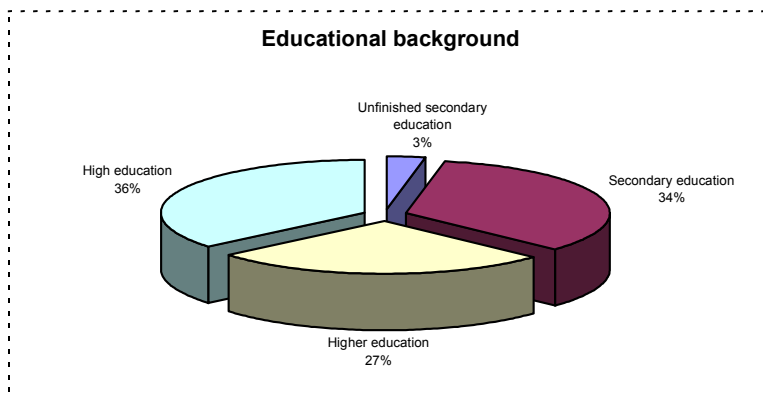
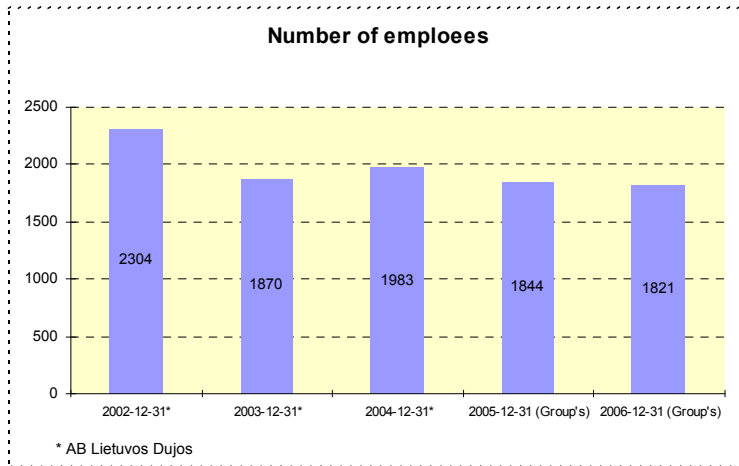
Over the year 2006, the number of the employees of the Group decreased from 1,844 (as of 31 December 2005) to 1,821 (as of 31 December 2006). This decrease was associated with a further improvement of the Company management structure.

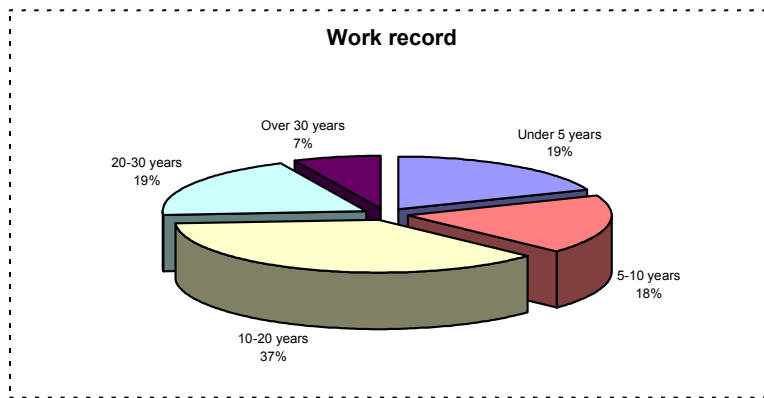
Workers (blue-collar) made up 40% of all LD employees (cf. with 44% in 2005). Managing staff, specialists and white-collar office employees comprised 60% of LD

staff (cf. with 56% in 2005). 67% of the Group employees were male (cf. 69 % in 2005) and 33% – female (cf. with 31% in 2005).

The average age of the Group employees, same as in the year 2005, was 45 years and the average work record was 14 years (cf. with 17 years in 2005). The number of employees with university education increased by 2%.

Detailed data are presented in the charts below.





Much attention was paid to training activities and improvement of employee qualifications. The support provided from the European Union Structural Funds was used for financing training of professional competences and general skills of middle level managers and specialists. The total amount allocated in 2006 for training made up 1.0 M LTL, including 0.2 M LTL of the EU funds. Training was provided to 1.6 thousand employees.

At LD subsidiary and the branches there are local units of trade unions united into the Lithuanian Association of Gas Industry Trade Unions.

The Company Management and representatives of the trade unions closely cooperate in handling the employees' social, cultural, health, etc. issues and hold joint meetings on a regular basis. On 6 December 2006, a new LD Collective Bargaining Agreement was signed for the term until 20 May 2010.

Though the work of Company employees often involves dangerous and complicated operations, the industrial injuries thanks to the continuous implementation of preventive measures were avoided in 2006.

ENVIRONMENTAL PROTECTION

Pursuant to the legislation of the Republic of Lithuania and the European Union, AB Lietuvos Dujos is consistently seeking to reduce the negative impact of its activities upon the environment.

The priority areas of the environmental protection activities of LD are as follows:

- protection of natural environment at gas facility sites and rational use of natural resources;
- industrial and ecological safety during the construction and operation of gas facilities;
- ensuring of ecologic safety at gas facility sites.

The drip-type odourising systems installed at gas distribution stations are being replaced by automatic ones and this process is nearly completed. Of all 63 currently operated stations, there are only two left where the drip-type odourising systems need to be replaced.

In 2006, the Company started preparatory works for the introduction of compressed natural gas in passenger vehicles aimed at the reduction of atmospheric pollution in cities.

INTERNATIONAL COOPERATION

Since 1999, LD has been a member of Baltic Gas – the association of gas companies in the Baltic Sea Region. On 8-9 May 2006, Vilnius hosted the General Assembly of Baltic Gas and a joint Baltic Gas/BASREC/Eurogas conference devoted to the discussions on burning issues of the Baltic Sea Region gas business in the context of global gas market. The conference was attended by general managers of gas companies from the Baltic Sea Region states, representatives of governments and the Eurogas as well as the EU Energy Commissioner Andris Piebalgs.

In 2006, the Company continued its membership in the association Gas Infrastructure Europe (GIE) dating back to autumn 2003. In 2005, the GIE expanded its activities and was renamed from the Gas Transmission Europe to the Gas Infrastructure Europe. The activities of this organization cover three major areas of business and research: natural gas transmission (transportation), gas storage facilities and liquid natural gas business.

On 6-9 June 2006, LD participated in the World Gas Exhibition held in Amsterdam (the Netherlands) and together with Latvijas Gaze A/S and Eesti Gaas AS presented the activities of the gas companies of the three Baltic states. The exhibition was held together with the World Gas Conference. During the event, considerable attention was paid to the region of the European Union the economy of which is being increasingly influenced by the growing demand for natural gas as well as to the issues on safe and reliable supply of natural gas and reduction of pollution.

In September 2006, representatives of LD participated in the meeting of the International Gas Union (IGU) Executive Committee.

SPONSORSHIP PROGRAMS

In 2006, just as in the previous years, LD was very active in supporting various socially valuable projects covering the activities of social patronage and care, preservation of cultural heritage, health protection, art and sport. The total number of different projects supported by LD in the previous year amounted to 50. Among these, the most significant were the following projects:

- support to the activities performed by the Union of the Disabled People of Vilnius Region,
- participation in executing the project on the expansion of Vilnius University Hospital Santariškės Clinic Consultation Health Centre,
- support to the Lithuanian Art Museum in organizing the international exhibition “Flags and maps of the Great Duchy of Lithuania” and in publishing the collection of the Lithuanian sacral art albums “Goldsmithship and other metalwork”,
- support in organizing the XI Pažaislis Music Festival that has already become traditional,
- support in issuing the album of Aloyzas Stasiulevičius - one of the most outstanding contemporary painters of Lithuania.

Being aware of the importance of sponsorship activities, LD intends to continue its participation in purposeful sponsorship projects and will do its best to make this social contribution as beneficial as possible.