



**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

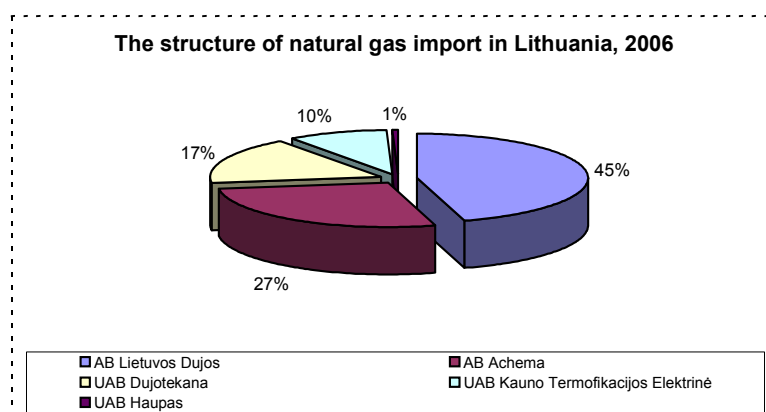
The law to amend the existing Law on Natural Gas initiated already in 2004 and aimed at transposing the provisions of the EU Directive 2003/55/EC concerning common rules for the internal market in natural gas and other legislation regulating the market of natural gas to the legislative framework of the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

Regulations

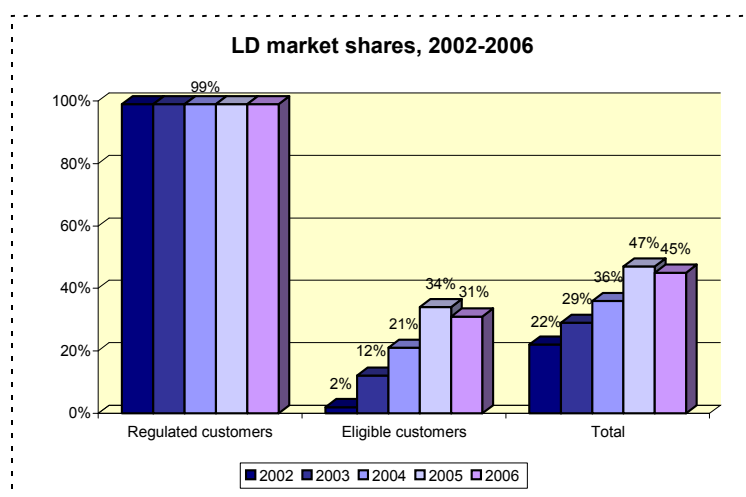
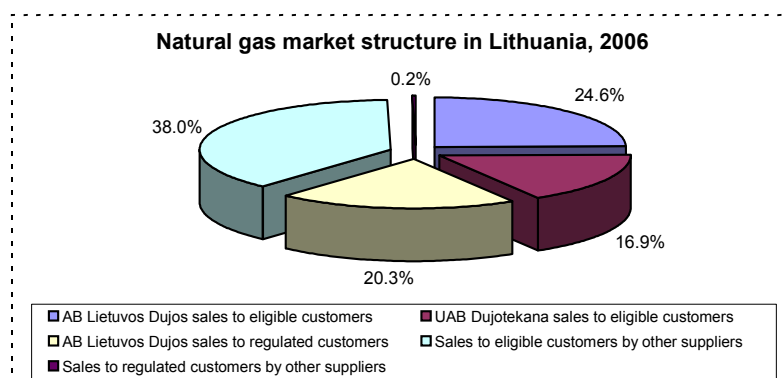
Under Order No.4-171 of the Minister of Economy of the Republic of Lithuania of 18 May 2006, the restriction on the application of item 143 of the Rules on the Transmission, Distribution, Storage and Supply of Natural Gas, whereby heat supply utilities were granted billing privileges in for the delivery 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	-

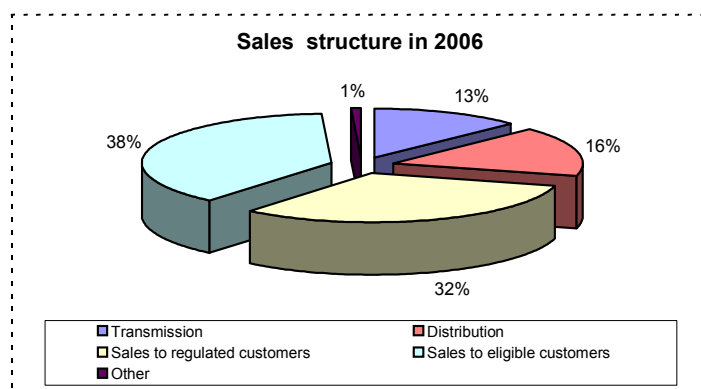
* proposed for approval by General Meeting of Shareholders

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.

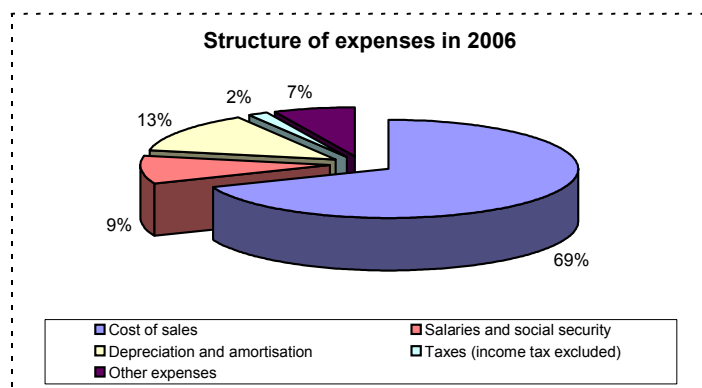
The revenue from the sales of gas to the regulated and the eligible customers increased from 385.3 M LTL to 547.7 M LTL, or by 42.1%. This increase was brought about largely by the increase in natural gas import price from 2006. The rise in the natural gas import price was determined by the growth of 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%.

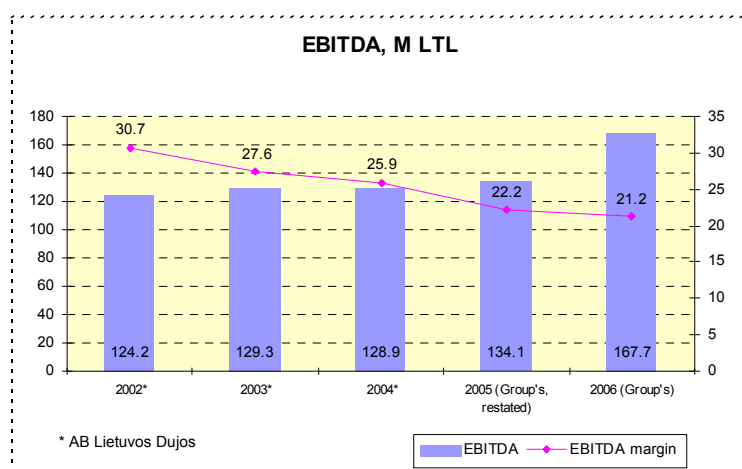
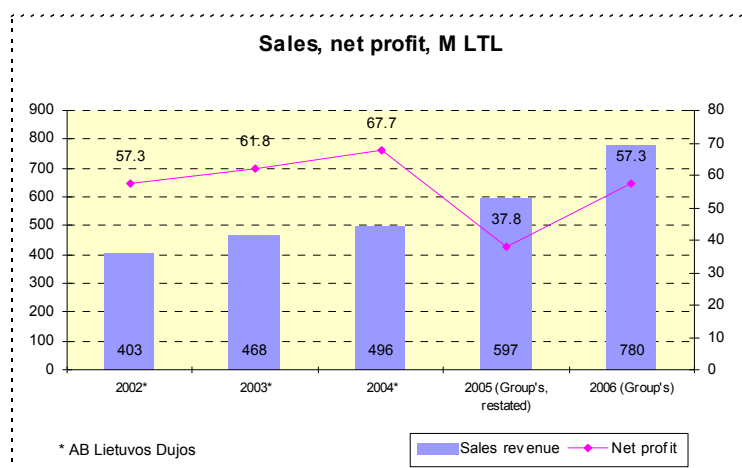
Financial, investment and other activities

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.



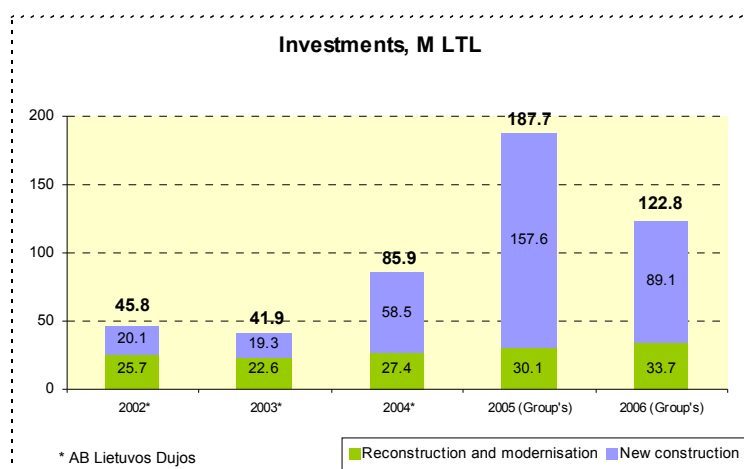
However, certain issues concerning the gas price regulation still remain unresolved, which has a negative effect upon the financial results of the Group. Within the regulated business of gas supply activity, the NCCPE in its tariff calculations assumes only a minimum for profit before taxes (< 1 M LTL) 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 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).

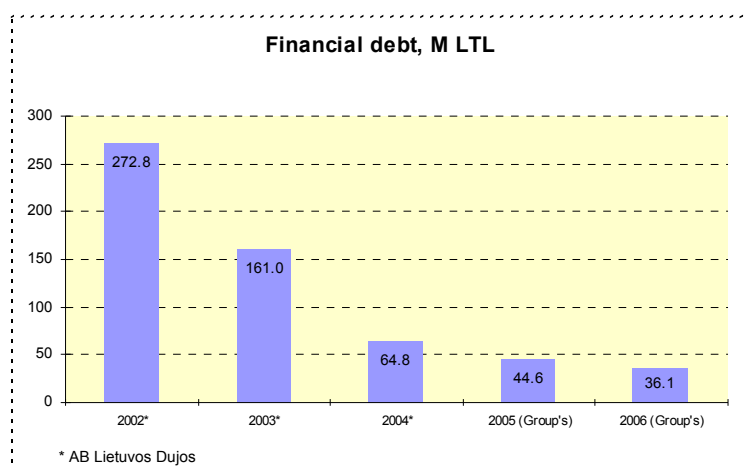
Investments in the construction of new gas systems totalled 89.1 M LTL (cf. with 157.6 M LTL in 2005). In comparison with the previous years, the investments in the construction of new gas distribution systems were considerably higher.

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

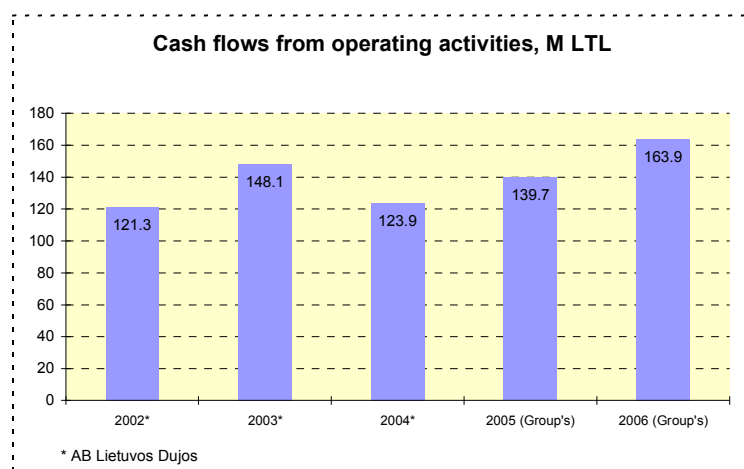
by 23.4 M LTL and made up 2 198.8 M LTL. The increase was basically due to the investments in the expansion and reconstruction of gas systems. The major share of the non-current assets (89.0 %) was made up of transmission and distribution networks and related installations. The major share of current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

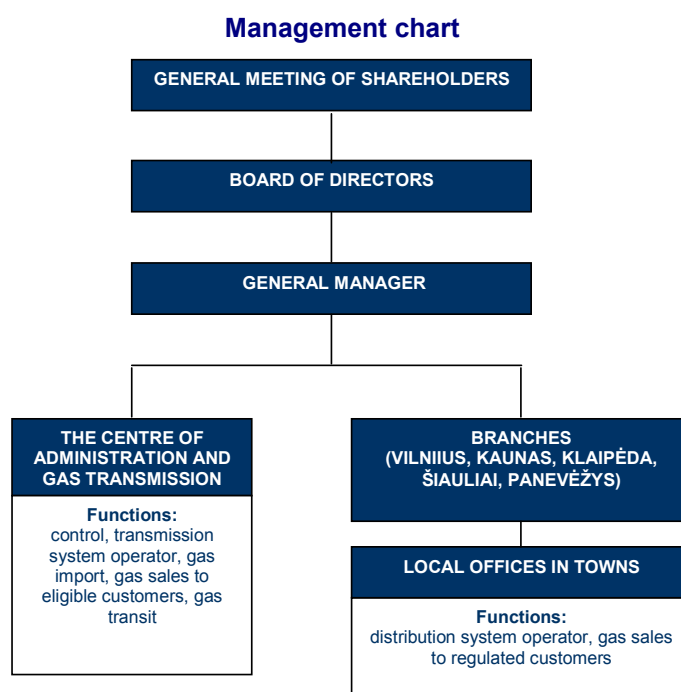
In 2007, the Company plans to enhance its productivity through the implementation of new information technologies and business management systems as well as through the employee training and improvement of the staff incentive system.

MANAGEMENT OF THE COMPANY

Management of the Company

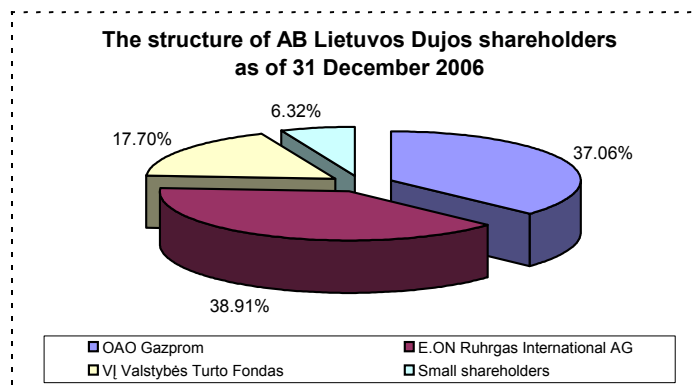
AB Lietuvos Dujos is a vertically integrated company.

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.



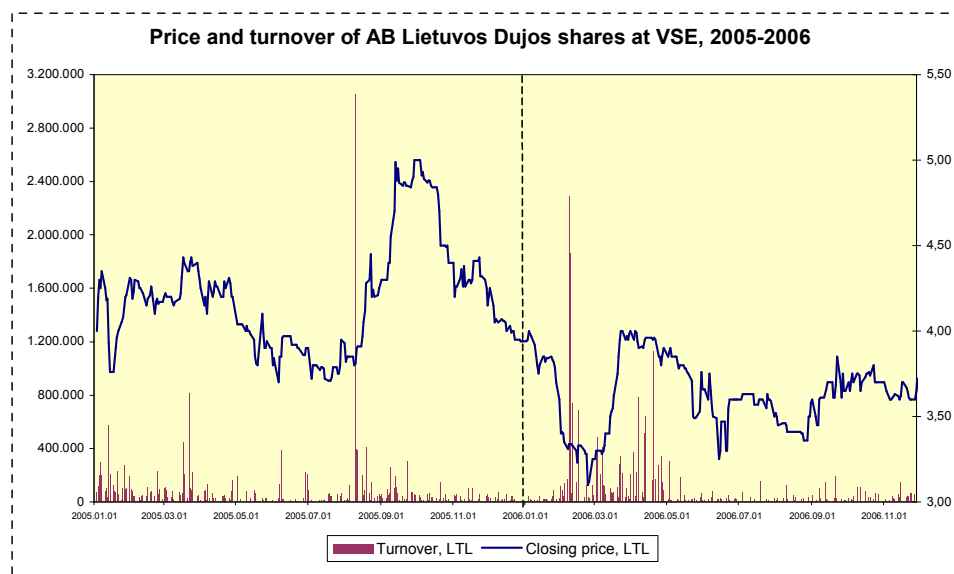
LD shareholders and shares

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.



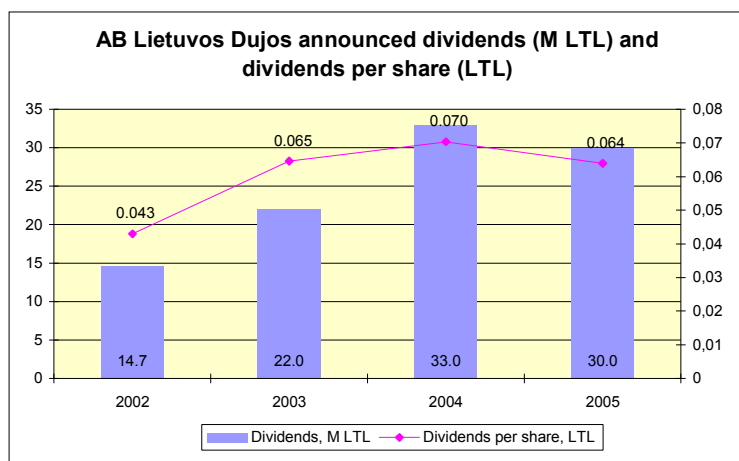
AB Lietuvos Dujos shares are traded and they are on the I-list of AB Vilniaus Vertybinių Popierių Birža (hereinafter “Vilnius Stock Exchange”, VSE) which belongs to the largest stock exchange operator in North Europe OMX. As of 31 December 2006, AB Lietuvos Dujos capitalization stood at 1787.15 M LTL. 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

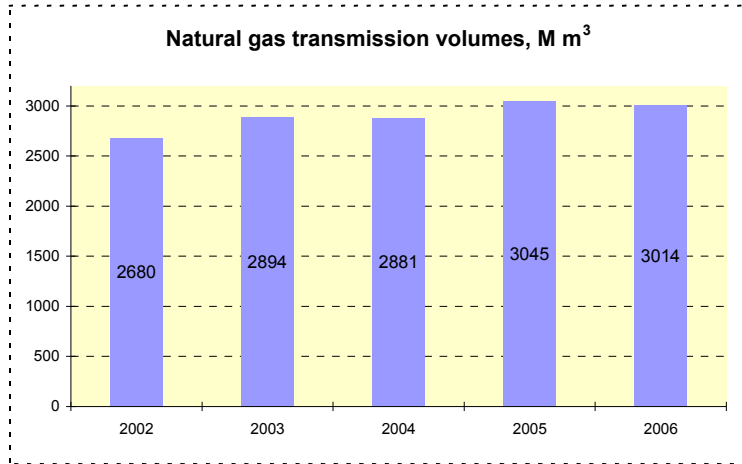
AB LIETUVOS DUJOS CORE ACTIVITIES

AB Lietuvos Dujos business activities:

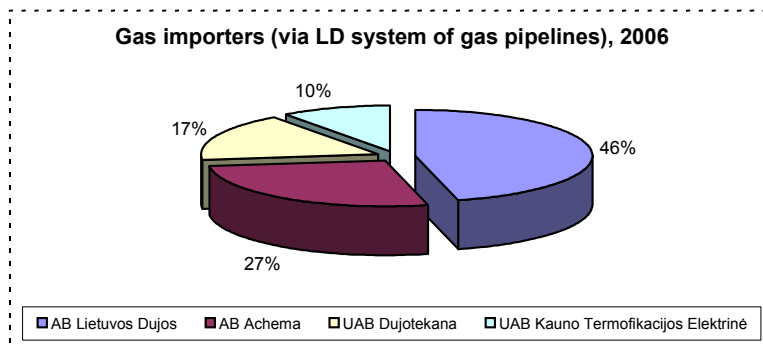
- transmission,
- distribution,
- supply of gas to the eligible and the regulated customers ,
- provision of services associated with the use of natural gas.

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.

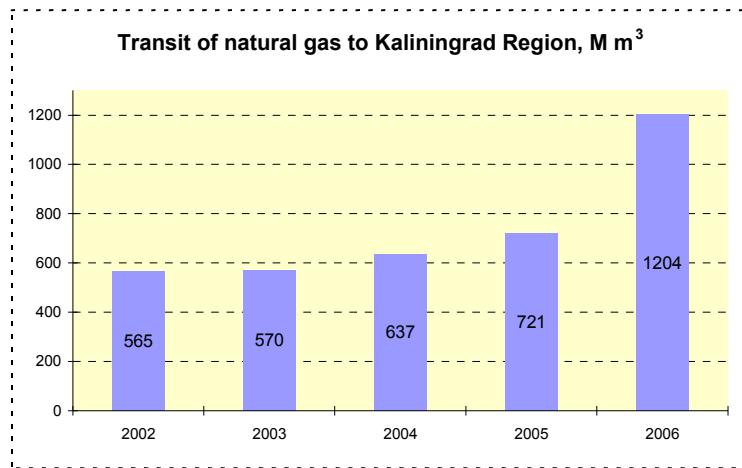


In 2006, 3,013.9 M m³ of natural gas were transported via the transmission system, (by 1.1 % less than in 2005), including 1,653.3 M m³ of gas transported to consumers who purchase gas from other suppliers.



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 f 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.

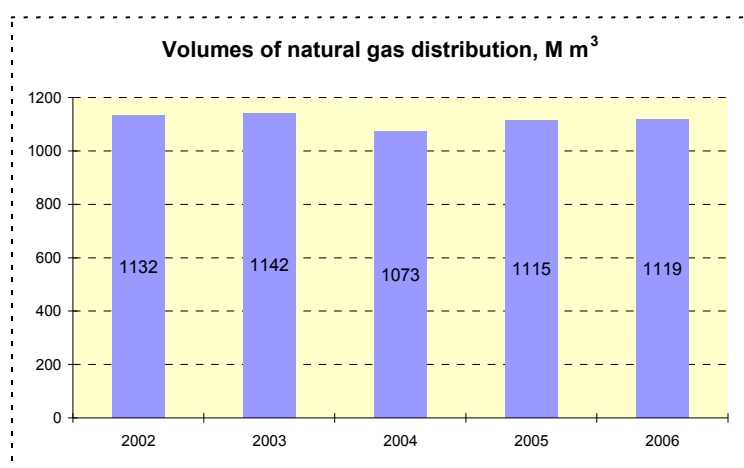
On the gas transmission pipeline Minskas – Vilnius known for its largest diameter in Lithuania we installed a Line Block Valve Site. With the reduction of the distance between the Line Block Valves achieved the compliance with the requirements of design standard regulations. The Lithuanian contractors 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.

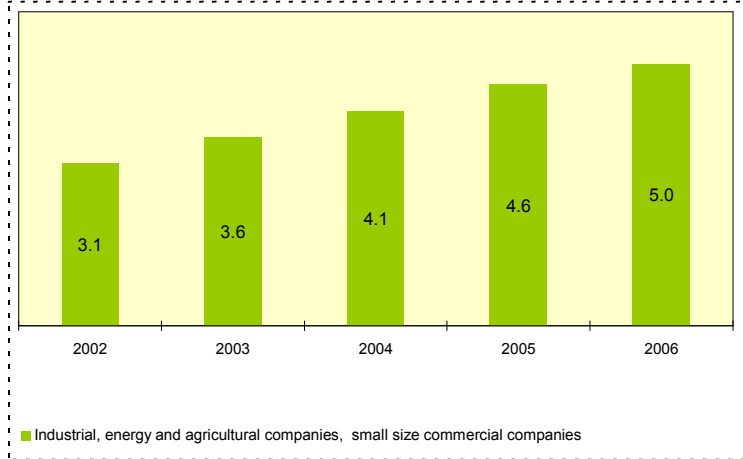
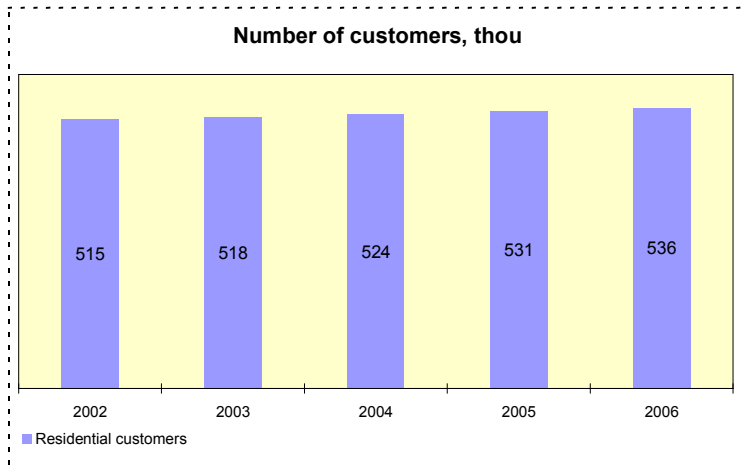
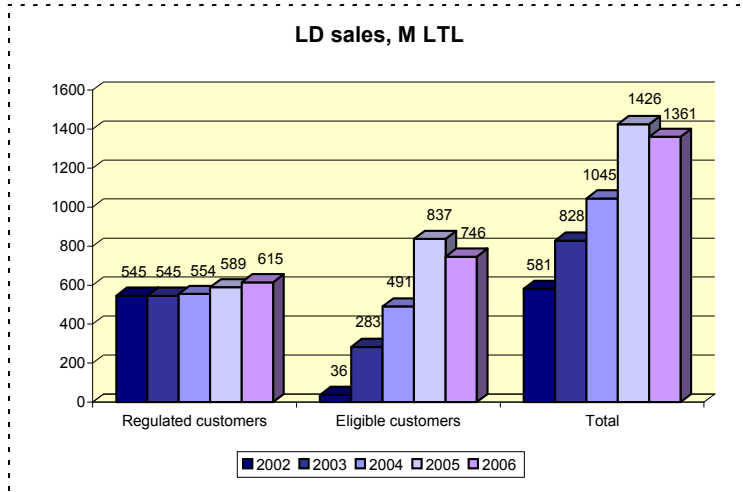
Customers

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.

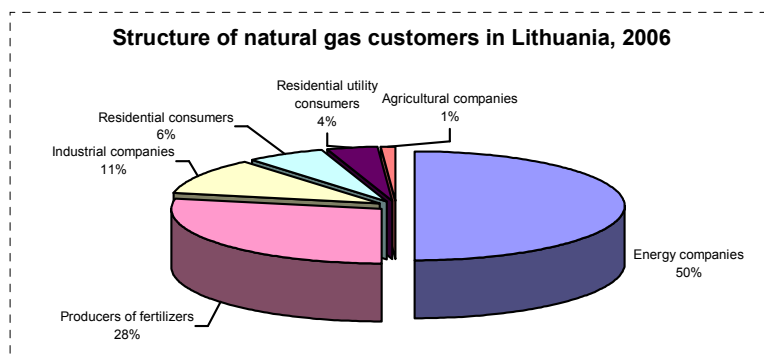
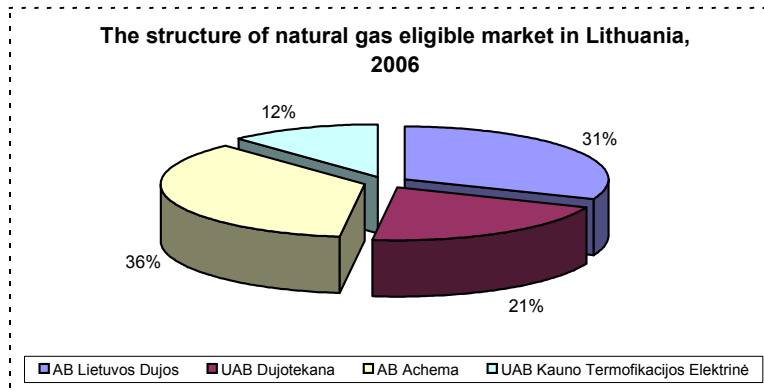
In 2006, the total volume of natural gas supplied by LD to its customers amounted to 1,360.6 M m³, of which 745.6 M m³ were supplied to 18 eligible customers and 615.0

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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

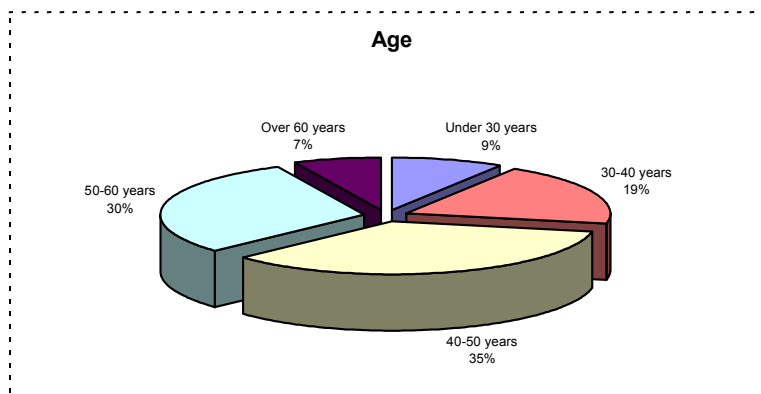
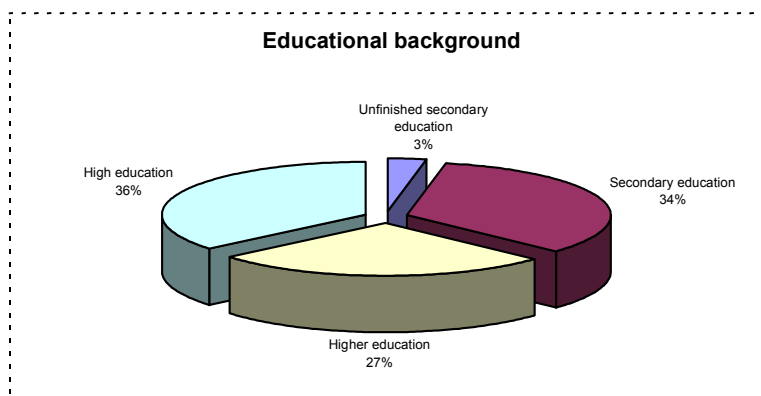
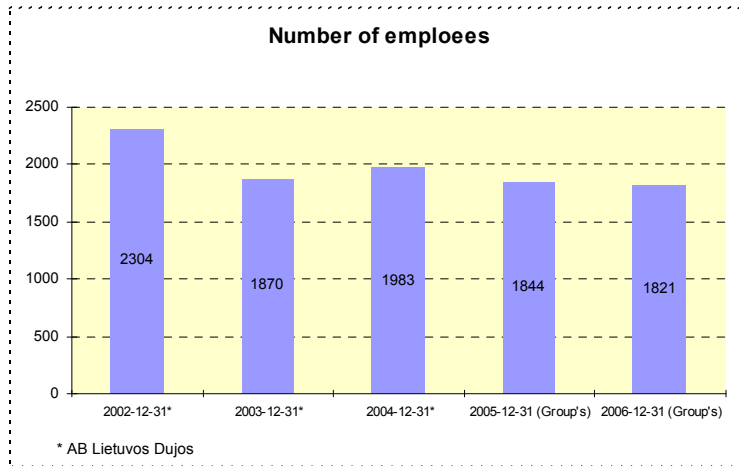
Over the year 2006, the number of the employees of the Group decreased from 1,844 (as of 31 December 2005) to 1,821 (as of 31 December 2006). This decrease was associated with a further improvement of the Company management structure.

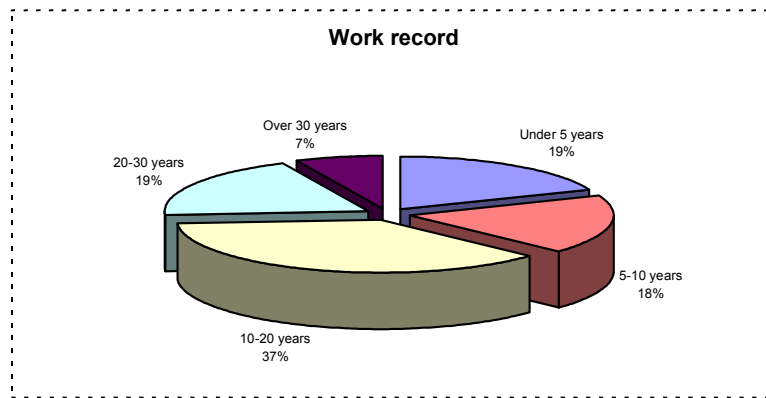
Workers (blue-collar) made up 40% of all LD employees (cf. with 44% in 2005). Managing staff, specialists and white-collar office employees comprised 60% of LD

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.

Disclosure form concerning the compliance with the Governance Code for the stock company „Lietuvos dujos“ listed on the regulated market

The stock company „Lietuvos dujos“, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICA BLE	COMMENTARY
<p>Principle I: Basic Provisions</p> <p>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</p>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The strategy of development and objectives of Joint-Stock Company 'Lietuvos dujos' are set forth in internal documentation and are described as individual business activities and objectives. The Company is updating its development plans dependent on the situation in the market and amendments to the regulating environment.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the Board of Directors and the Manager. The Supervisory Board is not formed to make cooperation between the Board of Directors and the Manager tighter, to make the governance of the Company more efficient, to quicken the implementation of the resolutions adopted and to realize direct responsibility.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
<p>Principle II: The corporate governance framework</p>		

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Company's managing bodies are the Board of Directors, and the Manager. A Supervisory Board is not formed in the Company. In opinion of the Company's shareholders, this is sufficient and effective means for the supervision of the functions performed by the Manager. Allotment of competences and responsibility to the Company's managing bodies is set forth in the Company's Articles of Association, regulations of the managing bodies, and the employment contract of the Manager.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	With regard to the supervisory body, please refer to our comments under item 2.1.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Yes	Please refer to our comments under 2.1
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. ¹	Yes	With regard to the supervisory body, please refer to our comments under item 2.1.

¹ Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. ²	Yes	With regard to the supervisory body, please refer to our comments under item 2.1.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Please refer to our comments under item 2.1.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	
<p>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.³</p>		

² Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

³ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	Yes	
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	Yes	
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	Yes	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	Yes	

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient ⁴ number of independent ⁵ members.	Yes	In compliance with the Shareholders' Agreement as of March 24, 2004, concluded amongst the State-owned State Property Fund, the Russian Public Company 'Gazprom', and the German Company 'Ruhrgas AG' (renamed as E.ON Ruhrgas International AG since July 1. 2004), 'Gazprom' and 'Ruhrgas AG' nominate to the Board of Directors 2 candidates each and the State Property Fund nominates one candidate. Four members of the Company's Board of Directors meet one to two independence criteria indicated in the Code.

⁴ The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

⁵ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as 	Yes	Please refer to our comments under item 3.6.
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<p>defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to</p>		<p>Please refer to our comments under item 3.6.</p>
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<p>determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be</p>	No	The Company has not yet applied the practise of announcing the independence criteria indicated in the Code (See item 3.6).

independent.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	Please refer to our comments under item 3.6.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. ⁶ . The general shareholders' meeting should approve the amount of such remuneration.	Yes	
<p>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</p> <p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring⁷ of the company's management bodies and protection of interests of all the company's shareholders.</p>		

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

⁷ See Footnote 3.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance. ⁸	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to information available to the Company, all the members of the Board of Directors act in their good will as regards the Company and carry out their activities in compliance with the Company's interests, not with their own interests or the interests of third persons, exerting every effort to preserve their independence while adopting the resolutions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half ⁹ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	

⁸ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

⁹ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies ¹⁰ . Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	

¹⁰ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	Yes	<p>Committees are not formed. However, some functions of these committees are being performed by the Board of Directors. These functions include the evaluation of skills, competence, and experience of certain directors; consideration of the general policy for the application of incentive systems; monitoring of consistency of financial information presented by the Company paying special attention to the suitability and transparency of accounting methods applied by the Company and its group.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes	<p>Please refer to our comments under item 4.7.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial</p>	No	<p>Please refer to our comments under item 4.7.</p>

<p>body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	No	Please refer to our comments under item 4.9.
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	No	Please refer to our comments under item 4.9.

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	<p>The Company does not form a nomination committee. The Company's shareholders have entered into a Shareholders' Agreement, and nomination to the Company's managing bodies is being carried out in compliance with this Agreement.</p>
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<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the 	No	<p>The Company does not form a remuneration committee. The Company's shareholders have entered into a Shareholders' Agreement, and resolutions concerning remuneration for the members of managing bodies are being adopted on the basis of this Agreement.</p>
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<p>company's annual report and documents intended for the use during the shareholders meeting;</p> <ul style="list-style-type: none"> • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 	No	<p>The Company does not form an auditing committee. The Company's shareholders have entered into a Shareholders' Agreement, and functions applicable to the auditing committee are ensured on the basis of this Agreement and by means of inner legal acts.</p>

<ul style="list-style-type: none"> • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal</p>		
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<p>contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	<p>The Company's internal documentation does not stipulate the individual evaluation of the activities of the Board of Directors, as this has not been required by Lithuanian law. Resolutions concerning the Company's business activities are adopted by the Board of Directors, which is accountable to the shareholders' general meeting.</p>
<p>Principle V: The working procedure of the company's collegial bodies</p> <p>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</p>		

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹¹.</p>	Yes	
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	

¹¹ The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	No Supervisory Board has been formed in the Company.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. ¹² All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	In accordance with the Lithuanian Company Law and the Articles of Association of the Company, important transactions are approved by the Board of Directors.

¹² The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	Yes	
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance¹³. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	Yes	
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	

¹³ The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>Taking into consideration the governance framework of Company's shareholders and available regulations for organizing the shareholders' general meeting, there is no necessity to additionally expensive IT systems.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	Yes	
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	Yes	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<p>Principle VIII: Company's remuneration policy</p> <p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	This accounting year, the Company did not publicly announce its remuneration policy, as this is not stipulated by Lithuanian law. The Company's remuneration policy is fixed by taking into account the results of analyzing the situation in the local labour market.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Please refer to our comments under item 8.1.

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	Please refer to our comments under item 8.1.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	Please refer to our comments under item 8.1.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	Please refer to our comments under item 8.1.
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	Please refer to our comments under item 8.1.

<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p>	No	Please refer to our comments under item 8.1.
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<ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	No	The Company currently does not have any such remuneration scheme.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors. 		The issues mentioned have not been discussed at the shareholders' annual general meeting; the Company's Articles of Association also do not stipulate such a procedure.

<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		<p>The issues mentioned have not been discussed at the shareholders' annual general meeting; the Company's Articles of Association do not stipulate such a procedure.</p>
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		<p>Please refer to our comments under item 8.8.</p>
<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>		

Principle IX: The role of stakeholders in corporate governance

Stephan Kamphues,

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	Compliance with this recommendation is ensured by the precise supervision and control of the Company's business activities by the state-owned institutions and associated consumer organizations. The publicity of the Company's business activities creates conditions for stakeholders to participate in the governance of the Company in compliance with the procedure established by law as well as in compliance with the Company's Articles of Association and Inner Regulations. Managing bodies are consulting with employees on the issues of governance of the Company and other substantial issues; the participation of employees in the Company's share capital is not limited.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
<p>Principle X: Information disclosure and transparency</p> <p>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		

<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified</p>	Yes	
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<p>in item 7 of Recommendation 10.1 is under disclosure.</p>		
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	

10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Company complies with this recommendation and information has been placed on its website www.dujos.lt
<p>Principle XI: The selection of the company's auditor</p> <p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	An audit company receives from the Company remuneration for consulting on tax and business issues, which does not contradict the independence requirements set by Lithuanian law on audit and the normative acts of the Commission for Securities of Lithuania.