

**Joint Stock Company**



**PROSPECTUS – REPORT  
FOR THE YEAR 2006**

**(prepared according to the Rules on Periodical Disclosure of Information  
on Issuers' Activities and Their Securities  
as adopted by the Lithuanian Securities Commission)**

**VILNIUS  
2007**

## I. GENERAL PROVISIONS

### 1. Reporting period for which the annual prospectus-report has been prepared

The Year 2006.

### 2. Main data about the Issuer

Name of the Issuer:	AB Lietuvos Dujos
Legal and organizational form:	joint-stock company
Date and place of registration:	23 November 1990, Company Register of Vilnius Town Board
Date and place of re-registration:	17 May 2000, Ministry of Economy of the Republic of Lithuania
Registration No.:	BĮ 2000 - 115
Company's Register's number:	120059523
Administrator of Register of Legal Persons:	the State Enterprise Centre of Registers
Share capital:	LTL 469,068,254.00
Registered office:	Aguonų str. 24, LT-03212 Vilnius, Lithuania
Telephone number:	+370 5 2360210
Fax number:	+370 5 2360200
E-mail address:	<a href="mailto:ld@lietuvosdujos.lt">ld@lietuvosdujos.lt</a>
Website:	<a href="http://www.dujos.lt">www.dujos.lt</a>

### 3. Nature of the Issuer's core business

Core activities:

- Natural gas transmission;
- Natural gas distribution;
- Natural gas supply to the eligible and the regulated customers;
- Provision of services related to the use of natural gas.

### 4. Information about where and when it is possible to get acquainted with the report and other documents on the basis whereof it was prepared, and the name of the means of mass media

It is possible to get acquainted with the present report and other documents on the basis whereof it was prepared at the Budget Division of the Finance Department of the Company at Aguonų str. 24 Vilnius, Room 203, on workdays from 7.30 till 11.30 and from 12.15 till 16.30.

All material events of the Company were submitted to the Lithuanian Securities Commission, Vilnius Stock Exchange, news services Baltic News Service (BNS), ELTA and REUTERS, published in the Lietuvos Rytas daily newspaper and posted on the Company website [www.dujos.lt](http://www.dujos.lt).

## **5. Persons responsible for the accuracy of information presented in the report:**

### **5.1. Members of the managing bodies of the Issuer, employees and the head of the administration responsible for the report:**

General Manager of AB Lietuvos Dujos Viktoras Valentukevičius	Tel. +370 5 2360210 Fax.: +370 5 2360200
Chief Financial Officer of AB Lietuvos Dujos Giedrė Glinskienė	Tel.: +370 5 2360215 Fax.: +370 5 2360200

### **5.2. Consultants responsible for the report**

Services of consultants were not used for the preparation of the present prospectus-report.

## **6. Confirmation of the members of the Issuer's managing bodies, its employees and the head of administration, responsible for the preparation of this report, that the information contained herein is true and there are no suppressed facts which could have an impact on investors' decisions to buy or sell the Issuer's securities, as well as the market price of those securities and their valuation**

The Administration of AB Lietuvos Dujos represented by the General Manager Viktoras Valentukevičius and the Chief Financial Officer Giedrė Glinskienė hereby confirm that the information contained in this report is true and there are no suppressed facts which could have an impact on investors' decisions to buy or sell the Company's securities as well as on the market price of those securities and their valuation.

General Manager of AB Lietuvos Dujos

Viktoras Valentukevičius

Chief Financial Officer of AB Lietuvos Dujos

Giedrė Glinskienė

16 May 2007  
Corrected 20 June 2007

## II. INFORMATION ON THE ISSUER'S AUTHORIZED CAPITAL AND SECURITIES ISSUED

### 7. The Issuer's authorized capital

#### 7.1. The Authorized capital registered with the Register of Enterprises

As of 31 December 2006, the authorized capital of the Company registered with the Register of Legal Persons amounted to LTL 469,068,254.00 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four litas) divided into 469,068,254 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four) ordinary registered shares, par value of each share being 1 (one) litas.

Structure of the authorized capital of AB Lietuvos Dujos by type of shares:

TYPE OF SHARES	NUMBER OF SHARES	PAR VALUE, LTL	TOTAL PAR VALUE, LTL
Ordinary registered shares	469,068,254	1	469,068,254.00

All the shares of AB Lietuvos Dujos were fully paid for.

#### 7.2. Information about the projected increase of the authorized capital by conversion or exchanging into share of issued debt securities or derivative securities

### 8. Shareholders

As of 18 April 2007, the authorized capital of the Company amounted to LTL 469,068,254.00.

As of 11 April 2007, the number of the Company's shareholders amounted to 1,908. The shareholders holding over 5 percent of the Company's authorized capital were as follows:

11 April 2007				
First name and surname (name of the enterprise or organization, address of its registered office, company code)	Type of shares	Number of shares	Authorized capital	
			Portion (%)	Portion of votes (%)
E.ON Ruhrgas International AG Huttropstrasse 60, D-45138 Essen, Germany	Ordinary registered shares	182,534,384	38.91 %	38.91 %
Gazprom OAO, Nametkina 16, Moscow B-420, 117997, Russia	“	173,847,696	37.06 %	37.06 %
VĮ Valstybės Turto Fondas (State Property Fund) Vilniaus str. 16; LT-2600, Vilnius Code 110073154	“	83,030,367	17.70 %	17.70 %
Other natural and legal persons	“	29,655,807	6.33 %	6.33 %
TOTAL:		469,068,254	100 %	100 %

The Company does not have any information about persons acting together and thus constituting a significant part of votes given by shares owned by the right of ownership.

## **9. Main characteristics of the shares issued into public circulation of securities**

As of 31 December 2006, the total number of shares issued into public circulation of securities amounted to 469,068,254 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four) ordinary registered shares with par value of 1 (one) litas each, with the total par value of the shares amounting to LTL 469,068,254.00 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four litas).

## **10. Information about the shares registered and placed for non-public circulation of securities**

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## **11. Information about depository receipts issued on the basis of shares**

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## **12. The main characteristics of debt securities issued into public circulation of securities**

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## **13. Information about debt securities registered and placed for non-public circulation of securities**

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## **14. Securities that do not certify the participation in the share capital, circulation whereof is regulated by the Law on Securities Market of the republic of Lithuania, except debt securities**

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### III. INFORMATION ABOUT THE SECONDARY TRADING OF SECURITIES ISSUED BY THE ISSUER

#### 15. Securities admitted into trading lists of the Stock Exchanges

On 23 April 1996, ordinary registered shares of AB Lietuvos Dujos were included into the Trading Lists of AB Vilniaus Vertybinių Popierių Birža (hereinafter Vilnius Stock Exchange or VSE).

As of 31 December 2006, on the VSE I-List there were 469,068,254.00 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four) ordinary registered shares of AB Lietuvos Dujos with par value of 1 (one) litas each, ISIN code of the security LT0000116220; the total par value of the shares amounted to LTL 469,068,254.00 (four hundred and sixty-nine million, sixty-eight thousand, two hundred and fifty-four litas).

#### 16. Trading in the Issuer's securities on Stock Exchanges and other organized markets

##### 16.1. Trading on the Vilnius Stock Exchange

##### 16.1.1. Automatically matched trades on the market of Vilnius Stock Exchange (VSE).

Securities of the Company are traded on the I-List of Vilnius Stock Exchange.

Data for the latest 8 quarters (each separately) related to the highest and lowest prices of the ordinary registered shares of the Company sold in automatically matched trades as well as the lowest and highest turnover of the trading session, also the price and turnover of the last session of the accounting period and the total turnover is presented in the table below:

REPORTING PERIOD		CENTRAL MARKET								
		Price (LTL)			Turnover (LTL)			Date of the last session	Total turnover	
From	To	Max.	Min.	Last session	Max.	Min.	Last session		(units)	(LTL)
2005.01.01	2005.03.31	4.60	3.70	4.30	809,098	3,218	7,280	2005.03.31	1,667,609	6,964,525
2005.04.01	2005.06.30	4.31	3.60	3.90	383,337	0	203,128	2005.06.30	659,918	2,617,589
2005.07.01	2005.09.30	5.02	3.70	5.00	3,053,916	0	47,995	2005.09.30	1,831,233	7,395,293
2005.10.01	2005.12.31	5.00	3.90	3.94	148,239	0	0	2005.12.30	395,302	1,726,022
2006.01.01	2006.03.31	4.02	3.10	4.00	2,290,663	0	204,056	2006.03.31	3,118,662	10,617,052
2006.04.01	2006.06.30	4.00	3.10	3.60	1,127,880	0	0	2006.06.30	1,588,129	6,159,943
2006.07.01	2006.09.30	3.85	3.36	3.65	194,625	0	9,125	2006.09.29	401,840	1,429,275
2006.10.01	2006.12.31	3.93	3.50	3.81	400,070	0	40,413	2006.12.29	856,063	3,165,576

##### 16.1.2. Manual trades effected on the market of Vilnius Stock Exchange

## 16.2. Trading on other exchanges

Securities issued by the Company were not traded on any other stock exchanges.

## 16.3 Trading on other organized markets

Securities issued by the Company were not traded on any other organized markets.

## 17. Capitalization of securities

The Capitalization of AB Lietuvos Dujos ordinary registered shares (ISIN code LT0000116220), quoted on the I-List of Vilnius Stock Exchange as of end of each quarter of 2006 is presented in the table below:

QUARTER	CAPITALIZATION, LTL
Quarter 1 of 2006	1,876,273,016.00
Quarter 2 of 2006	1,688,645,714.00
Quarter 3 of 2006	1,712,099,127.00
Quarter 4 of 2006	1,787,150,048.00

## 18. Trading in the Issuer's securities on the OTC market

Whereas the Company's ordinary registered shares are quoted on the I-List of Vilnius Stock Exchange, OTC transactions are possible exclusively through settled in kind transactions (gift endowment, inheritance, exchange, privatization). Settled in cash transactions are possible exclusively in cases of repurchase (repo) deals.

Data for the latest 8 quarters (each separately) related to the highest and lowest prices of ordinary registered shares of the Company sold through OTC transactions as well as their total turnovers (number of units) are presented in the table:

Reporting period	Settled in cash				Settled in kind		
	Price, LTL		Number of securities	Amount, LTL	Number of transactions	Number of securities	Number of transactions
	Max.	Min.					
Quarter 1 of 2005	3.12	1.83	313,781	886,305	16	50,251	5
Quarter 2 of 2005	30.20	2.04	78,218	289,744	7	3,913	3
Quarter 3 of 2005	3.55	2.03	273,469	786,607	18	350	2
Quarter 4 of 2005	3.58	2.76	50,959	154,493	8	-	-
Quarter 1 of 2006	3.67	2.06	219,913	660,974	20	15,345	7
Quarter 2 of 2006	3.73	2.07	195,472	543,543	15	13,924	5
Quarter 3 of 2006	3.48	2.46	7,200	19,135	3	5,641	1
Quarter 4 of 2006	3.81	2.60	95,808	257,069	6	4,624	3

**19. Information about the Issuer's buying up of its shares**

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**20. Announcement of official tender offer**

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**21. The Issuer's paying agents**

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**22. Agreements with intermediaries of public trading in securities**

On 26 November 2003, AB Lietuvos Dujos 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 provision of services whereby AB Lietuvos Dujos assigned the financial brokerage company AB Finasta accounting of securities issued by AB Lietuvos Dujos as well as administration of personal securities accounts.



## IV. INFORMATION ABOUT THE ISSUER'S ACTIVITIES

### 23. Legal basis for the Issuer's activities

In its activities AB Lietuvos Dujos follows the Company Law of the Republic of Lithuania, the Law on Securities Market of the Republic of Lithuania (starting from 8 February 2007 - the Law on Securities of the Republic of Lithuania), the Bylaws of AB Lietuvos Dujos as well as other legal acts of the Republic of Lithuania.

### 24. Membership in associated structures

AB Lietuvos Dujos is a member of the Gas Sector Association (starting from February of 2005 it was renamed into the Lithuanian Gas Association), which on 16 November 1997, on the initiative of the Lithuanian gas sector companies, was registered with the Register of Enterprises of the Town of Vilnius.

**The Lithuanian Gas Association.** Website: <http://www.dua.lt>.

The Association unites natural gas supply, transmission and distribution companies as well as associated members related to natural gas business: the Lithuanian Gas Pipeline Construction Association uniting 16 major companies performing gas pipeline construction works in Lithuania and abroad as well as training and research institutions of energy profile. The aim of the Association is to promote economic and technological progress of the Lithuanian gas sector and to defend the rightful vested interests of its members seeking such progress.

Membership in other organizations:

- **The association of companies of European countries operating transmission pipelines “Gas Infrastructure Europe (GIE)”.** Website: [www.gie.waxinteractive3.com](http://www.gie.waxinteractive3.com).  
Membership since 10 September 2003. This non-profit organization unites 50 companies from 27 countries. The general objective of the GIE is to promote the development of a stable, reliable and consistent legal framework fostering a healthy investment climate and supply security.
- **The association of transmission pipeline companies of the Baltic Sea Region “Baltic Gas”.** Website: [www.balticgas.org](http://www.balticgas.org).  
Membership since 16 June 1999. The organization promotes development of an integrated natural gas consumer market within the Baltic Region and reduction of obstacles of the non-commercial type in the way of natural gas business, e.g. any obstacles related to tax policy, environmental protection, etc.
- **The Chamber of Commerce of Germany and the Baltic countries (“AHK”) in Estonia, Latvia and Lithuania.** Website: [www.ahk-balt.org](http://www.ahk-balt.org).  
Membership since 19 November 2003. At present the Chamber of Commerce unites over 200 member companies from Germany, Lithuania, Latvia and Estonia, it also represents the interests of its member companies and promotes development of business relations.
- **The association of the largest and most active investors in the economy of Lithuania “Investors’ Forum”.** Web site: [www.investorsforum.lt](http://www.investorsforum.lt).  
Membership since 29 November 2004. At present, the Association unites over 30 members. The organization seeks to improve business conditions of all companies operating in Lithuania through dialogue with the Government, ministries and other official government institutions.

AB Lietuvos Dujos does not participate in the capital of any of the aforesaid associated structures.

The member of the associations “Gas Infrastructure Europe (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 AB Lietuvos Dujos.

## 25. Brief history of the Issuer

AB Lietuvos Dujos (former VĮ Lietuvos Dujos) was established in 1990. In 1993, it was granted a special-purpose enterprise status. On 1 August 1995, the state enterprise was re-registered into a joint-stock company.

On 31 December 2000, the Company was reorganized using the method of separation, i.e. having separated the respective parts of the assets, rights and liabilities attributed to the Company’s branches *Suskystintos Dujos* and *Dujiniai Įrengimai* from the joint-stock company *Lietuvos Dujos* which was continuing its business activities, and on these bases having established two new joint-stock companies: *AB Suskystintos Dujos* and *AB Dujiniai Įrengimai*.

In May of 2002, the Consortium of *E.ON Energie AG* and *Ruhrgas AG* (starting from 2004 *E.ON Ruhrgas International AG*), which acquired 34 percent of the Company stock, became a strategic investor of the Company. In June of 2002, the share sale and purchase deal was closed, and the Shareholders’ Agreement was concluded between The State Property Fund and the Consortium regarding cooperation in the management of *AB Lietuvos Dujos*.

In January of 2004, following the sale of 34 percent of the Company stock to another investor *OAO Gazprom*, the process of the Company’s privatization was basically completed. As a constituent part of the privatization deal, a long-term natural gas supply agreement for the period till the year 2015 was concluded between the Company and *OAO Gazprom*, guaranteeing stable long term supply of natural gas to consumers of Lithuania. Also, *OAO Gazprom* joined to the Shareholders’ Agreement concluded between the State Property Fund and the Consortium of *E.ON Energie AG* and *Ruhrgas AG* regarding cooperation in the management of *AB Lietuvos Dujos*.

## 26. Characteristics of the production (services)

Core activities of *AB Lietuvos Dujos*:

- Natural gas transmission;
- Natural gas distribution;
- Natural gas supply to the eligible and the regulated customers;
- Provision of services related to the use of natural gas.

*AB Lietuvos Dujos* is the largest national gas sector company engaged in natural gas import, transmission, distribution and supply to gas consumers of Lithuania and provision of various services related to the use of natural gas. The Company is also engaged in natural gas transit to Kaliningrad Region of Russian Federation.

*AB Lietuvos Dujos Group* consists of *AB Lietuvos Dujos* and its subsidiary *UAB Palangos Perlas*. The Company prepared its own financial statements as a parent company and consolidated financial statements of the Group for 2006. Financial data and performance indicators both for the Group and for the Company are presented in the prospectus–report for the financial year 2005 and 2006. For the financial year 2004, financial data and performance indicators are presented only for the Company.

Sales revenues, volumes and their dynamics for the period 2004-2006 are presented in the table below:

### The Group

Services provided	Expressed in volume terms (gas volumes), million m <sup>3</sup>		Expressed in value terms, thousand LTL		Share in overall revenue amount, %	
	2005	2006	2005 *	2006	2005	2006
Natural gas transmission	3,045.4	3,013.9	87,290	99,807	14.6	12.8
Transit	721.0	1,203.5				
Natural gas distribution	1,115.1	1,119.0	118,806	126,647	19.9	16.3
Natural gas supply	1,425.6	1,360.6	385,272	547,615	64.6	70.2
Other activities	-	-	5,156	5,510	0.9	0.7
<b>TOTAL:</b>	<b>3,045.4</b>	<b>3,013.9</b>	<b>596,524</b>	<b>779,579</b>	<b>100.0</b>	<b>100.0</b>

### The Company

Services provided	Expressed in volume terms (gas volumes), million m <sup>3</sup>			Expressed in value terms, thousand LTL			Share in overall revenue amount, %		
	2004	2005	2006	2004	2005 *	2006	2004	2005	2006
Natural gas transmission	2,880.7	3,045.4	3,013.9	84,952	87,290	99,807	17.1	14.7	12.8
Transit	636.8	721.0	1,203.5						
Natural gas distribution	1,072.5	1,115.1	1,119.0	111,935	118,806	126,647	22.6	20.0	16.3
Natural gas supply	1,045.1	1,425.6	1,360.6	286,802	385,272	547,615	57.8	64.7	70.4
Other activities	-	-	-	12,220	4,097	4,249	2.5	0.6	0.5
<b>TOTAL:</b>	<b>2,880.7</b>	<b>3,045.4</b>	<b>3,013.9</b>	<b>495,909</b>	<b>595,465</b>	<b>778,318</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*-data for 2005 was restated in connection with the change in the Company's accounting policy, data for 2004 was not restated.

Based on the IFRS and worldwide practice of accounting of new customers connection fees in the energy sector, in 2006 the Group and the Company changed the accounting policy regarding accounting of the new customers' fees received for the connection to the Group's and the Company's natural gas system.

Till the change in the accounting policy income from the new consumer's connection was recognized in the income statement at the time when the construction works to connect the customer to the Group's and the Company's natural gas system were finished. After the adoption of the change in the accounting policy, income from the new customers' connection are recognized in the financial statements over the useful life of the capitalized assets.

## Natural gas tariffs and their dynamics over the recent 3 financial (business) years

### 1. Natural gas tariffs for the regulated customers in 2004-2006:

Customer Group	Annual natural gas consumption volume Q	Tariff (VAT excl.)		Tariff (VAT incl.)	
		Fixed tariff component, LTL per month	Variable tariff component, LTL/1000 m <sup>3</sup>	Fixed tariff component, LTL per month	Variable tariff component, LTL/1000 m <sup>3</sup>
<b>From 2004.01.01. till 2004.06.30</b>					
Group 1	Up to 90 m <sup>3</sup>	-	960.00	-	1,130.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	2.54	670.00	3.00	790.60
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	13.56	470.00	16.00	554.60
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	13.18	464.90	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	13.18	456.61	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	13.18	425.10	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	13.18	401.26	-	-
<b>From 2004.07.01 till 2004.12.31</b>					
Group 1	Up to 90 m <sup>3</sup>	-	930.00	-	1,100.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	2.54	642.12	3.00	757.70
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	13.56	442.34	16.00	521.96
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	13.18	437.99	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	13.18	426.70	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	13.18	395.08	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	13.18	371.63	-	-
<b>From 2005.01.01 till 2005.06.30</b>					
Group 1	Up to 90 m <sup>3</sup>	-	960.00	-	1,130.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	2.54	669.49	3.00	790.00
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	13.56	466.00	16.00	549.88
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	13.18	460.74	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	13.18	449.45	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	13.18	417.80	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	13.18	394.38	-	-
<b>From 2005.07.01 till 2005.12.31</b>					
Group 1	Up to 90 m <sup>3</sup>	-	920.00	-	1,090.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	1.69	630.00	2.00	740.00
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	10.17	433.47	12.00	510.00
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	10.17	429.09	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	10.17	417.73	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	10.17	385.92	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	10.17	362.33	-	-
<b>From 2006.01.01 till 2006.06.30</b>					
Group 1	Up to 90 m <sup>3</sup>	-	1,050.00	-	1,240.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	1.69	760.00	2.00	900.00
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	10.17	563.16	12.00	660.00
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	10.17	558.78	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	10.17	547.42	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	10.17	515.61	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	10.17	492.02	-	-
<b>From 2006.07.01 till 2006.12.31</b>					
Group 1	Up to 90 m <sup>3</sup>	-	1,240.00	-	1,460.00
Group 1	90 m <sup>3</sup> < Q ≤ 800 m <sup>3</sup>	1.99	846.66	2.35	999.06
Group 2	800 m <sup>3</sup> < Q ≤ 20 thousand m <sup>3</sup>	10.17	642.53	12.00	758.19
Group 3	20 thousand m <sup>3</sup> < Q ≤ 0,1 million m <sup>3</sup>	10.17	636.75	-	-
Group 4	0,1 million m <sup>3</sup> < Q ≤ 1 million m <sup>3</sup>	10.17	624.20	-	-
Group 5	1 million m <sup>3</sup> < Q ≤ 5 million m <sup>3</sup>	10.17	584.81	-	-
Group 6	5 million m <sup>3</sup> < Q ≤ 15 million m <sup>3</sup>	10.17	554.70	-	-

## 2. Natural gas tariffs for the eligible customers in 2004 – 2006:

Customer Group	Annual gas consumption volume Q	Tariff, LTL/1000 m <sup>3</sup> (VAT excl.)
<b>From 2004.01.01 till 2004.06.30</b>		
1. Two-component natural gas transmission tariff: - for capacity – 3,744.41 LTL per capacity unit (1,000 m <sup>3</sup> ) per day/per year VAT excl.; - for gas volume transmitted – 10.97 LTL/1,000 m <sup>3</sup> VAT excl..		
2. One-component natural gas distribution tariff (by groups):		
Group 1	$Q \leq 800 \text{ m}^3$	389.38
Group 2	$800 \text{ m}^3 < Q \leq 20 \text{ thousand m}^3$	168.89
Group 3	$20 \text{ thousand m}^3 < Q \leq 0,1 \text{ million m}^3$	183.09
Group 4	$0,1 \text{ million m}^3 < Q \leq 1 \text{ million m}^3$	160.61
Group 5	$1 \text{ million m}^3 < Q \leq 5 \text{ million m}^3$	129.10
Group 6	$5 \text{ million m}^3 < Q \leq 15 \text{ million m}^3$	105.27
Group 7	$Q > 15 \text{ million m}^3$	38.00
<b>From 2004.07.01 till 2005.06.30</b>		
1. Two-component natural gas transmission tariff: - for capacity – 3,984.09 LTL per capacity unit (1,000 m <sup>3</sup> ) per day/ per year VAT excl.; - for gas volume transmitted – 9.51 LTL/1,000 m <sup>3</sup> VAT excl.		
2. One-component natural gas distribution tariff (by groups):		
Group 1	$Q \leq 800 \text{ m}^3$	375.09
Group 2	$800 \text{ m}^3 < Q \leq 20 \text{ thousand m}^3$	175.32
Group 3	$20 \text{ thousand m}^3 < Q \leq 0,1 \text{ million m}^3$	170.96
Group 4	$0,1 \text{ million m}^3 < Q \leq 1 \text{ million m}^3$	159.67
Group 5	$1 \text{ million m}^3 < Q \leq 5 \text{ million m}^3$	128.05
Group 6	$5 \text{ million m}^3 < Q \leq 15 \text{ million m}^3$	104.60
Group 7	$Q > 15 \text{ million m}^3$	37.32
<b>From 2005.07.01 till 2006.06.30</b>		
1. Two-component natural gas transmission tariff: - for capacity – 3,984.09 LTL per capacity unit (1,000 m <sup>3</sup> ) per day/ per year VAT excl.; - for gas volume transmitted – 9.51 LTL/1,000 m <sup>3</sup> VAT excl.		
2. One-component natural gas distribution tariff (by groups):		
Group 1	$Q \leq 800 \text{ m}^3$	377.34
Group 2	$800 \text{ m}^3 < Q \leq 20 \text{ thousand m}^3$	176.37
Group 3	$20 \text{ thousand m}^3 < Q \leq 0,1 \text{ million m}^3$	171.99
Group 4	$0,1 \text{ million m}^3 < Q \leq 1 \text{ million m}^3$	160.63
Group 5	$1 \text{ million m}^3 < Q \leq 5 \text{ million m}^3$	128.82
Group 6	$5 \text{ million m}^3 < Q \leq 15 \text{ million m}^3$	105.23
Group 7	$Q > 15 \text{ million m}^3$	37.54
<b>From 2006.07.01</b>		
1. Two-component natural gas transmission tariff: - for capacity – 4,833.06 LTL per capacity unit (1,000 m <sup>3</sup> ) per day/ per year VAT excl.; -for gas volume transmitted – 9.35 LTL/1,000 m <sup>3</sup> VAT excl.		
2. One-component natural gas distribution tariff (by groups):		
Group 1	$Q \leq 800 \text{ m}^3$	381.73
Group 2	$800 \text{ m}^3 < Q \leq 20 \text{ thousand m}^3$	177.60
Group 3	$20 \text{ thousand m}^3 < Q \leq 0,1 \text{ million m}^3$	171.82
Group 4	$0,1 \text{ million m}^3 < Q \leq 1 \text{ million m}^3$	159.27
Group 5	$1 \text{ million m}^3 < Q \leq 5 \text{ million m}^3$	119.88
Group 6	$5 \text{ million m}^3 < Q \leq 15 \text{ million m}^3$	89.77
Group 7	$Q > 15 \text{ million m}^3$	39.53

### Key financial indicators characterizing the Company's performance

	Group		Company		
	2006 12 31	2005 12 31	2006 12 31	2005 12 31	2004 12 31
<b>Financial results</b>					
Sales, million LTL	779.6	596.5	778.3	595.5	495.9
Earnings before interest, tax, depreciation and amortization (EBITDA), million LTL	167.7	134.1	169.4	131.6	128.9
Profit before taxes, million LTL	71.7	42.0	73.5	39.7	80.1
Net profit, million LTL	57.3	37.8	59.1	36.1	67.7
Investments, million LTL	122.8	187.7	121.9	187.3	85.9
Assets at the end of period, million LTL	2,303.1	2,248.0	2,302.0	2,244.1	2,214.0
Equity at the end of period, million LTL	1,855.8	1,828.5	1,855.1	1,825.9	1,839.8
<b>Profitability ratios</b>					
Gross profit margin (gross profit / revenues from sales and other operating activities), %	36.44	42.93	36.37	42.86	49.31
Net profit margin (net profit / revenues from sales and other operating activities), %	7.26	6.26	7.50	6.02	13.57
Return on assets (ROA) (net profit / ((total assets at the beginning of the period + total assets at the end of the period)/2)), %	2.52	1.70	2.60	1.62	9.65
Return on equity (ROE) (net profit / ((total equity at the beginning of the period + total equity at the end of the period)/2)), %	3.11	2.06	3.21	1.97	13.11
<b>Leverage</b>					
Debt to equity ratio (total liabilities / total equity), %	24.10	22.94	24.09	22.90	25.86
Debt ratio (total liabilities / total assets), %	19.42	18.67	19.42	18.63	20.55
<b>Efficiency ratios</b>					
Total assets turnover (revenues from sales and other operating activities / total assets)	0.34	0.27	0.34	0.27	0.65
<b>Liquidity ratios</b>					
Current ratio (total current assets / total current liabilities)	0.87	0.73	0.84	0.66	1.80
<b>Market ratios</b>					
Price-to-earnings ratio (P/E) (current market price of share / basic earnings per share)	31.75	49.25	29.31	49.25	28.36
Basic earnings per share (EPS) (net profit / number of outstanding shares), LTL	0.12	0.08	0.13	0.08	0.19
Dividends per share for the current year (amount of dividends / number of outstanding shares), LTL	0.06	0.06	0.06	0.06	0.07
Book value of the share (total equity / share capital), LTL	3.96	3.90	3.96	3.89	1.29

**Note:**

Due to the Company's accounting policy amendment, related to accounting of the new customers' fees received for the connection to the Group's and the Company's natural gas system, the financial statements for 2005 have been restated, respective corrections have been made also in the key performance indicators of the Company and the Group for 2005. Respective indicators for 2004 have not been restated.

**27. Sales markets**

In 2006, 99.4 % of Lithuania's customers' demand for natural gas was satisfied via the gas system operated and maintained by the Company, the respective figure for 2005 was 99.5%.

Natural gas transmission, distribution and sale-purchase (supply) agreements with the eligible and non-household customers are concluded for a one-year term. The agreements provide for a possibility of their extension upon mutual agreement of the parties involved. Natural gas sale-purchase agreements concluded with household customers are open-ended.

**Natural gas transmission and distribution**

**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.

**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 Company transmitted 3,013.9 M m<sup>3</sup> of natural gas, (in 2005: 3,045.4 M m<sup>3</sup>) and distributed 1,119.0 M m<sup>3</sup> of natural gas. Of the aforesaid 3,013.9 M m<sup>3</sup> of natural gas 1,653.3 M m<sup>3</sup> were transmitted by the Company to consumers who purchase gas not from the Company, but from other suppliers. Breakdown of the volumes transmitted by the Company to such customers is presented below:

- 776.8 M m<sup>3</sup> (47.0 %) to energy companies;
- 845.7 M m<sup>3</sup> (51.2 %) to AB Achema;
- 30.8 M m<sup>3</sup> (1.8 %) to industrial companies and other customers.

In 2006, natural gas transmission on transit to the Kaliningrad Region of the Russian Federation stood at 1,203.5 M m<sup>3</sup>.

**Natural gas supply**

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

In 2006, AB Lietuvos Dujos supplied 1,360.6 M m<sup>3</sup> of natural gas. In comparison with 2005, the Company's natural gas sales decreased by 4.6 % (in 2005: 1,425.6 M m<sup>3</sup>).

Data about natural gas consumers year by year is presented in the table below:

Consumers	2004		2005		2006	
	million m <sup>3</sup>	%	million m <sup>3</sup>	%	million m <sup>3</sup>	%
Energy companies	487.1	46.6	807.2	56.6	718.8	52.8
Households	151.8	14.5	167.9	11.8	175.1	12.9
Industrial companies	291.1	27.9	331.3	23.2	327.9	24.1
Utilities	89.3	8.5	100.3	7.1	111.5	8.2
Agricultural	25.8	2.5	18.9	1.3	27.3	2.0
<b>TOTAL:</b>	<b>1,045.1</b>	<b>100.0</b>	<b>1,425.6</b>	<b>100.0</b>	<b>1,360.6</b>	<b>100.0</b>

In 2006, just as in 2005, the Company was supplying gas to almost 100 % of the regulated customers of the country. The eligible customer market share of the Company decreased from 34 % (in 2005) to 31 % (in 2006).

As of 31 December 2006, 27 natural gas customers of Lithuania had the eligible customer status (with 18 of them the Company has concluded agreements regarding natural gas supplies). In 2006, the eligible customers consumed 54.8 % of the total natural gas volumes consumed in Lithuania, whereas the regulated ones consumed 45.2 %.

### Market development in 2007

As part of implementation of the National Energy Strategy, it is planned to construct a transmission pipeline branch Šakiai-Jurbarkas in 2007. It is the first stage of the construction of a strategically important gas transmission pipeline Šakiai-Klaipėda. This pipeline is necessary in order to enhance the reliability of natural gas supply to the Lithuanian customers. At the same time, preconditions will be created for the connection to the natural gas grid of the towns of Tauragė, Šilalė, Pagėgiai and Priekulė.

In 2007, through the expansion of its natural gas pipeline system, the Company plans to connect approx. 5.5 thousand new customers. It is planned that residents of Jurbarkas, Kalvarijos and Kulautuva will start using natural gas.

### 28. Procurement (purchase of natural gas)

Supplier	2006		
	Supply volumes		Type of agreement
	Unit of measurement	%	
<b>NATURAL GAS, thousand m<sup>3</sup></b>			
OA O Gazprom	1,409,000.0	98.5	Long-term agreement
UAB Dujotekana	21,000.0	1.5	Short-term agreement
Other suppliers	-	-	-
<b>TOTAL:</b>	<b>1,430,000.0</b>	<b>100.0</b>	<b>X</b>

Compared to 2005 (1,480 M m<sup>3</sup>), the volumes of natural gas purchased by the Company decreased by 3.4 %.



## 29. Immovable property and other non-current assets

As of 31 December 2006, the Company had two transmission pipeline divisions in Vilnius and in Panevėžys, five regional natural gas distribution and supply branches in Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys as well as seventeen local offices located all over the territory of Lithuania.

The greatest part of the assets operated and maintained by the Company were comprised of transmission and distribution pipelines with compressor station, gas metering and distribution stations, their equipment and other technological equipment:

- 1.8 thousand km of gas transmission pipelines (design pressure 55 bar, max. diameter 1,220 mm);
- 7.2 thousand km of gas distribution pipelines;
- reciprocating Panevėžys-based gas compressor station (capacity 7,700 kW);
- three border gas metering stations;
- 63 gas distribution stations (M/R stations) installed on gas transmission pipelines.

Non-current tangible assets of the Group and the Company as of 31 December 2006 are presented in the table below:

Type of the non-current tangible asset	Number of objects, thousand units		Net book value, thousand LTL	
	Group	Company	Group	Company
<i>Buildings and structures:</i>	14.7	14.7	2,047,665	2,041,035
- transmission networks and related installations	0.2	0.2	1,332,781	1,332,781
- distribution networks and related installations	13.7	13.7	623,673	623,673
- buildings and other structures	0.8	0.8	91,201	84,581
Machinery and equipment	1.5	1.5	78,976	78,976
Vehicles	0.6	0.6	9,916	9,865
Other equipment, tools and devices	30.1	29.2	35,470	35,134
Construction in progress	0.5	0.5	23,269	23,219
Land	-	-	103	103
<b>Total non-current tangible assets:</b>	<b>47.4</b>	<b>46.5</b>	<b>2,195,389</b>	<b>2,188,332</b>

In 2006, for their production activities, the Group and the Company used land plots (located in various districts of the Republic of Lithuania) with total areas respectively of ~ 67 ha and ~ 65 ha.

### Investments

In 2006, the total amounts used by the Group and the Company for investments in the gas system development as well as reconstruction and modernization thereof were as follows: LTL 122.8 million (the Group), LTL 121.9 million (the Company) (cf., in 2005 respective amounts stood at LTL 187.7 million and LTL 187.3 million). Of which:

- investments made by the Group and the Company in the construction of new gas systems amounted to LTL 89.1 million (cf. with LTL 157.6 million in 2005). In comparison with the previous year, the investments in the construction of new gas distribution systems were considerably higher. In 2006, 277.3 km of gas pipelines were constructed (in 2005: 284.0 km of gas pipelines);

- investments made by the Group and the Company in the reconstruction and modernization of the non-current assets as well as buy-back of gas pipeline systems of common use respectively amounted to LTL 33.7 million and LTL 32.8 million (cf., in 2005: LTL 30.1 million and LTL 29.7 million respectively). The increase was mainly due to the higher investments in the reconstruction of gas distribution stations.

### ***Investments in gas transmission system***

In 2006, investments in the construction of new gas transmission systems amounted to LTL 43.3 million; 33.5 km of gas transmission pipeline, one gas metering station and two gas distribution stations were constructed.

With a view to enhancing the capacity of the transmission pipeline Šiauliai-Klaipėda and seeking to connect the town of Mažeikiai to the gas grid, the strategically important second line of the transmission pipeline Šiauliai-Kuršėnai and gas metering station on the gas pipeline branch to Mažeikiai were constructed.

In order to enhance the reliability of the gas system of the town of Panevėžys and to connect to the gas grid the new cogeneration power plant constructed by AB Panevėžio Energija, a new gas distribution station was constructed in Panevėžys.

A transmission pipeline branch and a gas distribution station near Švenčionėliai were constructed, too. Investments in transmission system reconstruction amounted to LTL 13.8 million, of which the greatest amounts were invested in the reconstruction of five gas distribution stations (two of them were replaced by new container stations). At present, 43 of the 63 gas distribution stations that are currently in operation meet the modern requirements. Reconstruction of the remaining 20 gas distribution stations is planned for completion in the course of 5-6 years.

### ***Investments in gas distribution system***

In 2006, investments in the construction of new gas distribution systems amounted to LTL 45.8 million; 243.8 km of new gas distribution pipelines were constructed, 5.1 thousand of new customers were connected to the gas grid. Three major investment projects were implemented.

Seeking to enhance the reliability of the gas distribution system of Panevėžys, 5.6 km of gas distribution pipelines were constructed in this town. In 2006, natural gas was introduced to the towns of Švenčionėliai and Kazlų Rūda. A 7.4 km- long distribution pipeline to Švenčionėliai was constructed (5.9 km of distribution pipeline was constructed in the town); a 22.8-km- long distribution pipeline Marijampolė-Kazlų Rūda was constructed (4.2 km of distribution pipeline was constructed in the town), and the large factory producing timber products UAB Girių Bizonas was connected to the natural gas grid.

Total investments in gas distribution system reconstruction amounted to LTL 7.6 million, the major part of funds was devoted to gas pipeline reconstruction: in the towns of Kaunas and Vilnius 15.8 km of gas pipelines were reconstructed using the method of PE pipe insertion into the worn-out steel pipes.

### **Information about construction in progress:**

As of 31 December 2006, the Group's and the Company's non-current tangible assets accounted in the in the item of construction in progress amounted to LTL 23.3 million and LTL 23.2 million respectively, of which:

- construction of the transmission pipeline Šakiai-Jurbarkas-Tauragė (as of 31 December 2006, the value of the construction in progress was LTL 1.5 million). In 2007, it is planned to construct the transmission pipeline section Šakiai-Jurbarkas. The project is scheduled for completion in Quarter 4 of 2007;

- reconstruction of the gas distribution station (M/R station) Kaunas–1 (as of 31 December 2006, the value of the construction in progress was LTL 8.7 million). The reconstruction was started evaluating the fact that the block-type M/R station has been in operation since 1981, and the technological equipment of the station was worn out and obsolete, furthermore, gas demand in the winter season exceeds the capacity of the M/R station. The reconstruction works are scheduled for completion and the reconstructed station is planned to be put in operation in Quarter 3 of 2007.

### 30. Risk factors related to the Issuer's activities

#### Competition risk factors

In carrying out its business activities, AB Lietuvos Dujos has to confront competition in various sectors.

As regards the energy sector, the Company has to compete with heat and power companies as well as other gas companies. The Company's business results are impacted by the consumption of alternative fuels: HFO (heavy fuel oil), ore-emulsion, bio fuel, etc. as well as consumption of power energy. Quite a considerable proportion of natural gas consumers have dual-fuel systems, which enables them to substitute natural gas with alternative fuels.

In the heating sector, the Company has to compete with district heating utilities.

In the gas supply sector, the Company's competitors are other companies to whom natural gas supply licences have been issued by the National Control Commission for Prices and Energy (hereinafter – “the Commission”).

#### Regulatory risk factors

The Commission by its Resolution No 03-36 of 30 June 2005 unilaterally established the natural gas transmission and distribution prices and the gas prices for regulated customers for the Company effective from 1 July 2005. This decision of the Commission has a negative effect on AB Lietuvos Dujos financial results from the regulated activities. The Company has appealed against this decision of the Commission (see Item 33).

Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the international market in natural gas stipulates that natural gas markets shall be opened to all commercial (non-household) customers already from 1 July 2004. In 2006, this provision had not been implemented yet. In 2006, the provision approved by the Ministers' of Economy Order No 4-430 of 18 November 2003 was still in effect stipulating that starting from 1 January 2004, the eligible customer status shall be granted, among others, to customers with annual natural gas consumption over 1 million m<sup>3</sup>.

The Minister of Economy by his Order No 4-171 of 18 May 2006 lifted the restriction regarding the application of Paragraph 143 of *the Natural Gas Transmission, Distribution, Storage and Supply Regulations*. From 1 July 2006, all natural gas customers were to be charged for gas supplied to them as accounted at each specific place of delivery. The application of this provision enabled the Company to operate in a more transparent manner and not to discriminate its customers. However, in the new version of the Law on Natural Gas as adopted on 20 March 2007, the aforesaid restrictions were re-imposed again.

**Legal framework.** The frequent amendments in the legal acts and perpetual adoption of new provisions add up to a kind of uncertainty of the business environment thus aggravating the Company's relations with its customers and impeding its possibilities to make plans in a somewhat longer term. In its business activities the Company follows its Bylaws, the Company Law, the Law on Energy, the Law on Natural Gas as well as other Laws of the Republic of Lithuania as well as Secondary Legislation. Also, the Company follows laws of the EU that are applied directly.

**Law on Natural Gas.** The law to amend the existing Law on Natural Gas 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 initiated in 2004. The Company took an active part in this process constantly emphasizing its position that it was necessary to create a legal framework for the development of a non-discriminatory, transparent and fair business in the natural gas sector. In 2006, the Law was not adopted by the Seimas of the Republic of Lithuania.

Only on 20 March 2007 the Seimas of the Republic of Lithuania adopted the new Law on Natural Gas. The President of the Republic of Lithuania, acknowledging the fact that the Law contained a lot of shortcomings and differences with the EU laws, nevertheless, signed the Law, recommending to the Government of the Republic of Lithuania to initiate amendments of respective paragraphs of the Law. The Law came into effect on 19 April 2007.

### **Economic risk factors**

**Financial resources risk.** AB Lietuvos Dujos policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed overdraft and loans to meet the commitments on time.

#### **Financial debt of the Group and the Company (thousand LTL) (As of 31 December 2006)**

Financial debts	Debts or their portions, payable			
	Payable in one financial year	Payable after one year but not later than in five years	Payable after five years	TOTAL:
1. Leasing and similar liabilities	-	-	-	-
2. Borrowings from Lithuanian credit institutions	14,570	17,271	4,288	36,129
3. Borrowings from foreign credit institutions	-	-	-	-
4. Debt securities and /or bonds	-	-	-	-
<b>TOTAL:</b>	<b>14,570</b>	<b>17,271</b>	<b>4,288</b>	<b>36,129</b>

**Foreign currency risk.** The financial debt portfolio of AB Lietuvos Dujos comprises loans in LTL and in EUR. Therefore, the foreign currency risk is not incurred.

From the beginning of 2006 the price of natural gas imported by the Company depends on fluctuations of heavy fuel oil price on the market and the EUR/USD exchange rate. These differences are estimated when setting the selling price of natural gas to consumers.

**Credit risk.** The Company does not face a significant credit concentration risk since it works with a large number of customers. The maximum credit risk is equal to the sum total of the account receivables from the customers minus the recognized impairment losses at the date of the financial statements.

**Interest rate risk.** Part of the Company's borrowings are with variable interest rates, related to VILIBOR, which creates an interest rate risk. However this part of financial borrowing is not significant and comprises 7.5% of the total financial borrowings of the Company. Fixed interest rate is applicable to the remaining part of financial borrowings. Fixed and variable interest rate are determined based on the situation in the market.

**Social risk factors**

The trend of rapid growth of wages and salaries on the market of Lithuania causes risks associated with the retaining of highly skilled staff of professions enjoying great demand on the market. In order to reduce the risk, the Company is constantly monitoring and assessing the labor market developments and is paying a lot of attention to the Company staff incentive and loyalty programs.

In 2006, at all the branches of AB Lietuvos Dujos there were active local divisions of trade unions, united into the Lithuanian Association of Gas Industry Trade Unions. The Company Management and the Trade Unions continue the tradition of constructive cooperation.

**Environmental risk factors**

In supplying, transmitting and distributing the ecologically clean fuel - natural gas - and ensuring technological safety, the Company takes care of the environment. The objective of the Company is to reduce the negative impact of its activities upon the environment. When making its key business decisions, including the drafting and implementation of new projects, the Company takes into account the possible negative environmental impacts, follows the environmental protection regulations, improves its accident liquidation plans, controls the technological and health parameters, upgrades its work methods and technologies. The level of environmental pollution of AB Lietuvos Dujos is low.

**Technical-technological risk factors**

Proper operation and maintenance of the gas transmission and distribution pipelines and related equipment employed in the Company's activities does not pose any considerable hazard either to the environment or to the population. Since the gas pipelines operated by the Company are advancing in age, the Company in its activities is faced with the forecast risks of gas supply shortfalls, accidents, fires and explosions. In order to reduce the technical-technological risks, special attention is being paid to the training of staff in charge of operation and maintenance of the Company's transmission and distribution pipelines and their equipment as well as to the implementation of the pipelines protection measures. On a regular basis, the Company carries out detailed investigations: makes analyses of probability of accidents that might be caused by hazardous objects and their risk and draws up liquidation plans of possible accidents. Old gas pipelines and their equipment are reconstructed and modernized on an ongoing basis.

The Company faces the risk that its gas pipelines might be damaged by other legal or natural persons carrying out mechanized agricultural works in protected areas in the vicinity of gas pipelines.

**31. Termination of reduction of production, that have a material impact on the Issuer's results during the last two financial years**

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**32. Patents, licences, contracts****Gas supply agreements:**

As of 31 December 2006, the Company had concluded 17 gas supply agreements with the eligible customers and 540.7 thousand agreements with the regulated customers.

**Licences:**

Pursuant to the Law on Natural Gas of the Republic of Lithuania, AB Lietuvos Dujos must obtain licences for its natural gas transmission, distribution, storage and supply activities. The authority entitled to issue the licences is the National Control Commission for Prices and Energy. AB Lietuvos Dujos holds the following licences:

Licensed activity	Licence No	Resolution of the National Control Commission for Prices and Energy	Validity of the licence (Expiry date)
Natural gas transmission	GDP-01	Resolution No 134 of 17 December 2001	Open-ended
Natural gas distribution	GDS-01	Resolution No 134 of 17 December 2001	Open-ended
Natural gas supply	GDT-01	Resolution No 49 of 16 May 2002	Open-ended

**33. Litigation and arbitration****Information on litigation in 2006:**

During the reporting period, the Company filed 519 claims against its customers indebted for natural gas supplies seeking to recover the debts. Total value of the claims amounted to LTL 3.5 million, of which 436 claims were satisfied over the reporting period (total value of the claims satisfied: LTL 0.6 million); in 61 cases judgments have not been made yet. The total amount recovered: LTL 0.7 million. Also, during the reporting period the Company laid 220 claims unrelated to debts for natural gas supplies for the total amount of LTL 0.1 million. In all, 21 claims were filed against the Company as a defendant for the total amount of LTL 0.1 million.

Information on litigation processes, which in the Company's opinion could have any material effect on the Issuer's activity, is submitted below:

**Litigation with the National Control Commission for Prices and Energy**

AB Lietuvos Dujos financial results from regulated activities were negatively affected by the Resolution No 03-36, of 30 June 2005 of the National Control Commission for Prices and Energy that unilaterally established the natural gas transmission and distribution prices and the gas prices for regulated customers for the Company effective from 1 July 2005. The Company applied to a County Administrative Court for cancellation of the following resolutions of the National Control Commission for Prices and Energy: Resolution No 03-18 dated 29 April 2005 on natural gas transmission and distribution price caps and natural gas price caps for the regulated customers for AB Lietuvos Dujos; Resolution No 03-30 dated 30 May 2005 on natural gas transmission and distribution prices and prices for regulated customers for AB Lietuvos Dujos; Resolution No 03-36 dated 30 June 2005 on natural gas transmission and distribution prices and prices for regulated customers for AB Lietuvos Dujos.

All three cases were merged into one and the case was suspended, as Vilnius County Administrative Court addressed the Supreme Administrative Court of Lithuania for an investigation whether certain clauses of the natural gas price caps calculation methodology approved by the Commission Resolution No 03-15 of 12 April 2005 do not contradict the primary legislation. Also, AB Lietuvos Dujos applied to the County Administrative Court by asking to annul the Resolution of the National Control Commission for Prices and Energy No 03-20, dated 27 April 2006 on adjustment of the natural gas transmission and distribution price

caps and natural gas price caps for the regulated customers for AB Lietuvos Dujos. This case was merged to the case with the three aforementioned cases. On 19 October 2006 the Supreme Administrative Court of Lithuania adjudged that the respective clauses of the natural gas price caps calculation methodology approved by the National Control Commission for Prices and Energy by the Resolution No 03-15 of 12 April 2005 do not contradict the primary legislation.

On 13 March 2007, Vilnius County Administrative Court passed the judgment to reject the claim of AB Lietuvos Dujos as unjustified. The Company appealed against this court judgement to the Supreme Administrative Court of Lithuania.

### Litigation on obtaining licence in Kazlų Rūda

Currently, AB Lietuvos Dujos is participating in disputes related to granting the natural gas distribution license in the territory of Kazlų Rūda:

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

2) Also, UAB Intergas addressed Vilnius County Administrative Court for annulment of the Resolution of the National Control Commission for Prices and Energy No 03-57, according to which the license of the natural gas distribution was issued to AB Lietuvos Dujos. In this case AB Lietuvos Dujos stands as a third party. Both cases mentioned above are suspended.

3) Furthermore, UAB Intergas applied to Vilnius Second District Court for annulment of the cancellation of Kazlų Rūda gas pipeline rent agreements between UAB Intergas and UAB Suskystintos Dujos and for obliging the defendant (UAB Suskystintos Dujos) to implement the above rent agreements. AB Lietuvos Dujos stands as a third party in this case, because on 13 April 2006 it acquired the above pipelines under the litigation from UAB Suskystintos Dujos.

4) AB Lietuvos Dujos applied to Vilnius County Administrative Court for including the Company as third party into the case, in which UAB Intergas litigates the legitimacy of the refusal of the National Control Commission for Prices and Energy to issue a license to UAB Intergas.

## 34. Personnel

### 1) Average number of employees on the roll

YEAR	AVERAGE NUMBER OF EMPLOYEES ON THE ROLL		CHANGE COMPARED TO PREVIOUS YEAR	
	Group	Company	Group	Company
2004	1,995	1,968	-11.3 % *	- 11.4 % *
2005	1,985	1,955	-0.5 %	- 0.7 %
2006	1,827	1,797	-8.0 %	-8.1 %

\* - the decrease in the number of employees was impacted by the reform of the organization and management structure of the Company.

## 2) Breakdown of employees by educational background

	AVERAGE NUMBER OF EMPLOYEES IN 2006	OF THIS TOTAL, EDUCATIONAL BACKGROUND			
		University	College	Secondary	Unfinished secondary
<b>Group</b>	1,827	657	488	627	55
	100 %	36.0 %	26.7 %	34.3 %	3.0 %
<b>Company</b>	1,797	650	478	614	55
	100 %	36.2 %	26.6 %	34.2 %	3.0 %

## 3) Average monthly salary in 2006 by employee groups, in LTL

EMPLOYEES	AVERAGE NUMBER OF EMPLOYEES ON THE ROLL IN 2006		AVERAGE MONTHLY SALARY, LTL	
	Group	Company	Group	Company
Managing staff and specialists	1,036	1,021	2,700	2,720
Workers	791	776	1,670	1,685
Total:	1,827	1,797	2,252	2,271

## Collective Agreement

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 Collective Agreement of AB Lietuvos Dujos was signed for the term until 20 May 2010.



### 35. Investment policy

As of 31 December 2006, the Company had one subsidiary UAB Palangos Perlas.

UAB Palangos Perlas	
Registered address	Gintaro str. 36, LT – 00133, Palanga
Nature of activities	UAB Palangos Perlas owns the Žydroji Liepsna hotel in Palanga, the Vilnis rest house in Pervalka and the Žydroji Liepsna resort complex in Šventoji. The main areas of activity of the company: hotel and other board and lodging services, organization of seminars and conferences.
Authorized capital, LTL	9,703,763
Unpaid part (by AB Lietuvos Dujos) for share in the authorized capital, %	-
Net profit (loss) of 2006, thousand LTL	184
Current ratio (current liabilities / current assets), %	5.6
Debt ratio (liabilities / assets), %	2.7
Type of shares owned by AB Lietuvos Dujos	Ordinary registered shares
Number of shares owned by AB Lietuvos Dujos	9,703,763
Par value of shares owned by AB Lietuvos Dujos, LTL	1.0
Percentage of votes granted by shares owned or held by AB Lietuvos Dujos at general meetings of shareholders, %	100.0
Percentage of votes granted by shares owned by AB Lietuvos Dujos at general meetings of shareholders, %	100.0
Percentage of votes belonging to AB Lietuvos Dujos and persons acting together with it, %	100.0
Dividends paid to the Issuer for 2005, thousand LTL	2,000
Loans given by AB Lietuvos Dujos as of 31 December 2006, thousand LTL	-
Loans received by AB Lietuvos Dujos as of 31.12.2006, thousand LTL	-
Debt securities procured by AB Lietuvos Dujos	-

#### Major investment projects exceeding 10% of the Issuer's authorized capital, carried out in 2004-2006

*Construction of the natural gas pipeline from Pabradė to Visaginas.* The project was implemented in 2003-2005. The value of the project: LTL 61 million. The project was co-financed by AB Lietuvos Dujos, the Ignalina International Decommissioning Support Fund and the State Enterprise Ignalina Nuclear Power Plant Decommissioning Fund.

*Construction of the second line of the Kaunas – Šakiai transmission pipeline and modernization of the gas metering station in Šakiai.* The project was implemented in 2005. The value of the project: LTL 81.3 million. The project was financed with AB Lietuvos Dujos funds.

In 2007, the Company is planning to increase investments in gas system development and reconstruction and modernization of its non-current assets. In 2007, the Company plans to construct the transmission pipeline section Šakiai-Jurbarkas. This will be the first strategically important stage of the construction of the gas transmission pipeline Šakiai-Klaipėda. This project is necessary in order to enhance the reliability of natural gas supply to customers of Lithuania. At the same time, preconditions will be created for the introduction of natural gas supply to Tauragė, Šilutė, Šilalė, Pagėgiai and Priekulė.

### 36. Competitors

See Paragraph 30.

### 37. Dividends paid

Year	Dividends paid (in LTL)	Dividend amount per share (in LTL)	% of par value of share
2002	“	“	“
2003	14,657,747*	0.0430	4.30
2004	22,000,000 **	0.0645	6.45
2005	33,000,000 ***	0.0703	7.03
2006	30,000,000 ****	0.0640	6.40

\* approved dividends. The amount de facto paid out to the shareholders by 31 December 2006: LTL 14,651,345.

\*\* approved dividends. The amount de facto paid out to the shareholders by 31 December 2006: LTL 21,961,180.

\*\*\* approved dividends. The amount de facto paid out to the shareholders by 31 December 2006: LTL 32,903,740.

\*\*\*\* approved dividends. The amount de facto paid out to the shareholders by 31 December 2006: LTL 29,935,780.

At the general meeting of shareholders of AB Lietuvos Dujos held on 18 April 2007, the shareholders decided to pay out LTL 30 million of dividends for the Year 2006, which amounts to 6.4 cents per share with par value of 1 (one) litas.

## V. FINANCIAL STATUS

### 38 –39. Financial statements and their comments

The Company's financial statements for 2006 were prepared in accordance with International Financial Reporting Standards (IFRS). The most significant change in comparison with the previous period is that the Company prepared not only its own financial statements as a parent Company but also consolidated financial statements of the Group. For the Year 2004, only the Company's financial statements are presented.

Due to the change in the accounting policy regarding accounting of the new customers' fees received for the connection to the Group's and the Company's natural gas system, the financial statements for 2005 have been restated, respective corrections have been made also in the financial statements for 2005. Data for 2004 has not been restated.

The financial statements for the last three years prepared in accordance with IFRS and their comments together with the independent auditor's reports are presented in the appendices of the present prospectus-report (see: Appendix 1: AB Lietuvos Dujos financial statements for the year ended 31 December 2005; Appendix 2: AB Lietuvos Dujos consolidated and parent company's financial statements for the year ended 31 December 2006 prepared according to International Financial Reporting Standards as adopted by EU presented together with independent auditors' report).

### 40. The Issuer's annual report

The 2006 Consolidated Annual Report is presented as appendix of the present prospectus-report (see: Appendix 3: The 2006 Consolidated Annual Report of AB Lietuvos Dujos).

### 41. Information about the audit

AB Lietuvos Dujos financial statements have been audited since 1996. The audit of the Company's financial statements for the year ended 31 December 2006 was conducted by UAB Ernst & Young Baltic.

Basic data about the audit company that conducted independent audit of AB Lietuvos Dujos consolidated and parent company's financial statements for the year ended 31 December 2006:

Name of the Company:	UAB ERNST & YOUNG BALTIC
Date and place of registration:	26 June 2002
Company code:	110878442
Audit company's licence No:	000514
Address of the registered office:	Subačiaus 7, LT – 01008, Vilnius
Telephone and fax numbers:	+370 5 2742200; +370 5 2742333

First name and surname of the independent auditor who audited the financial statements of the Company for 2006: Ramūnas Bartašius (auditor's licence No 000362)

## VI. INFORMATION ON THE ISSUER'S MANAGING BODIES

### 42. Members of the managing bodies

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 AB Lietuvos Dujos Bylaws, the Company's Board of Directors consists of 5 (five) members elected for the period of three years under the provisions of the Law on Companies. 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.

### THE BOARD OF DIRECTORS

#### Composition of the Board of Directors from 29 April 2005 to 18 April 2007:

No.	Full name	Position title	Start and end of term
<b><u>Members of the Board of Directors:</u></b>			
1.	Alexander Ryazanov	Chairman of the Board of Directors	28 April 2004 – 18 April 2007
2.	Dr. Eike Benke	Deputy Chairman of the Board of Directors	28 April 2004 – 18 April 2007
3.	Vladas Kazimieras Gagilas	Member of the Board of Directors	28 April 2004 – 18 April 2007
4.	Stephan Kamphues	“	29 April 2005 – 18 April 2007
5.	Kirill Seleznev	“	28 April 2004 – 18 April 2007

#### *Alexander Ryazanov*

2001 – 2006, acted in the position of Deputy Chairman of the Board of Directors of OAO Gazprom. In 1979, he graduated from I.M. Gubkin's Petroleum and Gas Industry Institute in Moscow and gained the speciality of automation and telemechanics. In 1993, he graduated from the All-Union Extramural Finance and Economics Institute and gained the speciality of economics and production management. 1999 – 2001 Deputy of the Russian State Duma. In OAO Gazprom he was responsible for the sales of gas in Russian markets, relations with CIS and the Baltic States, and for mutual co-operation with regions of the Russian Federation, the State Duma and the Federation Council. He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent.

**Dr. Eike Benke**

E.ON Ruhrgas E&P GmbH Chairman of the Executive Board. 1965 – 1969 studied law and political science at Bonn University. In 1979 was awarded a PhD in Law. He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent. Participation in the managing bodies of other companies:

- E.ON Ruhrgas Norge AS, Stavanger - Chairman of the Executive Board of Directors;
- JSC Latvijas Gaze, Riga – Member of the Supervisory Board;
- RAG – Beteiligungs – AG, Wien – Member of the Supervisory Board.

**Vladas Kazimieras Gagilas**

Director of the Energy Department at the Ministry of Economy of the Republic of Lithuania. In 1974, he graduated from Kaunas Polytechnic Institute and gained the speciality of engineer-electrician. He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent. Participation in the managing bodies of other companies:

- AB Klaipėdos nafta – Chairman of the Board of Directors;
- AB Mažeikių nafta – Member of the Supervisory Board.

**Stephan Kamphues**

E.ON Ruhrgas International AG Member of the Board of Management. 1982 - 1989 he studied law at Marburg Philipps University, 1989 – 1990 he studied fundamentals of information technology (business administration, economics). He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent. Participation in the managing bodies of other companies:

- E.ON Gas Romania S.A., Targu Mures – Chairman of the Administrative Board;
- Ferngas Nordbayern GmbH, Nuremberg – Member of the Supervisory Board;
- AS Eesti Gaas, Tallinn – Member of the Supervisory Board;
- Gasum OY, Espoo – Member of the Supervisory Board;
- JSC Latvijas Gaze, Riga – Member of the Supervisory Board;
- Nova Naturgas AB, Gothenburg – Member of the Administrative Board;
- SOTEG – Societe de transport de Gaz S.A., Luxembourg – Member of the Administrative Board;
- RGE Holding GmbH, Essen – Member of the Administrative Board.

**Kirill Seleznev**

Member of the Board of Directors of OAO Gazprom, Director of the Marketing, Gas and Liquid Hydrocarbons Production Department. In 1997 he graduated from D.F. Ustinov Baltic State Technical University. In 2002, he graduated from St. Petersburg State University and gained the speciality of finance and credit. In OAO Gazprom he is responsible for the sales of gas in Russian, CIS and Baltic markets as well as for production and sales of liquid hydrocarbons. He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent. Participation in the managing bodies of other companies:

- UAB Kauno termofikacijos elektrinė – Chairman of the Board of Directors.

**Composition of the Board of Directors from 18 April 2007:**

No.	Full name	Position title	Start and end of term
<b><u>Members of the Board of Directors:</u></b>			
1.	Stephan Kamphues	Chairman of the Board of Directors	18 April 2007 – 18 April 2010
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 – 18 April 2010
4.	Vladas Kazimieras Gagilas	“	18 April 2007 – 18 April 2010
5.	Kirill Seleznev	“	18 April 2007 – 18 April 2010

***Dr. Valery Golubev***

Deputy Chairman of the Board of Directors of OAO Gazprom since 2006. In 1975, he graduated from Leningrad V. I. Uljanov (Lenin) Electrotechnic Institute and gained the speciality of engineer. In 1996, he graduated from the National Economy Academy under the Government of the Russian Federation, in 1997 gained a PhD in Economics and in 2006 the master's degree in business administration from St. Petersburg International Management Institute.

Professional experience: 1975 – 1991 – Central Research Institute of Electronics and Technologies; 1991 – 2002 – St. Petersburg Administration, Head of the Municipal Secretariat; 2002 – 2003 – representative of the Federation Council at the Federal Assembly of the Russian Federation; 2003 – 2006 OAO Gazkomplektimpeks General Manager; 2003 – 2006 – member of the Board of Directors of OAO Gazprom. He holds no shares in the Company. He holds no stake in other companies' capital or votes in excess of 5 per cent.

Information on other members of the Board of Directors of the present term of office is available on page 29.

**COMPANY'S ADMINISTRATION:****Chief Executive Officer – General Manager:**

***Viktoras Valentukevičius*** – AB Lietuvos Dujos General Manager.

In 1977, he graduated from Vilnius University and gained the speciality of planning and organisation of industrial enterprises and the qualification of an economist. 1991 – 1994 – Director of Alytus District Heating Utility, 1994 – 1996 – Secretary of the Ministry of Energy of the Republic of Lithuania, 1996 – 2000 Vice-minister of the Ministry of Economy of the Republic of Lithuania, chairman of the Board of Directors of AB Lietuvos Dujos and AB Būtingės Nafta (petroleum terminal). 2000 - 2002 – AB Lietuvos Dujos Director for Economy, since 2002 – AB Lietuvos Dujos General Manager. Holds 300 shares in the Company. He holds no stake other companies' capital or votes in excess of 5 per cent.

Participation in the managing bodies of other companies:

AB Bankas NORD/LB Lietuva – Member of the Supervisory Board.

**Chief Financial Officer:**

**Giedrė Glinskienė** – AB Lietuvos Dujos Chief Financial Officer.

In 1992, she graduated from Vilnius University, Faculty of Economics, and gained the speciality of Production Economics and Management. 1994 - 1997 – Advisor for Economy Matters at the Ministry of Energy. 1997 - 1999 – Head of the Energy Reform Division at the Energy Development Department of the Ministry of Economy. 2000 - 2003 - AB Lietuvos Dujos Head of the Audit and Reform Division. Since 2004 - AB Lietuvos Dujos Chief Financial Officer. She holds no shares in the Company. She holds no stake in other companies' capital or votes in excess of 5 per cent. Does not participate in other companies.

**Information on the start and end of the term of Administration Members**

No.	Full name	Position title	Start and end of term
<b><u>Administration</u></b>			
1.	Viktoras Valentukevičius	General Manager	29 April 2004 – 28 April 2007
			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	29 April 2004 – 28 April 2007
			19 April 2007 – 18 April 2010

**42.4. Information about the effective convictions of members of managing bodies for the crimes against property, economic procedures or finances**

Members of managing bodies have no existing convictions for the crimes against property, economic procedures or finances.

### **43. Information about payments and loans extended to the members of the managing bodies**

#### **43.1. Information about the total and average amounts per person of tantiemes, remunerations and other payments paid from the profit of the issuer**

No tantiemes were disbursed to members of the Board of Directors in 2006. Other payments to members of the Board of Directors during 2006 totaled LTL 152.4 thousand, i.e. LTL 30.5 thousand per member of the Board of Directors on average.

Payments related to employment relations and payments from the profit to members of the Administration of the Company totaled LTL 1.46 million, i.e. LTL 292.0 thousand per employee on average.

#### **43.2 Total amounts of tantiemes, remunerations and other payments from the profit paid during the reporting period to the members of the Issuer's Supervisory Board, the Board of Directors and the Administration (by category of the above-referred persons) by the companies where the Issuer holds more than 20 per cent of their share capital**

—————

#### **43.3 Loans, guarantees and sureties issued to members of the managing bodies during the reporting period to ensure performance of their obligations**

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### **44. Transactions with privies**

According to the information available to the Management, during the reporting period there were no transactions unrepresentative of the Company's core activities with privies.



## VII. RECENT AND MATERIAL EVENTS IN THE ISSUER'S ACTIVITY AND ITS PROSPECTS

### 45. Recent material events in the Issuer's activity

The Company announced:

- On 28 February 2007 - that the consolidated pre-audited results of AB Lietuvos Dujos of 2006 prepared according to the International Financial Reporting Standards: net profit of 2006 – LTL 53.8 million (EUR 15.6 million), of 2005 (restated due to the change in the accounting policy) – LTL 36 million (EUR 10.4 million); sales revenue of 2006 – LTL 779.6 million (EUR 225.8 million), of 2005 (restated due to the change in the accounting policy) – LTL 596.5 million (EUR 172.8 million).
- On 15 March 2007 – that on 14 March 2007, the Board of Directors of AB Lietuvos Dujos decided to convene the General Shareholders Meeting the date and venue of the meeting being set: 18 April 2007 at 10 a.m. in the head office of AB Lietuvos Dujos (Aguonų str. 24, Vilnius), and approved the following agenda: Auditor's opinion on the annual financial statement and the Annual Report of the Company for 2006; The 2006 Annual Report of the Company; Approval of the financial statements of the Company for 2006; Approval of the Profit (Loss) Appropriation of the Company for 2006; Selection of the audit company and setting the terms of payment for audit services; Recalling of the current Board of Directors; Election of a new Board of Directors.
- On 6 April 2007 – that on 5 April 2007 the Board of Directors of the Company approved the Draft Decisions of the General Shareholders Meeting and presents them to the General Shareholders Meeting: When approving AB Lietuvos Dujos consolidated and Parent Company's financial statements for the year ended 31 December 2006 and AB Lietuvos Dujos consolidated Annual Report for 2006, to take note of the opinion presented in the Independent auditor's report to the shareholders of AB Lietuvos Dujos; To approve the 2006 Consolidated Annual Report of AB Lietuvos Dujos; To approve AB Lietuvos Dujos consolidated and Parent Company's financial statements for the year ended 31 December 2006; To approve the profit (loss) appropriation of AB Lietuvos Dujos for 2006, which provides for the paying out of dividends to AB Lietuvos Dujos shareholders for 2006 in the amount of LTL 30 million (EUR 8.7 million) (LTL 0.064 (EUR 0.019 EUR) per one share with par value of 1 litas; To elect UAB Ernst & Young Baltic as an Audit Company to conduct an audit of AB Lietuvos Dujos financial statements as of 31 December 2007 and as of 31 December 2008 and to fix the payment in the amount of LTL 132,000 (EUR 38,230 ) (VAT excluded) for the audit of financial statements of each financial year; Pursuant to the Bylaws of the Company term of office of the current Board of Directors expires this year, therefore the Board of Directors proposes to the General Shareholders Meeting to recall the current Board of Directors and to elect a new one.
- On 6 April 2007 – that AB Lietuvos Dujos has submitted to VSE the Consolidated audited financial statements of AB Lietuvos Dujos for 2006, the 2006 Consolidated Annual Report, Governance Code and Auditor's Opinion. The documents are available on:
  1. metinis\_pranesimas\_2006\_en.pdf  
<https://newsclient.omxgroup.com:443/cds/DisclosureAttachmentServlet?messageAttachmentId=127119>
  2. final\_fa\_engl\_2006\_an\_2007\_03\_22\_fin\_t.pdf  
<https://newsclient.omxgroup.com:443/cds/DisclosureAttachmentServlet?messageAttachmentId=127114>
  3. auditoriaus\_isvada\_en.pdf  
<https://newsclient.omxgroup.com:443/cds/DisclosureAttachmentServlet?messageAttachmentId=127113>
  4. valdymo\_kodeksas\_en.doc  
<https://newsclient.omxgroup.com:443/cds/DisclosureAttachmentServlet?messageAttachmentId=127112>

- On 18 April 2007 – about the resolutions adopted by shareholders and the Board of Directors of AB Lietuvos Dujos:
  1. The Regular General Meeting of Shareholders of AB Lietuvos Dujos of 18 April 2007 adopted the following resolutions: 1.1. To take note of the Independent Auditor's Opinion on the consolidated financial statements and the annual financial statements for 2006 of the Company and the 2006 Consolidated Annual Report presented to the shareholders of AB Lietuvos Dujos; 1.2. To approve the 2006 Consolidated Annual Report of AB Lietuvos Dujos; 1.3. To approve the consolidated financial statements of AB Lietuvos Dujos and the financial statements of the Company for 2006; 1.4. To approve the Profit (Loss) Appropriation of the Company for 2006. At the Regular General Meeting of Shareholders of AB Lietuvos Dujos of 18 April 2007 it was decided to pay out dividends to shareholders of the Company in the amount of LTL 30 million (EUR 8.7 million) for 2006 (LTL 0.064 (EUR 0.019) per share with par value of 1 litas). Persons entitled to receiving the dividends are the ones who were shareholders of the Company at the end of the day of the Regular General Meeting of Shareholders that announced the dividends, i.e. at the end of 18 April 2007. The dividends will be paid out via the manager of the securities of the Company (of the issuer) AB FMI Finasta, contact telephone: +370 5 278 68 44. Pursuant to Art. 60.4 of the Company Law, the dividends will be paid out within one month of the date of taking the decision to pay out the dividends; 1.5. To elect UAB „Ernst & Young Baltic the audit company for auditing the financial statements of AB Lietuvos Dujos as of 31 December 2007 and as of 31 December 2008 and to set the payment for auditing the financial statement of each year in the amount of LTL 132,000 (EUR 38,230) (VAT excluded); 1.6. To elect the Board of Directors of AB Lietuvos Dujos: S. Kamphues, Dr. E. Benke, V.K. Gagilas, Dr. V. Golubev, K. Seleznev.
  2. Decisions made by of the Board of Directors of AB Lietuvos Dujos at the meeting of 18 April 2007: 2.1. To elect Stephan Kamphues as Chairman of the Board of Directors of AB Lietuvos Dujos; to elect Dr. Valery Golubev as Deputy Chairman of the Board of Directors of AB Lietuvos Dujos; 2.2 To Appoint Viktoras Valentukevičius as General Manager of AB Lietuvos Dujos.

#### 46. Material events in the Issuer's activities in 2006

The Company announced:

- On 27 February 2006 - that the Company's pre-audited net profit for 2005 stands at LTL 46.2 million (EUR 13.4 million).
- On 21 March 2006 – that on 20 March 2006 the Board of Directors of AB Lietuvos Dujos decided to convene the General Shareholders Meeting the date of the meeting being set 25 April 2006 and approved the following agenda: Auditor's opinion on the annual financial statements and Annual Report for 2005; Approval of 2005 Annual Report of the Company; Approval of 2005 financial statements of the Company; Approval of 2005 profit (loss) appropriation of the Company; election of the audit company and fixing of terms of payment for audit services; Amendment of the Bylaws of the Company.
- On 11 April 2006 – that on 10 April 2006 the Board of Directors of the Company approved the Draft Decisions of the General Shareholders Meeting and presents them to the shareholders' meeting: When approving the Company's financial statements for the year ended 31 December 2005 and the Company's Annual Report for 2005, to take note of the conclusions presented to the shareholders of AB Lietuvos Dujos in the auditor's report and opinion; To approve Annual Report on Business activities of the Company in 2005; To approve financial statements of the Company for the year ended 31 December 2005; To approve the Draft of the profit (loss) appropriation of the Company for 2005, which provides for the paying out of dividends for 2005 to the shareholders of the Company in the amount of LTL 30 million (EUR 8.7 million) (LTL 0.064 (EUR 0.0185) per share with par value of 1 litas); to elect UAB Ernst & Young Baltic as an Audit Company to conduct an audit of AB Lietuvos Dujos financial statements as of 31 December 2006 and to fix a payment for the services

provided in amount of LTL 108,000 (EUR 31,279) (VAT excluded); to approve the new wording of the Bylaws of the Company and to supplement article 8.2 of the Bylaws with paragraph 20.

- On 25 April 2006 – about the Resolutions of the General Shareholders Meetings of AB Lietuvos Dujos: When approving the Company's financial statements for the year ended 31 December 2005 and the Company's Annual Report for 2005, to take note of the conclusions presented to the shareholders of AB Lietuvos Dujos in the auditor's report and opinion; To approve Annual Report on business activities of the Company in 2005; To approve the financial statements of the Company for the year ended 31 December 2005; To approve the profit (loss) appropriation of the Company for 2005, which provides for the paying out of dividends for 2005 to the shareholders of the Company in the amount of LTL 30 million (EUR 8.7 million) (LTL 0.064 (EUR 0.0185) per share with par value of 1 litas); to elect UAB Ernst & Young Baltic as an Audit Company to conduct an audit of AB Lietuvos Dujos financial statements as of 31 December 2006 and to fix a payment for the services provided in the amount of LTL 108,000 (EUR 31,279) (VAT excluded); To approve the new wording of the Bylaws of the Company and to supplement article 8.2 of the Bylaws with paragraph 20.
- On 3 May 2006 - that the Company's pre-audited net profit for the 1st quarter of 2006 stands at LTL 42.9 million (EUR 12.42 million).
- On 18 May 2006 – that on 18 May 2006, the Register of Legal Entities registered a new wording of the Bylaws of AB Lietuvos Dujos, as approved on 25 April 2006 by the General Shareholders Meeting of the Company and issued a new AB Lietuvos Dujos Registration Certificate, in which the date of registration of the Company was corrected by replacing the wrong date of the registration 1 August 1995 by the correct one – 23 November 1990.
- On 26 May 2006 – that on 25 May 2006 AB Lietuvos Dujos submitted to the National Control Commission for Prices and Energy the New Gas Tariffs for the Regulated Customers and Transmission, Distribution Service Tariffs (that will come into effect from 1 July 2006) settled by the Company Board of Directors Resolution No. 1 of 25 May 2006.
- On 28 July 2006 - that the Company's pre-audited net profit for the 1st half of 2006 stands at LTL 41.8 million (EUR 12.1 million).
- On 30 October 2006 - that the Company's pre-audited net profit for the nine months of 2006 stands at LTL 39.2 million (EUR 11.3 million).
- On 7 December 2006 – that on 23 November 2006 (minutes No 26), the Board of Directors of AB Lietuvos Dujos approved new tariffs for the regulated customers that will come into effect from 1 January 2007.
- On 28 December 2006 – that on 22 December 2006 (minutes No 28), the Board of Directors of AB Lietuvos Dujos approved new natural gas tariffs for the household customers that will be effective till 1 July 2007.

All material events of the Company were submitted to the Lithuanian Securities Commission, Vilnius Stock Exchange, news services Baltic News Service (BNS), ELTA and REUTERS, published in the Lietuvos Rytas daily newspaper and posted on the Company website [www.dujos.lt](http://www.dujos.lt).

Pursuant to the provisions of Article 28 of the Law on Securities of the Republic of Lithuania regarding publication of the regulated information, in May 2007 the Company has signed an agreement with the operator of the regulated market *Vilniaus Vertybiniu Popieriu Birza* (Vilnius Stock Exchange) on the provision of the service of publication of the regulated information.

## **47. Business strategy and its foreseen changes in the next financial year**

### **The Company's key business directions in 2007**

The business priorities of AB Lietuvos Dujos are consistent expansion of the natural gas market, methodical development of the gas infrastructure, stable and secure supply of gas to customers, improvement of relationships with customers and the public, efficient management of the Company, efficient use of resources as well as ensuring of business excellence and performance quality.

Special focus will be placed on the transposition of the EU legislation into the Lithuanian legislative framework and on the legal separation of the Company's transmission, distribution and supply activities.

In 2007, plans are to improve the Company's performance through the implementation of new IT and business management systems, professional development of staff and improvement of the employee incentive system.

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