



LITHUANIAN  
STATE-OWNED  
ENTERPRISES  
IN 2011

ANNUAL REPORT

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The Report is available online at [www.wi.ukmin.lt](http://www.wi.ukmin.lt)

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Gedimino pr. 38 / Vasario 16-osios g. 2,  
LT-01104 Vilnius

Design by UAB VRS WPI Vilnius,  
Lvovo g. 12, LT-09313 Vilnius

Printed by AB Kopa, Kampo g. 7,  
LT-3009 Kaunas

Print run of 500 copies  
2012



### Dear shareholder,

The Government has drawn up the third Annual Report on state-owned enterprises. These reports are becoming an example of good practice of the Government providing information to the citizens of Lithuania, who are the true shareholders of state-owned enterprises, on the activities, results and challenges of these enterprises.

The first report on the performance of state-owned enterprises since the restoration of independence was published 2010. The report disclosed the portfolio of commercial assets held by the state for the first time and showed that the return on these assets was lower than, for instance, in the neighbouring Nordic countries. Therefore, the Government made important decisions to change the way these companies were managed, to make them more efficient, transparent and accountable in order to ensure higher returns generated by these enterprises.

This Report outlines major achievements and milestones since the beginning of 2011. I would like to draw your attention to several key aspects.

The delegation of independent members to the boards of enterprises run by the Ministry of Energy and Ministry of Economy underlines a change in approach to state-owned enterprises and their role in society. It is widely agreed that state-owned enterprises must be isolated from political processes and their management must be based on clear business principles.

Acting in accordance with good practices used in many advanced countries, the Government adopted the Ownership Guidelines this June setting an ambitious governance standard for state-owned enterprises. Under this document, independent board members will be appointed to serve on the boards of major state-owned enterprises by September. They will make up at least a third of all board members. I believe that advantage will be taken of this opportunity to have true professionals on the boards in order to ensure that operations of state-owned enterprises are more efficient and profitable.

The reform of state-owned enterprises have already yielded tangible results as companies began to operate more transparently and efficiently and contribute more to the budget. The target is to collect over LTL 500 million in dividends and pro-

fit payments in 2012 which is 12 times more than in 2010. I would like to point out that these dividend payments will not interfere with the progress of projects undertaken by companies to ensure growth. Some dividends will be paid out from profits accrued in the previous years but this fact shows once again that previously financial resources were used inefficiently. Although state-run enterprises paid LTL 65 million in taxes on property and raw materials to the national budget in 2011, their results were significantly affected by the bankruptcy of Snoras bank. If these financial losses are excluded, profits generated by state-owned enterprises more than tripled in 2011 rising to LTL 246 million. The improving results are encouraging but we will strive to ensure that they are even better in the future.

In terms of systemic change, it should be pointed out that the Government, acting in the interests of all shareholders, paid more attention to analysing the enterprises, setting clear targets and putting in place professional boards. This function must be further strengthened and the Governance Coordination Centre will be set up this year to advise the Government on how to supervise state-owned enterprises and put in place related policies.

Last year, we made a promise to focus on transparency in municipally-owned enterprises as well. Therefore, the Government took the initiative and included a review of municipally-owned companies in this Annual Report. As a rule, municipally-owned enterprises are less visible in the media compared to such companies as Lithuanian Railways or LESTO but their inefficiency has a direct impact on the finances of every citizen because these enterprises operate in heat, water, waste and local transport sectors.

I strongly believe that municipally-owned enterprises will become more transparent if the public takes interest in them and demands more from local governments. Therefore, the Government will continue to include the results of municipally-owned enterprises in its reports so that the public could have an unbiased view on the efficiency of municipal enterprises and members of municipally-owned councils adopt better decisions.

Transparency, efficiency and professionalism are the key principles underlying the Government's reform of state-owned enterprises. We have developed the tools used in Western Europe and Asia which have already proven themselves in Lithuania such as the legal framework, Transparency Guidelines, Ownership Guidelines and Governance Coordination Centre. I hope that the main transparency and good governance principles will also be applied to public institutions operating in health, education and cultural sectors.

Yours sincerely,

Andrius Kubilius  
Prime Minister

# WHAT IS COVERED BY THE REPORT

This is the third annual report summarising the performance of state-owned enterprises. This Report has been drawn up in accordance with the Transparency Guidelines approved by the Government in July 2010 and updated in March 2012. These Guidelines stipulate one of the key objectives of the Government of the Republic of Lithuania which is to improve the transparency of operations of state-owned enterprises. The purpose of this Report is to inform Lithuanian citizens as indirect shareholders and owners of state-owned enterprises of the results of activities of enterprises and encourage these enterprises to operate in a more efficient and transparent way.

The first report on state-owned enterprises was published in 2010. Since then one more annual report and four interim reports have been released. An attempt to summarise and evaluate the results of state-owned enterprises for the first time posed various challenges: how to bring data from financial statements of enterprises to a uniform standard and aggregate them correctly into a single portfolio, which indicators to calculate so that they reflect the actual situation of enterprises allowing to compare them against other companies, how to present the most relevant and interesting information to the reader. Therefore, financial statements were being improved throughout 2011 so that more comprehensive and clear data could be provided to help everyone interested to better understand why and how the results of state-owned enterprises change.

Traditionally, this Report contains information on the re-

form programme of state-owned enterprises, general financial overview of the portfolio of state-owned enterprises, indicators of the financial condition, profitability and efficiency of state-owned enterprises, overviews of major sectors and largest state-owned enterprises. In addition, this Report has several important new features:

- **Views of economists** on the efficiency of state-owned enterprises and the ongoing reform (page 9);
- **Changes in the value of stock** of state-owned enterprises traded on NASDAQ OMX Vilnius (page 14);
- Assessment of the impact of **special obligations**, or functions delegated to enterprises for the pursuit of strategic, political and social goals of the state, on the profitability of enterprises (page 20);
- **Aggregated advertising and media expenditure** of state-owned enterprises;
- **Overview of municipally-owned enterprises** (page 75). Although the reform programme of state-owned enterprises does not cover municipally-owned enterprises, the latter are also recommended to comply with the Transparency Guidelines. These enterprises are indirectly owned or controlled by residents of towns or districts of their operation and these residents also need to be aware of the results of activities of these enterprises. Therefore, the Report contains an overview of the total portfolio of municipally-owned enterprises and the overview of the heat sector which is especially important for households.

## REFORM PROGRAMME OF STATE-OWNED ENTERPRISES

### Why state-owned enterprises must be reformed

The Lithuanian state is an important shareholder of public and private limited liability companies and owner of state enterprises with the largest holdings of commercial property in the country. State-owned enterprises operate in a variety of industries important for the state such as energy, communications, transport, etc. They generate a solid economic value and contribute significantly to the economic development of the country, implementation of important strategic projects and, last but not least, represent the property of the state and all taxpayers of Lithuania.

Unfortunately, public authorities and politicians have not paid sufficient attention to the management of state-owned enterprises since the restoration of independence. Inefficient operations of these enterprises is an obvious consequence. The overview of commercial property held by the state, which was published for the first time in 2010, showed that the performance of most state-owned enterprises was below par and the return on equity was much lower than the average rate in European countries and the average return on equity of private companies operating in Lithuania. One of the main reasons behind this inefficiency is the man-

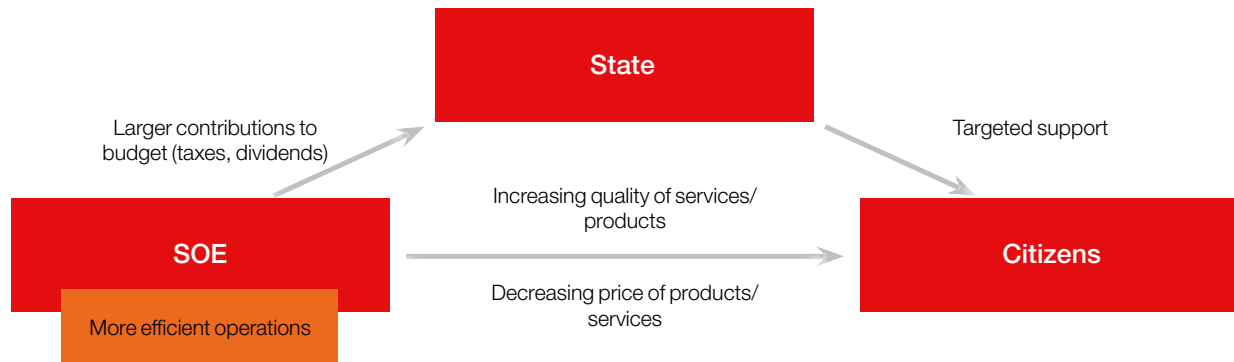
agement system of enterprises which offers no incentives to be profitable, sets conflicting targets and creates conditions for their mismanagement. Usually, state-owned enterprises are directly subordinate to ministries which pursue the policies in their relevant areas and regulate individual economic sectors. Exercising these functions, ministries do not pay sufficient attention to representing the state as the shareholder as they manage these enterprises, set targets and regulate the activities of these enterprises ignoring the importance of indicators of their activities. This dual role of ministries with respect to corporate governance leads to conflicts of interest, reduces the transparency of activities and worsens the financial results of enterprises.

The purpose of the reform of state-owned enterprises is to address these challenges and ensure that the state is a professional and responsible owner of enterprises actively seeking to maximise the value of property. The reform of state-owned enterprises has been undertaken in order to ensure that these companies are managed in a transparent way, according to good corporate governance principles and based on clear objectives.

## Advantages of the reform of state-owned enterprises

The main expected outcome of the reform of state-owned enterprises is higher efficiency of state-owned enterprises. More efficient operations offer a number of advantages to enterprises themselves, to the state and its citizens. Higher efficiency of state-owned enterprises helps:

- Improve the quality of services provided and products developed by enterprises;
- Reduce the price of services provided;
- Improve the profitability of enterprises and increase their contribution to the budget.



Moreover, transparent activities of state-owned enterprises contribute to the creation of business-friendly climate which is necessary so that more foreign investors could come to Lithuania. A third important aspect is the growth of the capital market. Optimised activities of enterprises will create opportunities

to raise some of the capital necessary for companies on capital markets. If more stocks of state-owned enterprises were listed on stock exchanges, the market capitalisation would be much higher and the market would become more liquid and attractive for both local and foreign investors.

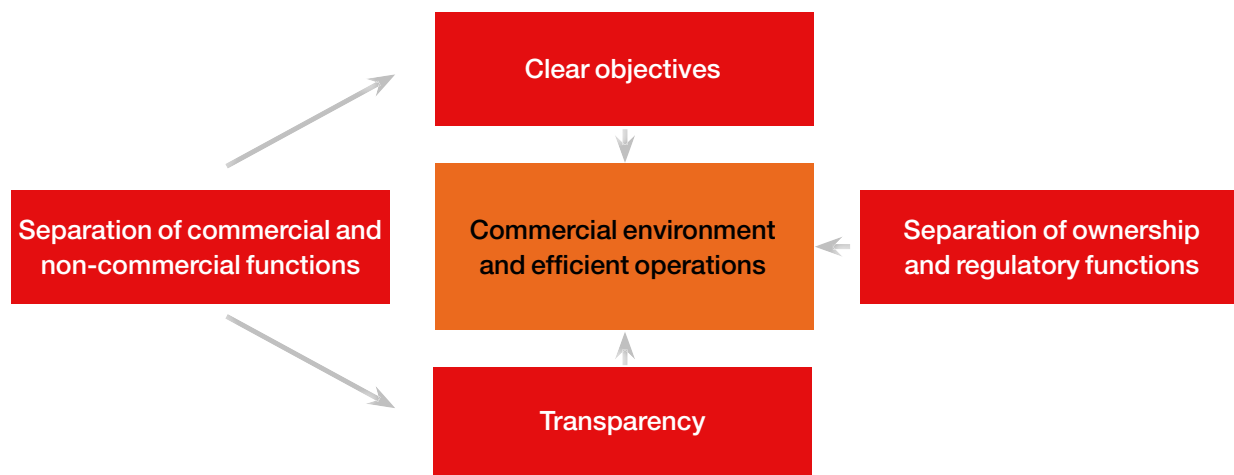
## Implementation of the reform of state-owned enterprises

The principles aimed at improving the efficiency of state-owned enterprises, which the Government seeks to put in place, are based on the guidelines of the Organisation for Economic Cooperation and Development (OECD). These guidelines provide a summary of experience and best practices of various countries that have successfully reformed state-owned enterprises. The OECD guidelines lay down key provisions which should underlie a reform of state-owned enterprises:

- equal competitive conditions for all companies operating on the market;
- assessment of state ownership functions;
- promotion of transparency and public accountability of state-owned enterprises;

- formation of effective corporate boards and creation of the pay system providing incentives to the boards and managers of enterprises.

Relying on these principles, the Government defined four main directions of the reform of state-owned enterprises as their implementation would ensure efficient operations of state-owned enterprises in a commercial environment: ensure transparent activities of enterprises, set clear objectives for them, separate the management and accounting of commercial and non-commercial functions of enterprises, strengthen and separate the state's ownership function from its regulatory functions.



## Transparency

In July 2010, the Government approved the Transparency Guidelines which stipulate that accounts of state-owned enterprises must be kept according to International Financial Reporting Standards and that enterprises must draw up both annual and interim (quarterly) sets of financial statements. In addition, state-owned enterprises must prepare quarterly and annual management reports. These reports must be submitted to the controlling body and published online. The Ministry of Economy, in cooperation with enterprises, the Ministry of Finance and Office of the Prime Minister, regularly prepares summary statements of the entire portfolio of state-owned enterprises showing the aggregate operating and financial results of enterprises during a certain period. Every year, five (one annual and four interim) summary reports on state-owned enterprises are presented to the Government and the public. This frequency has been chosen in order to institute regular public accountability of enterprises, monitor changes in the portfolio of state-owned enterprises and respond to them adequately by making quick decisions.

## Separation of commercial and non-commercial functions

State-owned enterprises carry out commercial operations and have special obligations. These are the functions delegated to enterprises for the pursuit of strategic, social and political goals of the state. In accordance with the OECD guidelines, the fulfilment of special obligations must be clearly regulated, laid down in the articles of association and internal documents of enterprises, financial results of special obligations must be separated from the results of other activities in the accounts of state-owned enterprises. In addition, transparent financing models must apply to special obligations in order to avoid cross-financing where losses from the fulfilment of special obligations are covered from profits of commercial activities carried out by the same enterprise.

Taking into account the OECD guidelines, the Ministry of Economy and external experts analysed the functions of state-owned enterprises, defined three types of special obligations of state-owned enterprises and assessed their impact on financial results of enterprises (see Special obligations). A number of problems related to special obligations were found during the assessment. Some special obligations are not clearly regulated by legal acts, have no clear quality requirements and criteria which are used to determine the need for fulfilment and financing of special obligations, the need for these functions is not regularly assessed. Besides, most enterprises keep no records of and do not analyse the financial results of their special obligations for either internal management or external public accountability purposes, have no management accounting systems in place and financing of special obligations of some enterprises is inconsistent with the principles laid down in EU Directives.

Therefore, the Government plans to improve the regulation of special obligations and require the ministries supervising state-owned enterprises to carry out periodic assessments of the need for special obligations and substantiate the need according to clear criteria, while decisions on the fulfilment and financing of these functions would be adopted by the Government. In addition,

state-owned enterprises should provide information about the financial results of their special obligations together with financial and operational reports. Their strategic plans should contain separate objectives and indicators of special obligations and commercial activities.

More stringent regulation of special obligations and their separation from commercial functions would increase the transparency of operations of enterprises, safeguard against market distortion and ensure that budget funds allocated for special obligations are used efficiently.

## Ownership Guidelines

In June 2012, the Government approved the Procedure for the Exercise of Property and Non-property Rights of the State at State-owned Enterprises (Ownership Guidelines). This document lays down the main principles of governance of state-owned enterprises which should ensure transparent and efficient management, setting of clear objectives of enterprises and consistent pursuit of these objectives.

The Ownership Guidelines lay down the rights and obligations of all public authorities, institutions and enterprises involved in the management of state-owned enterprises. These provisions will help address one of the most pressing corporate governance problems, which is conflicts of interest, where a public authority responsible for supervising the relevant sector is also involved in the management of an enterprise operating in that sector and represents the interests of both the state as the shareholder and its own as the body pursuing the relevant sectoral policies.

The Ownership Guidelines lay down the key principles of efficient management of state-owned enterprises:

- Professional representation of the state as the owner or shareholder of enterprises;
- Formation of competent and independent boards of enterprises;
- Setting clear objectives for enterprises.

## Professional representation of the state as the owner or shareholder of enterprises

The Ownership Guidelines stipulate that functions related to representation of the state as the shareholder or owner of enterprises must be separated from functions related to the implementation of sectoral policies, i.e. these functions must be delegated to separate units of a public authority. In addition, the Governance Coordination Centre will be set up within the State Property Fund to strengthen the implementation of ownership functions and ensure that the Government has at its disposal all information necessary for decisions. The Centre will monitor the implementation of state policies by all state-owned enterprises. It is expected that the key functions of the Governance Coordination Centre will be the following:

- Analyse and summarise financial information of state-owned enterprises, evaluate the efficiency of enterprises;
- Ensure the implementation of the provisions of the Transparency Guidelines;
- Coordinate the implementation of the good strategic planning practices;
- Assess the ambitiousness of strategic objectives of enterprises

- and monitor strategy implementation indicators;
- Help organise the process of nomination of board members;
- Sit on the boards of state-owned enterprises;
- Prepare methodological guidelines and put forward proposals to the Government and Ministry of Economy on how to improve the management of state-owned enterprises.

The Governance Coordination Centre will act as an advisory body to the Government and will assist public authorities in employing good corporate management practices at state-owned enterprises.

#### **Formation of competent and independent boards of enterprises**

The Ownership Guidelines lay down the qualification requirements for members and composition of the board. They stipulate that at least a third of members serving on the boards of largest public and private limited liability companies must meet independence criteria. It means that at least a third of board members will be qualified professionals working in the private sector with knowledge of the market in which the state-owned enterprise operates as well as with financial and strategic planning competences rather than public servants and employees of state-owned enterprises. Another important change is the fact that members will be appointed to the boards of major state-owned enterprises by the Nomination Committee composed of the line minister, Minister of Finance and Minister of Economy.

#### **Setting clear objectives for enterprises**

The Ownership Guidelines require objectives to be set for state-owned enterprises at two levels defined by the shareholder and board respectively. First, objectives of the state pursued in its capacity as the owner or shareholder of enterprises must be set and published. The Guidelines divide all state-owned enterprises into three groups according to the objectives pursued by the state:

**Group 1A.** The state seeks to increase the value of business and dividends or revenues from profit payments of enterprises in this group. The group includes such companies as Lithuanian Shipping Company, Geoterma, Visagino Energija, LITEXPO;

**Group 1B.** The state seeks not only to increase the value of business and dividends or revenues from profit contributions of enterprises but also to secure strategic interests of the country such as the economic security of the country, implementation of strategic projects, quality infrastructure, etc. These companies include Lithuanian Railways, Klaipėdos Nafta, Lithuanian Post, forest enterprises;

**Group 2.** The state manages enterprises in this group and seeks to achieve social and political objectives as well as to ensure profitability (i.e. efficiency). Enterprises within this group should only carry out non-commercial activities which would not be pursued by other companies seeking profit or would be pursued by them at a higher price. Group 2 includes such state-owned enterprises as the Centre of Registers, Deposit and Investment Insurance, regional road maintenance enterprises.

Boards and management of SOEs must ensure that group 1A and 1B enterprises controlled by them achieve the required return on capital invested by the state. The target return will be determined using the capital asset pricing model (CAPM) broadly used in financial analysis. These calculations will be made by the Governance Coordination Centre once in three years. Once the target indicators of the return on capital are approved by the ministry controlling the enterprise, they will be forwarded for final approval to the Government.

The second phase of definition of objectives is the preparation of corporate strategies. State-owned enterprises must have clear strategic plans serving as a communication tool between the Government, authority exercising the rights of the shareholder, corporate boards and management. Strategies are also necessary as a tool to assess the work of boards and management.

Strategies of state-owned enterprises must cover the analysis of the environment, mission and vision, long-term (strategic) objectives, goals and resources necessary to achieve them as well as operational plans. Draft strategies of state-owned enterprises will be submitted to the Governance Coordination Centre which will provide recommendations and proposals on their improvement. In addition, monitoring of the strategy implementation will be strengthened as the board and management of the state-owned enterprise will have to regularly analyse and evaluate the achievement of long-term and short-term financial and non-financial objectives by the enterprise. Companies will have to draw up annual reports on strategy implementation, while the Governance Coordination Centre will analyse them and prepare a summary report on the implementation of strategies of state-owned enterprises to be submitted to the Government.

The implementation of these measures will help ensure that enterprises operate efficiently and pursue reasonably ambitious objectives. A better quality of strategic planning will also enable ministries that control enterprises to prepare more accurate budgets including both the resources necessary to finance special obligations of enterprises and revenues receivable from enterprises.

## **News of the reform of state-owned enterprises**

### **Information on operating results of state-owned enterprises is now available online**

In December 2011, a website was launched at the address [www.vvi.ukmin.lt](http://www.vvi.ukmin.lt). The website describes the reform of state-owned enterprises outlining its goals, responsible authorities and practices of other countries and provides an opportunity

to analyse financial and operating indicators of all state-owned enterprises, receive information about strategic and public projects, etc. This is the reflection of the continuing effort of the Ministry of Economy to promote transparency and encourage the public to take interest in the activities and results of enterprises indirectly belonging to the public. The

latest developments of the reform of state-owned enterprises can also be tracked on a Facebook page.

### Quality assessment of strategic plans of state-owned enterprises

The Ministry of Economy, striving to encourage state-owned enterprises to prepare higher quality strategic plans, presented the Strategic Planning and Strategic Management Guidelines in the autumn of 2011 aimed at helping the boards and management of enterprises better understand the expectations of the state as the owner in relation to corporate strategic plans as well as harmonising the terms used, intercommunication and content of documents.

Acting in accordance with recommendations and good practice principles laid down in these Guidelines, the Ministry of Economy reviewed and evaluated 116 strategic plans of state-owned enterprises at the beginning of 2012. This evaluation showed that most strategic plans fell short of the good strategic planning practices and were insufficient to ensure quality corporate management and achievement of objectives. Many strategic plans contained insufficiently clear objectives, poor analyses of the return on investment or no analysis at all, while the financial objectives of most companies were not sufficiently ambitious compared to the indicators of similar companies. The Ministry of Economy submitted brief findings to

most enterprises, while the largest enterprises received more comprehensive recommendations to improve their strategic plans which should be taken into account during the next phase of strategic planning.

### Boards of state-owned enterprises enhanced by independent members

A total of 14 independent members have already been nominated to the boards of state-owned enterprises operating in the energy sector. These individuals are high-level professionals who manage large companies and have executive education as professional board members. Independent board members that are free from any political pressures contribute actively to the development of strategies and improvement of efficiency of individual enterprises and also take part in discussions during the preparation of the national energy strategy.

Seeking to implement the good corporate governance practice, the Ministry of Economy appointed two independent members to the board of LITEXPO. It is expected that their participation will ensure that more attention is paid to strategic planning, financial objectives and improvement of efficiency of the enterprise.



From left to right: Paulius Martinkus, Chairman of the Board of UAB Toksika, Olaf Martens, member of the Board of UAB Energijos Tiekimas, Petras Baršauskas, member of the Board of UAB Kauno Energetikos Remontas, Antanas Anskaitis, member of the Board of UAB Elektros Tinklo Paslaugos, Lina Paukštė, member of the Board of UAB NT Valdos, Darius Maikštėnas, member of the Board of AB LESTO, Andrius Kubilius, Prime Minister, Arvydas Sekmokas, Minister of Energy, Mantas Zalatorius, member of the Board of UAB Visagino Atominė Elektrinė, Erika Jakimonytė, member of the Board of UAB Baltpool, Kristian Kaas Mortensen, President of the Baltic Institute of Corporate Governance, Lina Morkūnaitė, member of the Board of UAB Tėtas, Sonata Matulevičienė, member of the Board of AB Lietuvos Energija, Aurimas Bakas, member of the Board of UAB Technologijų Ir Inovacijų Centras, Adomas Ažuolas Audickas, Vice-minister of Economy, Mindaugas Jusius, member of the Board of AB Klaipėdos Nafta.



## Economists about the reform of state-owned enterprises

**Žygmantas Mauricas, Economist at Nordea Bank Lietuva:**  
**State-owned enterprises need clear rules of the game**



A survey carried out by the Baltic Corporate Governance Institute showed that the quality of corporate governance of state-owned enterprises in Lithuania still lags far behind the good international practices. According to the survey, enterprises are managed better not only by the Nordic countries situated on the other shore of the Baltic Sea but by our neighbours

in Latvia and Estonia as well. Such results are disconcerting as the high quality and efficiency of management of state-owned enterprises plays an important role in ensuring the sustainable growth of the national economy. Enterprises that are managed more efficiently are able to provide better services to businesses and households and contribute more to the national budget, while very poorly managed enterprises may become a heavy burden which sooner or later falls onto the shoulders of the taxpayer. Therefore, a natural question is “what do we do wrongly to be so far behind the leaders of corporate governance of state-owned enterprises and what can be done better to change this situation”?

Unclear and changing objectives and lack of long-term operational plans of enterprises are probably the main problem faced by managers of state-owned enterprises in Lithuania. Without a clear and stable operational strategy managers of enterprises are reluctant to undertake important investment projects or reform corporate management. The absence of clear rules of the game leads to inactivity of managers of state-owned enterprises as they risk receiving a yellow, if not a red, card for any proactive endeavour, while any attempt to argue with the referee may result in the permanent suspension from the game. In these circumstances, when any initiative is very likely to be penalised, the best strategy for a manager of an enterprise usually is doing nothing. It is easy to understand that such management strategies result in a loss of competitiveness and flexibility by the company, its inability to adapt to the changing surrounding conditions and ultimately becoming a burden for the whole country. To be able to ensure the continuity of operations of enterprises and implementation of their strategic plans, it is extremely important to increase the independence and qualification of members of the boards of state-owned enterprises.

The importance of long-term planning and corporate strategies becomes very significant in addressing a daily dilemma of which share of profits should be invested by

enterprises into their future growth and which share should be paid as dividends to the national budget. Although the improving profitability of state-owned enterprises is indeed encouraging, a sustainable growth of profits in the future requires to ensure a sufficient amount of investment into strategic projects which improve the efficiency of operations. Therefore, clearly defined objectives and an investment strategy helps managers solve the „investment and profit“ dilemma more easily.

Managers of state-owned enterprises are also faced with an equally important dilemma of “commercial activities and social obligations”. On the one hand, enterprises are encouraged to improve their efficiency and profitability but, on the other hand, they are also required to provide public infrastructure services which are often unprofitable for enterprises. For instance, transport undertakings must provide passenger services which are loss-making. This not only adds uncertainty in the area of corporate governance but also makes it more difficult to compare the results with those of private companies operating in the relevant sector. Therefore, it is very important to divide services provided by enterprises into two groups of commercial and non-commercial services and to evaluate the efficiency of these service groups according to the relevant criteria. Commercial operations should be evaluated according to the same principles as used by private organisations seeking profit, i.e. the goal should be to maximise the increase in the value of the company and dividend yield, while enterprises providing non-commercial services should focus on the achievement of their social and public objectives and refrain from commercial activities.

Hardly anyone likes to see taxes rise and cuts made to the services provided by the public sector but these are the measures that the government has to take when budget resources are scarce. A much more pleasant alternative is to continue the reform of state-owned enterprises which will help boost the efficiency of these enterprises and increase their contribution to the national budget. International experience shows that the best recipes for this goal are to have clear strategic objectives, independent and strong corporate boards and clear separation of commercial and non-commercial functions. Efforts should also continue to increase transparency which is also an excellent tool in making state-owned enterprises more efficient, given the fact that the sceptical view of the Lithuanian population on state-owned enterprises expressed during the survey of the Baltic Corporate Governance Institute was one of the key factors contributing to a rather poor scorecard for Lithuania.

**Nerijus Mačiulis, Senior Economist at Swedbank in Lithuania:  
State-owned enterprises must be profitable**



It is hard to imagine a successful company which has no financial targets. Even if it is a non-profit organisation, it still needs to manage its costs efficiently and use the available resources rationally. Any attempt to free state-owned enterprises from setting and trying to achieve specific financial objectives is nothing more than an effort to hide inefficiency and

poor management competence under a blanket of “social objectives”.

All state-owned enterprises must be profitable. If they are unable to earn a profit, they should be fully or partially privatised and be managed by the private sector. There are just a few state-owned enterprises that have to provide public services at a subsidised cost. However, even in these cases we should look for ways to subsidise these socially vulnerable groups directly and not through state-owned enterprises which receive a mandate thereby to operate without any efficiency or transparency.

**Violeta Klyvienė, Senior Analyst for the Baltic States at Danske Bank:  
Efficiency of state-owned enterprises is important for the Lithuanian economy**



Efficient and, most importantly, transparent management of state-owned enterprises provides direct advantages to public finance. For instance, smaller grants to SOEs or higher dividend revenue may become an important source of public finance deficit reduction. However, there are some indirect advantages as well. It is no secret that state-owned enterprises in Lithuania are tur-

ning into a battlefield for never-ending clashes of interests of parties. In these circumstances, the objectives of enterprises have little to do with interests of society as a whole. Therefore, it is important to ensure that qualified and independent managers play the key role instead of politicians at these enterprises. This can only be achieved by continuing the ongoing reform of state-owned enterprises. “Seek to improve efficiency” is the advice for Lithuania from the European Commission for a second year in a row, which is a clear signal that progress in this area has been insufficient. So we must continue to go forward.

# OVERVIEW OF PORTFOLIO RESULTS



The overview of financial results achieved by state-owned enterprises (SOEs) in 2011 starts with the number of enterprises which make up this portfolio, analysis of the market value of the portfolio and analysis by such accounting indicators as the value of assets, equity, financial debt, sales revenue, operating profit, return on equity, employees and efficiency of operations.

The portfolio presented in this report is made up of 149 enterprises. Lietuvos Energija, LESTO and Litgrid are within the corporate group of Visagino Atominė Elektrinė (VAE). Therefore, only consolidated financial data of the VAE group have been included in the portfolio results. The data of Visagino Energetikos Remontas have not been included in the portfolio results as the company went into bankruptcy. The portfolio results also exclude the data of Universiteto Vaistinė and Lietuvos Tyrimų Centras (Lithuania Research Centre). The three-year data of Universiteto Vaistinė is not comparable as the capital structure of the company changed considerably during the change in its legal form and the Lithuania Research Centre did not exist in 2009. During the reference period, there were no privatised companies. The following review presents aggregated data of 145 enterprises in total.

At the beginning of 2012, Marijampolės Regiono Veislininkystė and Šiaulių Regiono Veislininkystė were merged into a single public company Lietuvos Veislininkystė, while Vilniaus Žirgynas, Nemuno Žirgynas and Sartų Žirgynas into Lietuvos Žirgynas. In 2011, Geležinkelių Projektavimas

merged with Lietuvos Geležinkeliai (Lithuanian Railways) by acquisition and the Legal Information Centre merged with the Centre of Registers.

All enterprises are divided into four sectors: transport, energy, forestry and other enterprises. The latter includes enterprises not classified within either of the first three sectors. The energy sector is made up of 12 enterprises and their sales revenue accounts for 44.1% of total sales revenue of the portfolio. The transport sector includes 24 enterprises which generate 37.4% of the portfolio turnover, while the forestry sector comprises 42 forest enterprises and the Lithuanian Forest Inventory and Management Institute (8.4% of sales revenue of the portfolio). The sector of other enterprises includes almost half of the portfolio companies (70) but their total sales revenue accounts for a mere 10% of the SOE portfolio turnover.

In this Report, results of 2011 are compared against the adjusted SOE portfolio results of 2010 and 2009 which differ materially from the data disclosed in SOE annual reports of 2010 and 2009 because some data have been revised and some enterprises were excluded. The effect of adjustments on the net profit of the SOE portfolio in 2009 and 2010 is summarised at the end of the overview of portfolio results (see Effect of adjustments on the net result of the SOE portfolio in 2009 and 2010).

The following tables provide aggregated financial information of SOEs.

Profit and loss statement (LTL '000)	2009*	2010	2011
<b>Sales revenue</b>	<b>6,557,413</b>	<b>6,405,188</b>	<b>6,552,168</b>
Cost of goods sold	4,250,429	4,156,331	4,187,219
<b>Gross profit (loss)</b>	<b>2,306,985</b>	<b>2,248,857</b>	<b>2,364,949</b>
Operating expenses	2,622,468	2,239,988	2,275,653
Profit (loss) from other activities	38,810	31,312	53,093
<b>Operating profit (loss)</b>	<b>-276,673</b>	<b>40,182</b>	<b>142,390</b>
<i>Operating profit margin</i>	<i>-4.2%</i>	<i>0.6%</i>	<i>2.2%</i>
<b>EBITDA</b>	<b>1,044,845</b>	<b>1,290,945</b>	<b>1,375,751</b>
<i>EBITDA margin</i>	<i>15.9%</i>	<i>20.2%</i>	<i>21.0%</i>
Financial and investment activities	16,232	-9,613	-126,387
<b>Profit (loss) before taxes</b>	<b>-260,441</b>	<b>30,569</b>	<b>16,003</b>
Profit tax	-236,992	18,837	35,544
<b>Net profit</b>	<b>-23,449</b>	<b>11,732</b>	<b>-19,541</b>
<i>Net profit margin</i>	<i>-0.4%</i>	<i>0.2%</i>	<i>-0.3%</i>
Minority interest	-1,267	-9,102	-9,093
<b>Net profit excluding non-standard taxes</b>	<b>24,480</b>	<b>71,202</b>	<b>65,143</b>
<b>Net profit excluding non-standard taxes and effect of Snoras bankruptcy</b>	<b>24,480</b>	<b>71,202</b>	<b>246,642</b>

\* Results of 2009 net of Ignalina Nuclear Power Plant write-offs

Balance sheet (LTL '000)	31 Dec 2009	31 Dec 2010	31 Dec 2011
Intangible assets	373,049	406,069	399,136
Tangible assets	18,603,155	19,430,110	19,867,065
Financial assets	1,397,495	1,840,787	1,125,213
Other non-current assets	347,927	308,187	325,046
Biological assets	3,106,726	3,106,676	3,260,262
<b>Non-current assets</b>	<b>23,828,351</b>	<b>25,091,828</b>	<b>24,976,722</b>
Inventories, prepayments and contracts in progress	946,677	1,046,576	1,742,132
Amounts receivable within one year	1,853,473	1,429,248	1,505,074
Other current assets	1,208,314	1,181,403	1,227,022
Cash and cash equivalents	630,657	829,809	656,972
<b>Current assets</b>	<b>4,639,121</b>	<b>4,487,035</b>	<b>5,131,201</b>
<b>Total assets</b>	<b>28,467,472</b>	<b>29,578,863</b>	<b>30,107,923</b>
<b>Total equity</b>	<b>18,265,340</b>	<b>18,800,016</b>	<b>18,886,849</b>
Minority shareholder equity	1,133,482	1,013,394	1,017,030
<b>Grants and subsidies</b>	<b>4,149,043</b>	<b>4,189,489</b>	<b>4,750,770</b>
Non-current liabilities	4,184,830	4,202,195	3,398,654
Current liabilities	1,868,259	2,387,163	3,071,651
<b>Liabilities</b>	<b>6,053,090</b>	<b>6,589,358</b>	<b>6,470,305</b>
Of which financial liabilities*	2,012,675	2,209,724	5,055,199
<b>Total equity and liabilities</b>	<b>28,467,472</b>	<b>29,578,863</b>	<b>30,107,923</b>

Ratios	2009	2010	2011
ROA	0.1%	0.2%	0.2%
ROE	0.1%	0.4%	0.3%
D/E*	11.0%	11.8%	26.8%
D/E**	11.0%	11.8%	11.0%

\*Financial liabilities as of 31 December 2011 include a LTL 2,979 million interest-free loan granted by the Ministry of Finance on behalf of the state to Deposit and Investment Insurance for the payment of benefits to Snoras depositors.

\*\*This D/E ratio has been calculated by subtracting the LTL 2,979 million interest-free loan granted to Deposit and Investment Insurance from the amount of financial liabilities.

Return to the state (LTL '000)	2009	2010	2011
Expected dividends (only the state's share)	41,313	85,561	464,151
Of which assigned dividends (only the state's share)	41,313	85,561	186,601
Expected SE profit contributions	0	0	60,278
Of which assigned SE profit contributions	0	0	26,083
Property tax	33,321	32,385	24,352
Raw material tax	23,066	37,580	75,276
<b>Total contributions and non-standard taxes</b>	<b>97,699</b>	<b>155,526</b>	<b>624,056</b>

Other information	2009	2010	2011
Number of employees (at period end)	43,885	41,626	41,355
Number of executives (at period end)	498	525	503
Advertising and media costs (LTL '000)	11,198	13,256	13,329

## SOE portfolio market value

At the end of 2011, the market value of the SOE portfolio was LTL 13.5 billion and contracted by 8% year-on-year. The book value of equity, assumed equal to the market value, rose by 2.5% in a year and exceeded LTL 7.3 billion at the end of the reference period. The book value of enterprises in the transport sector went up by 3.4% mostly because of profitable operations of Lithuanian Railways. The book value of equity in the forestry sector, composed of book values of forest enterprises

and the Lithuanian Forest Inventory and Management Institute, stood at LTL 484 million in 2011. Book values of equity in the energy and other sector did not change much and comprised LTL 644 million and 1,055 million respectively. The market value of enterprises in the forestry sector also includes the value of forests estimated using the cash flow method. The value of forests rose by LTL 153 million compared to 2009 because of rising wood prices and reached around LTL 3.3 billion.

SOE portfolio value as of 31 December 2011 (LTL '000)	Market value	Cash flow method	Book value	Total
Transport	14,149	-	5,165,370	5,179,519
Energy	2,932,406	-	644,074	3,576,480
Forestry	-	3,253,000	484,387	3,737,387
Other	-	-	1,055,284	1,055,284
<b>Total</b>	<b>2,946,555</b>	<b>3,253,000</b>	<b>7,349,115</b>	<b>13,548,671</b>

### SOE market value on NASDAQ OMX Vilnius

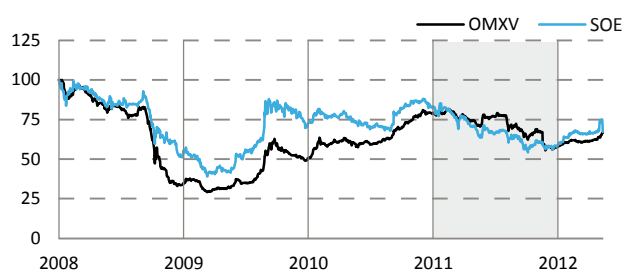
The state hold shares in six enterprises listed on the NASDAQ OMX Vilnius stock exchange and has the controlling interest in five of them.

At the end of 2011, the market value of state's shares of SOEs traded on the stock exchange comprised LTL 2.95 billion and fell by 31% from the beginning of the year when it stood at LTL 4.26 billion.

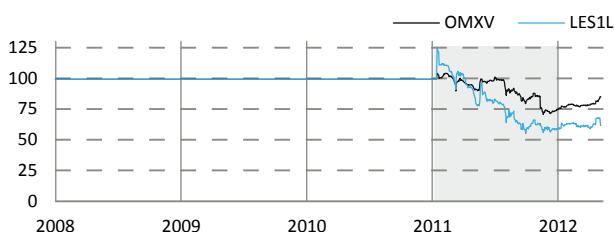
31 December 2011	State's interest	Value of stock owned by the state (LTL '000)
LESTO	82.63%	964,927
Lietuvos Energija	96.13%	786,267
Litgrid	97.50%	684,222
Klaipėdos Nafta	70.63%	325,275
Lietuvos Dujos	17.70%	171,715
Lietuvos Jūrų Laivininkystė	56.66%	14,149
<b>Total</b>	-	<b>2,946,555</b>

At the end of 2011, LESTO accounted for the largest share (33%) of the SOE stock's market value (LTL 964.9 million), while Lietuvos Jūrų Laivininkystė (Lithuanian Shipping Company) (LTL 14.1 million) comprised the smallest share (0.5%). The most significant nominal effect to the changes in the value of state's stock portfolio in 2011 resulted from the LTL 534.8 million and 653 million fall in the value of Litgrid and LESTO stock respectively.

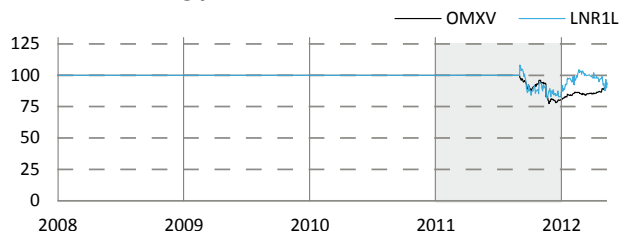
The index of SOE stocks shows changes in the value of state-owned companies listed on the stock exchange since 2008. Some companies were listed on the stock exchange later than others because of ongoing changes in the energy sector: Litgrid was listed on 22 December 2010, LESTO on 17 January 2011 and Lietuvos Energija on 1 September 2011 only. Therefore, the SOE index has been compiled taking into account listed SOEs existing before reorganisation: Lietuvos Elektrinė, Lietuvos Energijos Gamyba and Rytų Skirstomieji Tinklai.



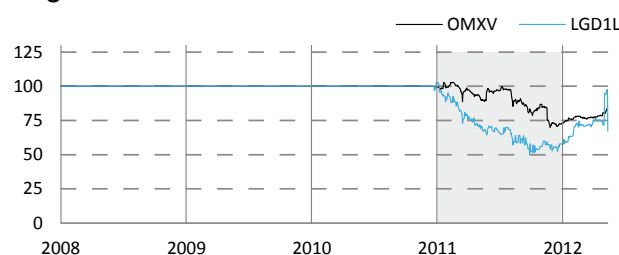
### LESTO



### Lietuvos Energija



### Litgrid



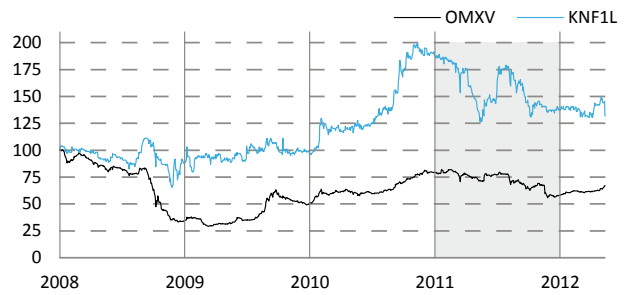
The change in the market value of all SOEs was negative in 2011. Lietuvos Jūrų Laivininkystė (Lithuanian Shipping Company) stock fell the most (-55%) due to negative tendencies in the shipping market. The smallest drop was by Lietuvos Energija stock (-14%).

Change in value in 2011	
LESTO*	-40.36%
Lietuvos Energija*	-14.06%
Litgrid	-43.87%
Klaipėdos Nafta	-26.42%
Lietuvos Dujos	-17.95%
Lietuvos Jūrų Laivininkystė	-55.00%
<b>SOE index:</b>	<b>-30.85%</b>
<b>Visų akcijų OMXV indeksas:</b>	<b>-26.66%</b>

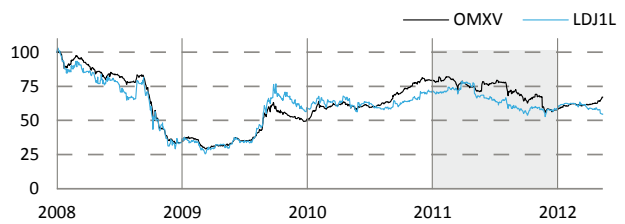
\* The change in value since the listing of stock.

The fall in the value of SOE stock portfolio was strongly affected by general trends on the stock exchange. In 2011, the index of all stocks traded on NASDAQ OMX Vilnius fell by 27% mostly because of negative trends prevailing on global markets as a result of the worsening sovereign debt crisis in the euro area.

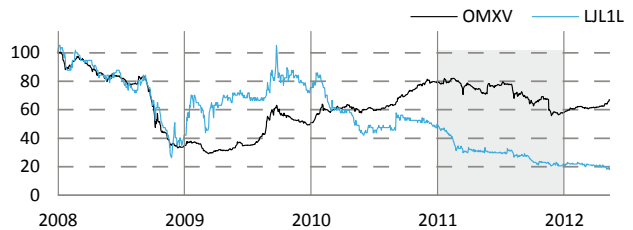
### Klaipėdos Nafta



### Lietuvos Dujos



### Lietuvos Jūrų Laivininkystė

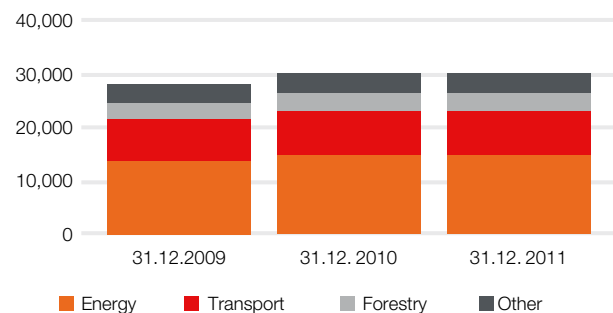


## Book value of assets

The book value of SOE assets rose for the second consecutive year. It grew by 1.8% in 2011 and amounted to LTL 30.1 billion at the end of the period. During the year concerned, the sharpest increase (LTL 463 million) was in the book value of assets held by enterprises in the transport sector which made up LTL 8.2 billion at the end of the period. This increase mostly relied on growing investments into non-current tangible assets by Lithuanian Railways and Klaipėda State Seaport Authority which made up LTL 286 million and 64 million respectively. The rise in the assets of Lithuanian Railways was mostly financed by subsidies amounting to LTL 237 million. The value of assets of enterprises in the forestry sector went up by LTL 200 million mostly because of a LTL 153 million rise in the value of forests and nearly a LTL 36 million increase in cash and cash equivalents in the sector. Assets of enterprises in the energy sector swelled by LTL 100 million mainly because of provisions for amounts receivable by the VAE group for its

public service obligations (LTL 96 million) and an increase in financial assets. The value of other enterprise sector went down by 5.8% to LTL 3.8 billion. The fall was mainly caused by a LTL 91 million and 34 million reduction in assets of the Rural Credit Guarantee Fund and Mortgage Loan Insurance respectively.

### Assets (LTL million)

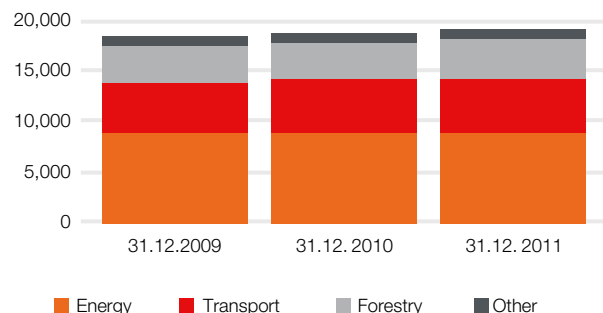


## Equity

The value of equity of the SOE portfolio rose from LTL 18.2 billion in 2009 to LTL 18.9 billion in 2011. It increased by 0.5% last year. The value of equity went up in the forestry (LTL 185 million) and transport (LTL 143 million) sectors. The increase in equity of the forestry sector mostly relied on profitable activities in 2011 and a LTL 153 million increase in the value of forests because of rising wood prices. The value of equity in the transport sector rose mainly because of profits of LTL 150 million and 68 million earned by Lithuanian Railways and Klaipėda State Seaport Authority respectively. The value of equity of energy enterprises fell by 2.3% during the year and stood at LTL 8.8 billion at the end of 2011. The decline was caused by losses incurred by the VAE group and Ignalina Nuclear Power Plant amounting to LTL 109

million and 123 million respectively. The value of equity in the other enterprise sector dropped by 2.8% to LTL 31 million.

Equity (LTL million)

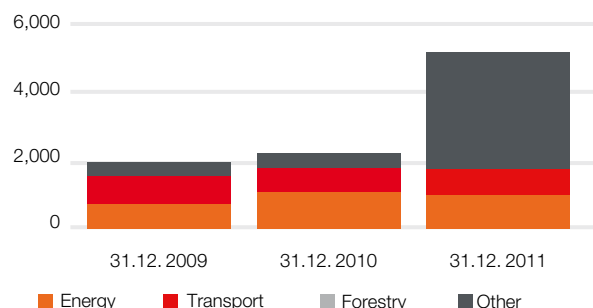


## Financial liabilities

In 2010, financial liabilities of SOEs increased by LTL 197 million (to LTL 2.2 billion). However, they more than doubled in 2011 (up by 128.8% to LTL 5.1 billion) because of a nearly LTL 3 billion debt of Deposit and Investment Insurance to the Government of the Republic of Lithuania. If this debt, which was used to pay benefits to the depositors of Snoras bank, is excluded, the remaining financial debts made up LTL 2.1 billion. The sharpest fall of financial liabilities was in the transport sector because Lithuanian Railways had repaid a loan of almost LTL 57 million which was taken for the purchase of new rolling stock and renovation of the railway infrastructure, while the loan of the Klaipėda State Seaport Authority intended mainly for the improvement of the seaport mouth's design, renovation of quays and construction of the container terminal had shrank by nearly LTL 19 million. Financial liabilities of enterprises in the energy sector remained virtually the same in the period concerned while those in the forestry sector fell from LTL 5 to 3 million. Financial liabilities in the other enterprises sector (excluding Deposit and Investment Insurance) went down by 14.8% to

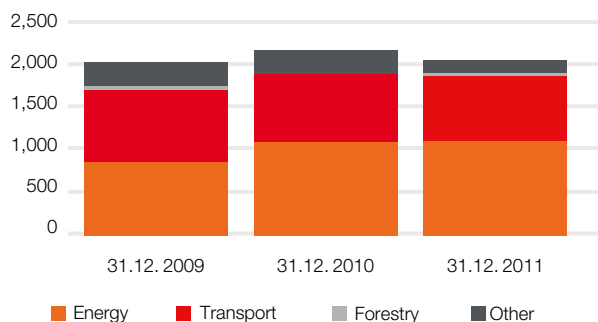
LTL 265 million. The reduction of financial liabilities of the SOE portfolio resulted in a lower financial leverage. If the Government loan to cover payments to the depositors of Snoras bank is excluded, the debt to equity ratio of the portfolio fell from 11.8% to 11%.

Financial liabilities\* (LTL million)

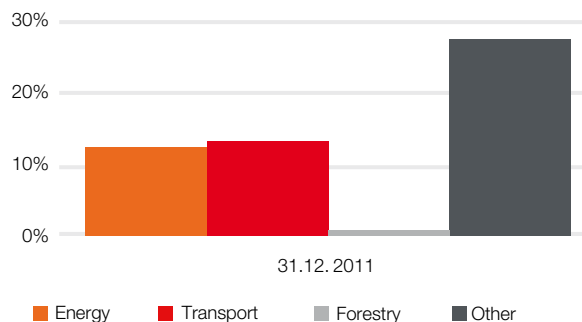


\*Financial liabilities as of 31 December 2011 include a LTL 2,979 million interest-free loan granted by the Ministry of Finance on behalf of the state to Deposit and Investment Insurance for the payment of benefits to Snoras depositors.

Financial liabilities\*\* (LTL million)



Financial leverage\*\*



\*\*Calculated by subtracting the LTL 2,979 million interest-free loan granted to Deposit and Investment Insurance from the amount of financial liabilities as of 31 December 2011.



## Sales revenue

During the year, sales revenue of the portfolio increased by 2.3% to LTL 6.6 billion (up from LTL 6.4 billion in 2010) and reached the level of 2009. An increase of LTL 260 million was contributed to this change by transport enterprises (sales revenue stood at LTL 2.5 billion in the period concerned), LTL 132 million by forest enterprises (to LTL 552 million) and LTL 56 million by other enterprises (to LTL 656 million).

Sales revenue of Lithuanian Railways went up by 13.4% to LTL 1.6 billion because of stronger flows of freight and passengers. Similar changes were recorded by the Klaipėda State Seaport Authority as its sales revenue rose by 12.9% to almost LTL 168 million. Lithuanian Post increased the number of units of services provided and managed to boost its sales revenue by 5.2% to LTL 183 million. Sales revenue of Lithuanian Shipping Company went up by 25.7% to LTL 78 million after the company became more active in independent management of ships. The main sales revenue of airports decreased because of lowered fees in order to maintain competitiveness and boost passenger flows. This drop in revenue was expected to be offset by higher revenue from non-aviation activities.

Revenue of energy enterprises decreased for the second year in a row and made up LTL 2.9 billion at the end of 2011. Revenue of the VAE group contracted by LTL 293 million because of the lower price caps for services provided by Litgrid and LESTO,

## Operating profit

In a period of three years, the result of operations of SOEs turned from loss into profit. In 2011, the operating profit of SOEs was almost 3.5 times higher than in 2010 and amounted to over LTL 142 million. However, only transport enterprises managed to improve their operating profits.

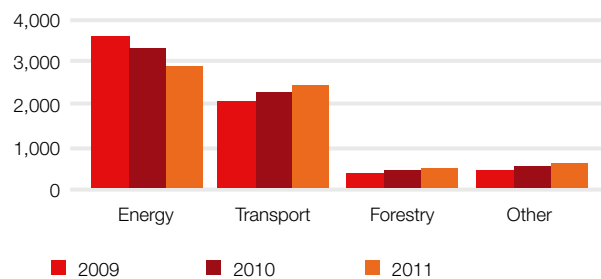
The operating profit of transport enterprises went up from LTL 116 million to 273 million. The increase relied on the operating profit of Lithuanian Railways which nearly doubled from LTL 103 million to 194 million mostly because of higher revenue from freight transport and use of the railway infrastructure. Besides, the operating profit of the Klaipėda State Seaport Authority rose from LTL 62 million to 95 million because of a 13% increase (from LTL 148 million to 168 million) in revenue and lower costs (from LTL 12 million to less than 2 million) of seaport water area cleanup. In 2011, the largest loss in the transport sector was incurred by Lithuanian Shipping Company and amounted to LTL 28 million (down by almost LTL 12 million from the previous year).

The operating loss of energy enterprises made up LTL 135 million and decreased by LTL 43 million compared to the previous year. The losses in the energy sector stemmed from a LTL 293 million reduction in revenues of the VAE group and the fact that depreciation costs presented in financial statements of the VAE group were higher than the costs included in the calculation of electricity transmission and public supply tariffs. In addition, the operating profit was considerably affected by carbon pollution allowance revaluation costs of Lietuvos Energija which made up LTL 63 million. In the energy sector, Klaipėdos Nafta improved its results substantially as its operating profit increased 1.8 times to LTL 51 million. The improvement relied on an increase in revenue from LTL 122 million to 141 million and the fact that Klaipėdos Nafta

decreasing number of LESTO customers using the public supply service and weaker production volumes of Lietuvos Energija. Commercially advantageous direct contracts and one-off revenue from the management of oil reserves enabled Klaipėdos Nafta to increase revenue by 16.1% to just over LTL 141 million.

Sales revenue in the forestry sector rose because of the growing sales volumes of round timber and an increase in the average price of wood from 110.2 to 139.6 LTL/m<sup>3</sup>. The largest contributors to higher revenue in the other enterprise sector were Regitra and Jonavos Grūdai as their revenue rose by about LTL 11 million and 9 million to almost LTL 78 million and 22 million in 2011 respectively.

Sales revenue (LTL million)

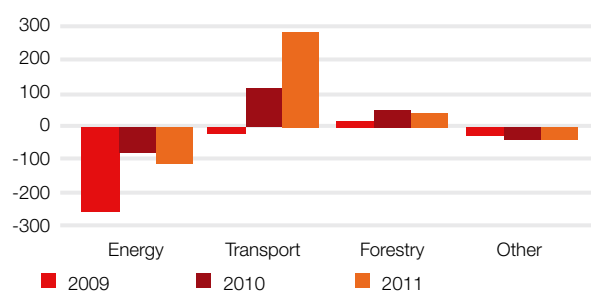


experienced extraordinary non-current assets impairment costs of almost LTL 9 million in 2010.

Although sales revenue of forest enterprises rose quite substantially, the operating profit fell by 14.4% to LTL 37 million because of much higher cost of sale and operating costs. The increase in operating costs was caused by twice as high raw material taxes (up to LTL 75 million), higher costs of reforestation and forest maintenance. The operating costs also included a loss incurred as a result of deposits worth almost LTL 30 million which were written off due to the bankruptcy of Snoras bank.

The operating loss of the other enterprises sector grew for the second year in a row going up by 16.7% in 2011 to LTL 32 million. This resulted from the higher cost of sale and operating costs of companies. The cost of sale was mostly driven up by the payouts of Mortgage Loan Insurance which reached LTL 57 million in 2011. Higher operating costs in the sector mainly relied on LTL 8 million costs incurred by the Lithuanian Oil Product Agency as a result of revaluation of non-current tangible assets.

Operating profit (LTL million)



## Profitability

The return on assets of the entire portfolio rose from 0.1 to 0.2% in 2010 only and remained at the same level in 2011. The return on equity fluctuated within a broader range. It went up from 0.1 to 0.4% in 2010 and fell by 0.1 percentage points in 2011 to 0.3%. The net profit drop from LTL 71 million to 65 million in 2011 (after the deduction of non-standard taxes from the operating costs) was caused by the bankruptcy of Snoras bank and the resulting losses of SOEs of almost LTL 182 million. If these losses are excluded, the SOE portfolio's return on equity stood at 1.3% in 2011.

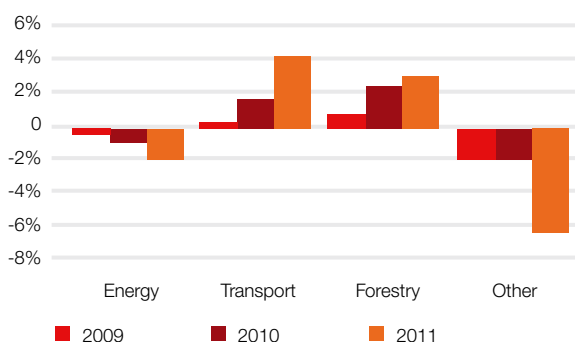
In the period concerned, the return on equity increased from 1.5 to 3.9% in the transport sector. Lithuanian Post, which has been suffering massive losses in recent years, managed to earn a profit of LTL 736,000 in 2011. Lithuanian Railways saw the return on equity rise by 2.7 percentage points to 5.6% and that of the Klaipėda State Seaport Authority went up from 5.1 to 5.6%.

Profitability in the energy sector fell for the second consecutive year. In 2011, the indicators of return on assets and equity shrank by 0.8 and 1.3 percentage points respectively and stood at -1.2 and -1.9% respectively. This mostly resulted from the write-off of almost LTL 75 million in deposits of the Ignalina Nuclear Power Plant held at the bankrupt Snoras bank, LTL 63 million carbon pollution allowance revaluation costs of Lietuvos Energija and part of depreciation costs of electricity undertakings included into accounts but not recognised by the electricity market regulator. There was a considerable increase in the return on equity of Klaipėdos Nafta from 5.8% in 2010 to 9.5% in 2011 because of lower operating costs and higher sales revenue.

In 2011, net profits of forest enterprises were worse mostly because of higher raw material taxes and bankruptcy of Snoras bank. However, the return on equity, which is calculated by subtracting raw material and property taxes from operating costs, rose from 2.1 to 2.7%. It should be noted that the return on assets and equity in this sector went up for the second consecutive year.

In 2011, the return on equity in the other enterprise sector was by 4.2 percentage points lower than a year ago and stood at -6.3%. The result was mostly caused by losses from financial and investment activities after the bankruptcy of Snoras bank and write-off of amounts held at the bank by some enterprises. Both Investment and Business Guarantees and Regitra lost LTL 15 million each and LITEXPO lost nearly LTL 2 million because of this bankruptcy. The profitability of the sector was also reduced by the non-standard loss of LTL 8 million resulting from revaluation of non-current tangible assets of the Lithuanian Oil Product Agency.

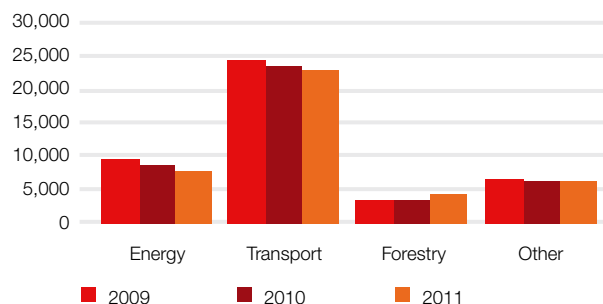
Return on equity



## Employees

At the end of 2011, SOEs employed 41,355 people which was 271 employees fewer than at the beginning of the year. The headcount increased in the forestry sector only (by 105 employees or 2.8%) and stood at 3,795 by the end of the year. More than a half of people (56%) were employed in the transport sector. The largest employer was Lithuanian Railways. At the end of the period concerned, this company had 12,162 employees (230 more than at the beginning of the year).

Employees



## Operating efficiency

Within the entire portfolio, revenue per employee rose by 3.5% during the year from LTL 162,000 to over LTL 167,000. The strongest growth of this ratio was seen in the forestry

sector where it increased from LTL 107,000 to LTL 132,000. In 2011, revenue per employee went down only in the energy sector to LTL 397,000.

Efficiency ratios	All SOEs	Energy	Transport	Forestry	Other
Revenue per employee (LTL '000)					
2009	152	399	85	87	87
2010	162	399	101	107	101
2011	167	379	114	132	111
Operating profit per employee (LTL '000)*					
2009	-5.1	-26.2	0.5	7.4	-3.3
2010	2.8	-10.1	5.9	21.8	-4.0
2011	10.8	-7.7	14.8	35.4	2.8

\* Net of non-standard taxes and effect of Snoras bankruptcy

The ratios of operating profit per employee improved in all sectors (excluding non-standard taxes and effect of Snoras bankruptcy).

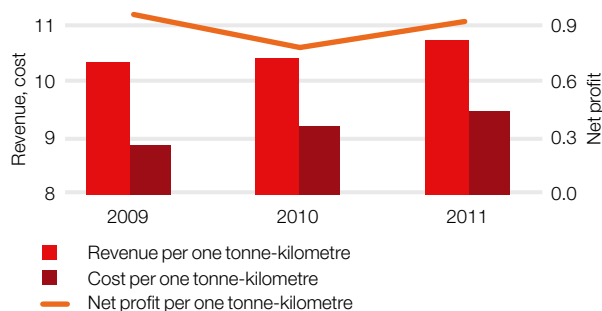
In 2011, this ratio was highest in the forestry sector (LTL 35,400), while the strongest growth was recorded in the transport sector (from LTL 5,900 to LTL 14,800).

Operating costs in the energy sector contracted for the second consecutive year. They went down by LTL 81 million in 2011 compared to the previous year and stood at LTL 1.3 billion. This reduction of operating costs reflects the improving efficiency of energy sector enterprises.

Operations of Klaipėdos Nafta were much more efficient. During the year, the operating costs of the company (excluding the write-off of assets included into the accounts in 2010) decreased by LTL 1.2 million and the adjusted EBITDA grew by 9% to nearly LTL 74 million in 2011.

Efficiency of key transport enterprises also improved. Although the operating costs of Lithuanian Railways went up by 14.4% because of the broader scope of operations, and the cost of transportation of one tonne of goods for one kilometre increased from LTL 0.091 to LTL 0.094, sales revenue earned from transportation of one tonne of goods for one kilometre soared from LTL 0.103 to LTL 0.107. Therefore, net profit per one tonne-kilometre also went up from LTL 0.07 to LTL 0.09.

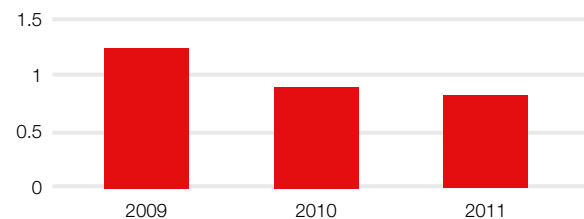
### Revenue, cost and net profit (in cents) of freight transportation by Lithuanian Railways



Calculated according to financial statements of Lithuanian Railways

Although revenue and sales volumes of Lithuanian Post increased, the company continued to improve its efficiency and cut its costs per one unit of services for the second year in a row. In 2011, operating costs per one unit of services contracted by 5.3% and stood at LTL 0.87.

### Costs per unit of services of Lithuanian Post (LTL)



Calculated according to financial statements of Lithuanian Post

Net profit of forest enterprises (operating costs net of raw material and property taxes) grew from LTL 22.5 to 27.3 per cubic metre of wood sold. This growth relied on the rising prices of wood. The production cost of round timber per cubic metre of round timber sold went up by 19% during the year (to LTL 41.2) and operating costs (net of property and raw material taxes) per employee of forest enterprises soared by 28.4% to over LTL 60,000. Costs went up because of the broader scope of reforestation and forest maintenance work as well as the deposits at Snoras bank of almost LTL 30 million which were written-off. If the above-mentioned non-standard taxes, reforestation and forest maintenance costs and effect of Snoras bankruptcy are excluded, the operating costs increased by 9.1% (to LTL 12,000 per employee).

## Return to shareholders

SOEs are expected to pay a six-fold amount of dividends and profit contributions for the year 2011 compared to the previous year and the total amount should be LTL 524 million. In the energy sector, Klaipėdos Nafta has already paid LTL 40.2 million and Lietuvos Dujos assigned LTL 12.7 million to the national budget. In the second half of the year, the VAE group is expected to pay around LTL 275 million in dividends, while its subsidiaries LESTO and Litgrid have already appropriated dividends. In the transport sector, Lithuanian Railways will pay LTL 122.7 million in dividends. The total contribution of the other enterprise sector is expected to be LTL 11.8 million. The Lithuanian Radio and Television Centre should pay about LTL 2.6 million in dividends. LTL 1.7 million was assigned by Problematika and LTL 1.2 million by Lithuanian Mint.

For the first time in history, state-owned enterprises are also expected to pay LTL 60.3 million in profit contributions for the period concerned. LTL 21.2 million was assigned by the forestry sector, LTL 2.7 million by the other enterprise sector and LTL 36.4 million by the transport sector. In 2011, non-standard taxes paid by the SOEs to the national budget made up LTL 99.6 million and went up by 42.4% compared to 2010. The amount of property taxes decreased by 24.8% to LTL 24.4 million and raw material taxes that are only paid by forest enterprises doubled to LTL 75.3 million because of the higher tax rate. Two thirds of this tax are used for general needs of the state and the remaining third is transferred to forest enterprises to finance various forest maintenance needs such as stocktaking, accounting, preparation of forest management projects, organisation of fire safety system, etc.

## Special obligations

The profitability of SOEs depends on both the efficiency of their commercial activities and the scope of their obligations to fulfil functions that are not commercially viable but are necessary for strategic objectives of the country, economic security, quality infrastructure, achievement of social and political objectives of the state. According to the OECD guidelines, such functions are defined as special obligations. Depending on the nature of activities of SOEs operating in Lithuania, these obligations can be divided into several types:

- **Non-commercial functions:** these are the functions that the enterprise is required to exercise by law and may not earn a profit. The pricing policy for such functions is not regulated by any external regulator and costs of functions are covered by the enterprise itself. Examples of such functions: reforestation, maintenance and protection of forests of group I-II by forest enterprises, provision of data by the Centre of Registers free of charge to public authorities and other registers.
- **Regulated non-commercial functions:** these are non-commercial functions whose pricing policy is regulated so that the enterprise's costs incurred for the exercise of these functions are covered externally. Such functions are exercised by, for instance, Smiltynės Perkėla that receives reimbursement of costs incurred for the transportation of people living in the Curonian Spit by ferries, Oro Navigacija whose amounts of route and terminal fees are established in accordance with the Regulations of the European Commission, road maintenance enterprises which receive reimbursement of their road maintenance costs.
- **Regulated commercial functions:** these are the functions that the enterprise has an exclusive right to exercise and whose pricing policy is regulated but enterprises are entitled to earn a certain profit. Examples of companies exercising regulated commercial functions: distribution network operator LESTO, transmission network operator Litgrid, Lithuanian Post, Lithuanian Railways.

The obligation to exercise any of the three types of functions limits the opportunities for SOEs to achieve such profitability as of companies operating in the private sector. In 2011, the return on equity of the SOE portfolio was around 1%, while the average return on equity among Lithuanian businesses is 8.7%. The following paragraphs elaborate on the degree to which the difference between profitability ratios can be attributed to the costs incurred by SOEs for special obligations as well as the degree attributed to the lower return of commercial activities of SOEs.

It is important to note that the average return on equity of 8.7% in Lithuania has been chosen as a benchmark. However, the desired profitability of every SOE should be assessed depending on the nature of sector in which the enterprise operates, structure of capital and other aspects.

The effect of special obligations on the SOE profitability was measured by calculating the desired SOE profit according to the adjusted average annual value of equity of the SOE portfolio. The value of Lietuvos Dujos equity was deducted from this value because the profit of the SOE portfolio includes only dividends paid by this company to the national budget. As it is necessary to assess the functions of individual enterprises, book values of equity of VAE subsidiaries Lietuvos Energija, LESTO and Litgrid were taken instead of the consolidated value of equity of the VAE group. In 2011, the adjusted average value of equity of the SOE portfolio stood at LTL 18.8 billion.

The majority of SOEs do not have adequate accounting systems which could be used to separate the costs of complying with special obligations and assets used for that purpose from the costs of commercial activities and assets. Such information is not disclosed in their financial statements either. Because of these limitations and insufficient data, the following assumptions were made in order to determine the effect of special obligations:

- Taking into account the nature of activities, most SOEs were divided into those carrying out mostly commercial acti-

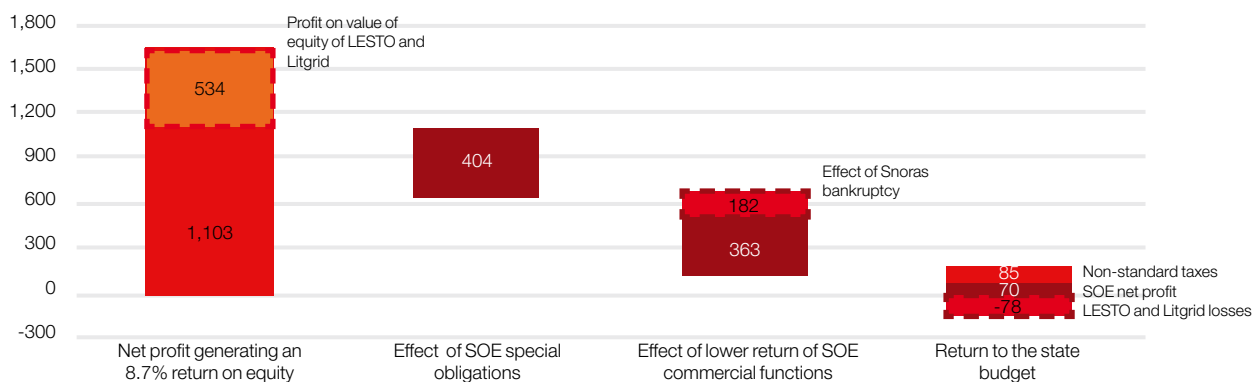
vities (65 enterprises) and companies whose main functions are special obligations (25 enterprises).

- Both commercial activities and significant special obligations are carried out by 11 road maintenance companies, 42 forest enterprises and Smiltynės Perkėla. The share of equity of these enterprises used for special obligations was determined in proportion to the incurred costs of compliance with special obligations;
- The results of the Passenger Transportation Directorate of Lithuanian Railways and the share of administrative costs allocated according to the costs of the Directorate were classified as special obligations;
- Because of insufficient information about the costs and assets used to fulfil special obligations, the results of Lithuanian Post and Klaipėda State Seaport Authority were classified as commercial activity.
- The values of assets and equity in financial statements of LESTO and Litgrid may differ significantly from their actual values because of changes in regulation affected in 2009. The National Control Commission for Prices and Energy (NCCPE) has determined that the value of assets used for licensed activities of LESTO and Litgrid is currently three times lower than the value indicated in their balance sheets. Because of this difference, the regulator did not recognise LTL 238 million and LTL 80 million in depreciation costs for LESTO and Litgrid respectively. Due to the absence of reliable data on the value of assets of LESTO and Litgrid, the returns to be generated by these enterprises as well as the effect of special obligations cannot be properly estimated. Therefo-

re, LTL 534 million, which would constitute an 8.7% return on the book value of equity of LESTO and Litgrid, was eliminated from the target profit of LTL 1.6 million.

If the amount equivalent to the value of equity of the SOE portfolio (excluding LESTO and Litgrid) was invested into the portfolio which generates the average return on equity of Lithuanian companies, the net profit of the portfolio would be LTL 1.1 billion. However, the return of this portfolio (including non-standard taxes) made up just LTL 154 million in 2011. The Ministry of Economy estimates that LTL 404 million out of a net profit of LTL 949 million which could be additionally generated by SOEs was not earned because of compliance with special obligations. This amount was mostly affected by losses incurred by the Passenger Transportation Directorate of Lithuanian Railways (LTL 109 million) and decommissioning costs of the Ignalina Nuclear Power Plant (the company incurred a loss of LTL 48 million from its core activities in 2011). The effect of special obligations was calculated with regard to both losses of enterprises and return on invested capital which has not been generated. Therefore, compared to the average return on equity, the passenger transportation function cost Lithuanian Railways LTL 126 million in profit, and special obligations cost the Ignalina Nuclear Power Plant LTL 87 million. About LTL 81 million in net profit was lost as a result of reforestation, maintenance and protection of forests of group I-II by forest enterprises. The potential profit of LTL 29 million was not achieved because road maintenance work by state-owned enterprises was financed reimbursing the costs only. LTL 81 million in profit was lost because of special obligations of other enterprises.

**Effect of special obligations on SOE profitability in 2011 (LTL million)**



SOEs lost about LTL 182 million as a result of the bankruptcy of Snoras bank (see page 22). If this event is excluded, the loss of profit because of a lower return generated by commercial functions of SOEs was around LTL 363 million. This amount indicates the profitability potential of SOEs which could be achieved by more efficient management of commercial operations. The improvement in both commercial activities and special obligations would ensure a considerable increase in the contribution of SOEs to the national budget. Therefore, another important step during the reform of state-owned enterprises is

the improved regulation of special obligations to ensure regular reviews of the need for special obligations of enterprises, determination of their quality level and scope in accordance with clear criteria, separation of these obligations from commercial functions, accounting of costs incurred for special obligations and transparent financing models used to cover these costs. These changes would enable SOEs to cut their losses arising out of compliance with special obligations and the state as the shareholder would receive a higher return on commercial functions of SOEs.

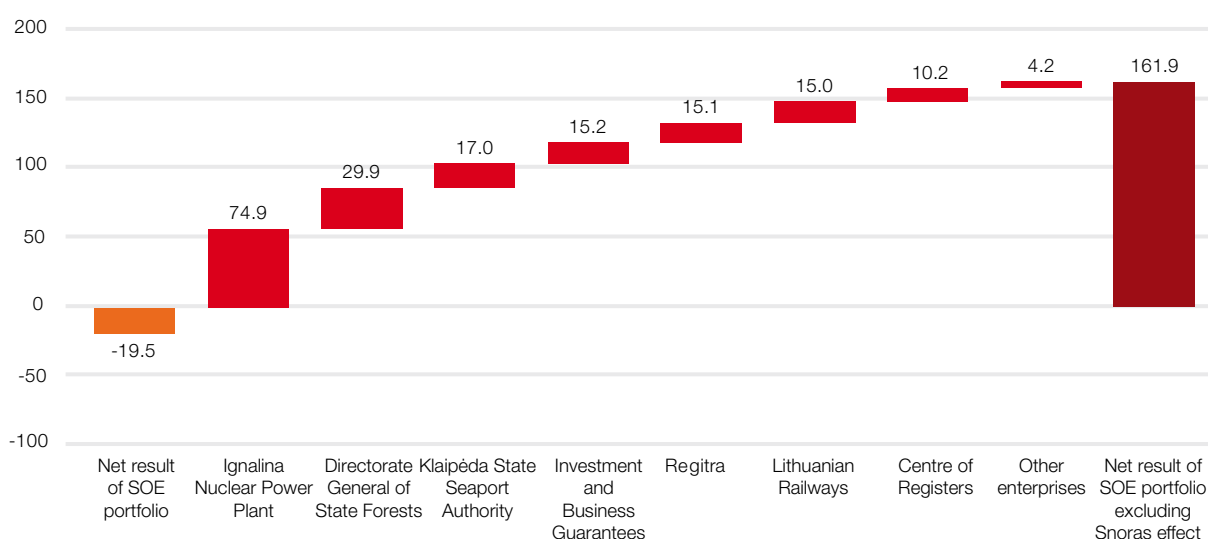
## Effect of Snoras bankruptcy on the net result of the SOE portfolio

After Snoras bank was declared insolvent at the end of 2011 and Deposit and Investment Insurance reimbursed bank's deposits up to LTL 345,000 (EUR 100,000), major state-owned enterprises made provisions of LTL 181.5 million for bad debts. The following chart shows the effect of Snoras bankruptcy on the net loss of the portfolio in 2011.

The net result of the SOE portfolio was mostly affected by the loss of the Ignalina Nuclear Power Plant. The company wrote down LTL 74.9 million held in deposits out of LTL 89.9 million and expects to recover the remaining amount

of LTL 15 million during the winding-up of the bank. Forest enterprises controlled by the Directorate General of State Forests lost LTL 29.9 million. The Klaipėda State Seaport Authority recognised an impairment loss of LTL 17 million in relation to Snoras deposit certificates. A loss of LTL 15 million was recognised by Investment and Business Guarantees, Regitra and Lithuanian Railways each. Centre of Registers lost around LTL 10 million. Other companies lost a further LTL 4.2 million (Lithuanian Research Centre about LTL 2.2 million, LITEXPO close to LTL 1.8 million).

Effect of Snoras bankruptcy on the net result of SOE portfolio in 2011 (LTL million)



## Effect of adjustments on the net result of the SOE portfolio in 2009 and 2010

During the preparation of the annual report on SOEs of 2011, financial data of 2009 and 2010 were adjusted according to the updated data provided by enterprises. The following charts present the effect of adjustments on net profit results of the SOE portfolio in 2009 and 2010 provided in the Annual Report 2010.

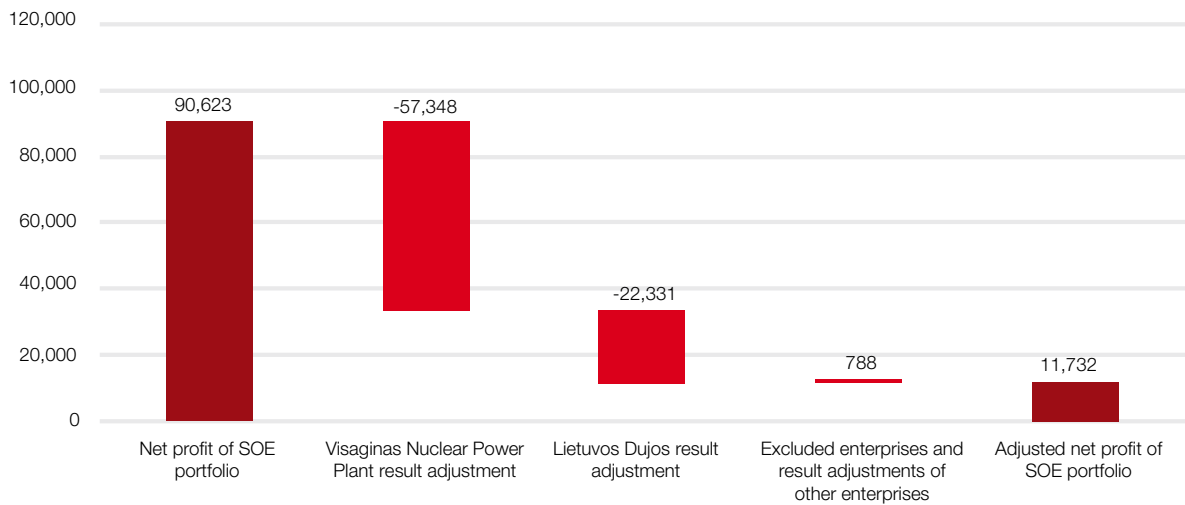
The adjusted results of the VAE group (LTL 57.3 million) had the strongest negative effect on the net profit of the SOE portfolio in 2010. The adjustments resulted from higher operating costs of Lietuvos Energija which reduced the net profit by LTL 24.6 million. The result of 2010 was adjusted to take into account the carbon pollution allowance futures contract concluded in 2009 which was no longer profitable because of changes in CPA market prices and amended production plans. In addition, PSO revenue of Lietuvos Energija was reduced (LTL 49.6 million) as it was not related to the subsidised electricity generation and the NCCPE decided to cut PSO funding in 2012–2015. Besides, the company adjusted its financial statements to account for an impairment loss of electricity generation units 3 and 4, which resulted in LTL 2 million increase in net profit in 2010. The adjusted net profit

of Litgrid increased by LTL 14.9 million because of changes made to the PSO accounting policy.

In the Annual Report 2010, the profit of Lietuvos Dujos was measured as a change in the value of state's shares in the company. Meanwhile, the profit of the enterprise included in the portfolio in the Annual Report 2011 was recalculated as the share of dividends paid to the national budget in accordance with the International Financial Reporting Standards. The adjusted share of Lietuvos Dujos profit fell by LTL 22.3 million in the portfolio of 2010 and by LTL 59.3 million in 2009.

The adjusted results of the SOE portfolio in 2009 and 2010 exclude the results of Visagino Energetikos Remontas (a loss of LTL 3.76 million in 2009 and loss of LTL 2.82 million in 2010) because the company did not provide any financial information in 2011. The results of two more companies were also not included in the SOE portfolio in the Annual Report 2011 because of lack of comparable annual data. These companies are Lithuanian Research Centre (a loss of LTL 16,000 in 2010) and Universiteto Vaistinė (a profit of LTL 65,000 in 2009 and profit of LTL 77,000 in 2010).

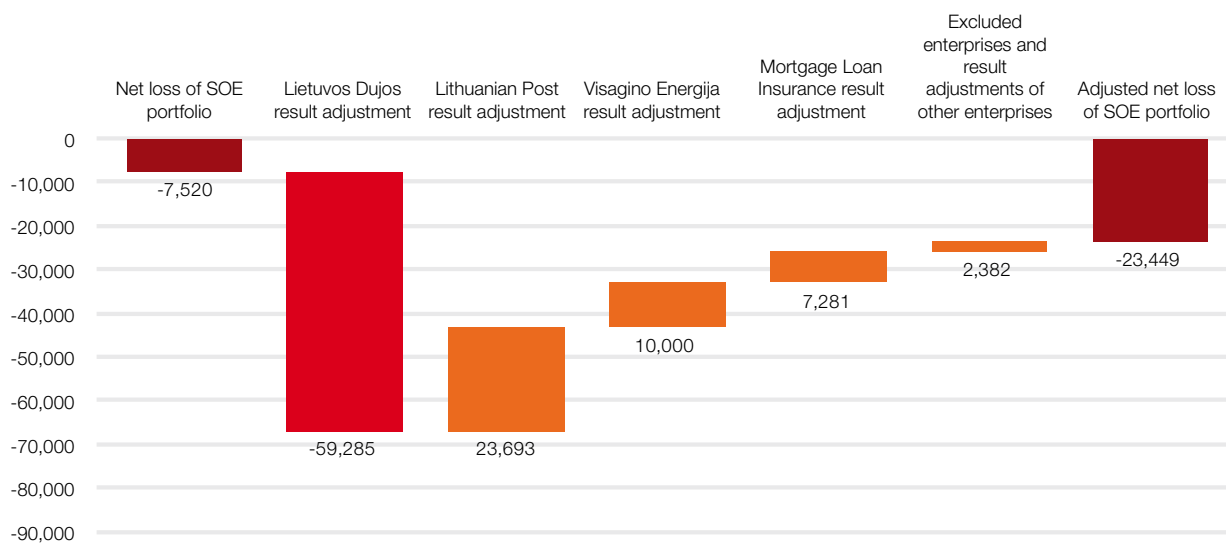
**Net result of SOE portfolio in 2010 (LTL '000)**



The net loss of the portfolio of 2009 decreased because of net profit adjustments made by Lithuanian Post, Visagino Energija and Mortgage Loan Insurance. The net loss of Lithuanian Post of 2009 went down by LTL 23.7 million after the revaluation of non-current assets of the company which resulted in the lower deferred profit tax liability. The

result of Visagino Energija was revised for a LTL 10 million adjustment of the cost of sale of the company, while the net profit of Mortgage Loan Insurance of 2009 presented in the Annual Report 2010 was lower by LTL 7.3 million because of an error made during the aggregation of portfolio data.

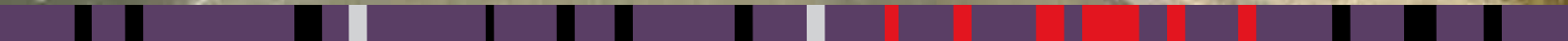
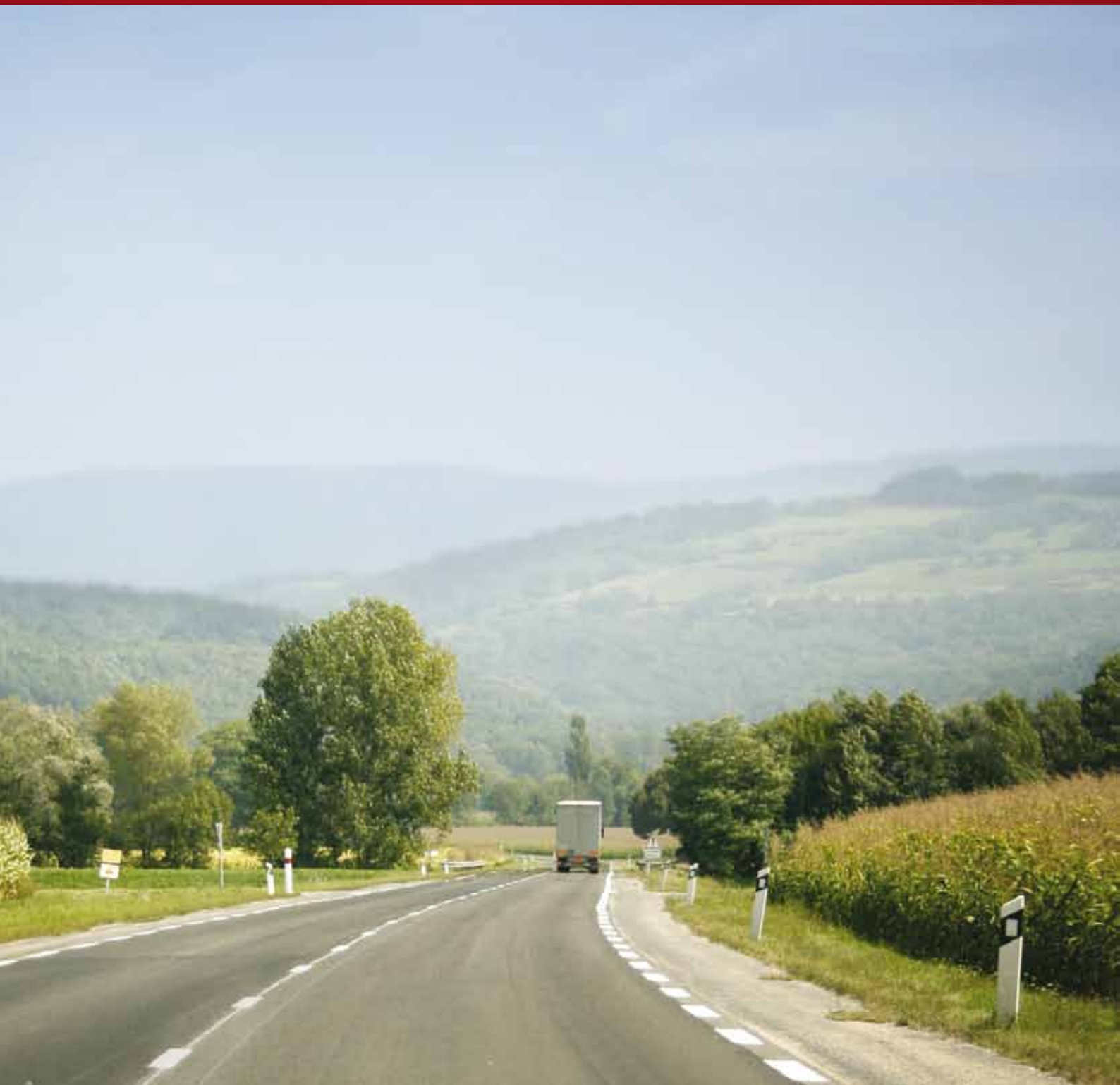
**Net result of SOE portfolio in 2010 (LTL '000)**



As a result of corrections, the net loss of the SOE portfolio in 2009 rose from LTL -7.5 million to LTL -23.4 million and

the net profit of 2010 fell from LTL 90.6 million to LTL 11.7 million.

# TRANSPORT





Enterprises operating in the transport, warehousing and communications sector generate about 15% of Lithuania's gross domestic product. The performance of this sector depends largely on the economic situation in Lithuania and its major trading partners, general economic and financial trends in Lithuania and worldwide.

The state controls 24 enterprises operating in the transport sector within road maintenance, railway, water transport, airport and postal segments. Assets of SOEs operating in the

transport sector account for 21% of assets of all state-owned enterprises and transport companies were the most profitable enterprises in the period concerned. According to the data of 2011, the return on equity was 3.9% in the transport sector and stood much higher than the same indicator in the energy (-1.9%), forestry (2.7%) and other enterprise (-6.3%) sectors. The following table lists 10 largest companies by turnover, assets and number of employees.

Enterprise	Field of activity	Turnover in 2011, LTL '000	Assets at the end of 2011, LTL '000	Number of employees at the end of 2011	State's interest, %
Lithuanian Railways	Transportation of passengers and freight, railway infrastructure management	1,591,833	4,884,755	12,162	100%
Lithuanian Post	Provision of postal and courier, financial services	183,209	225,090	6,521	100%
Klaipėda State Seaport Authority	Management of Klaipėda seaport infrastructure	167,558	1,444,425	265	100%
Lithuanian Shipping Company	Freight transportation by sea	78,169	213,854	352	56.7%
Oro Navigacija	Provision of specialised services in the national airspace	77,250	167,647	312	100%
Vilnius International Airport	Operation of Vilnius airport	48,021	334,307	308	100%
Šiaulių Regiono Keliai	Maintenance of roads of national importance	42,191	60,477*	339	100%
Automagistralė	Maintenance of roads and related infrastructure	33,054	47,615*	305	100%
Kauno Regiono Keliai	Maintenance of roads of national importance	30,632	53,410*	352	100%
Vilniaus Regiono Keliai	Maintenance of roads of national importance	28,158	42,901*	368	100%

\* Assets of the enterprise net of the value of roads.

## Financial results

In 2011, revenue of transport enterprises stood at nearly LTL 2.5 billion and increased by 11.8% compared to the previous year. The bulk of the revenue was generated by Lithuanian Railways, Lithuanian Post and Klaipėda State Seaport Authority (LTL 1,591 million, 183 million and 168 million respectively). Lithuanian Railways managed to boost revenue by the largest margin (LTL 187 million). The strongest growth of revenue was seen in the Internal Waterway Directorate (64%) because of the increased state support to

the maintenance of internal waterways infrastructure. The cost of sales went up by 7.3% and made up LTL 1.7 billion at the end of 2011. The increase mostly resulted from higher fuel costs and payroll costs of Lithuanian Railways.

In 2011, the operating profit of enterprises more than doubled and stood at LTL 273 million at the end of the reference period. Net profit of enterprises more than tripled from LTL 63.5 million in 2010 to LTL 194.5 million in 2011, while the return on equity increased by 1.4% to 3.9% in the sector.

Profit and loss statement (LTL '000)	2009	2010	2011
<b>Sales revenue</b>	<b>1,978,321</b>	<b>2,191,738</b>	<b>2,451,539</b>
Cost of goods sold	1,539,748	1,599,561	1,715,753
<b>Gross profit (loss)</b>	<b>438,573</b>	<b>592,178</b>	<b>735,786</b>
Operating expenses	468,453	495,755	502,341
Profit (loss) from other activities	29,215	19,722	39,187
<b>Operating profit (loss)</b>	<b>-665</b>	<b>116,145</b>	<b>272,632</b>
<i>Operating profit margin</i>	<i>0.0%</i>	<i>5.3%</i>	<i>11.1%</i>
<b>EBITDA</b>	<b>459,447</b>	<b>591,623</b>	<b>749,981</b>
<i>EBITDA margin</i>	<i>23.2%</i>	<i>27.0%</i>	<i>30.6%</i>
Financial and investment activities	-25,755	-39,348	-45,856
<b>Profit (loss) before taxes</b>	<b>-26,420</b>	<b>76,797</b>	<b>226,777</b>
Profit tax	-22,950	13,265	32,242
<b>Net profit</b>	<b>-3,470</b>	<b>63,532</b>	<b>194,535</b>
<i>Net profit margin</i>	<i>-0.2%</i>	<i>2.9%</i>	<i>7.9%</i>
Minority interest	-12,504	-17,013	-11,943
<b>Net profit excluding non-standard taxes</b>	<b>7,579</b>	<b>74,170</b>	<b>205,494</b>
<b>Net profit excluding non-standard taxes and effect of Snoras bankruptcy</b>	<b>7,579</b>	<b>74,170</b>	<b>237,577</b>

Balance sheet (LTL '000)	31 Dec 2009	31 Dec 2010	31 Dec 2011
Intangible assets	34,095	34,685	32,211
Tangible assets	6,486,974	6,977,769	7,331,504
Financial assets	6,887	11,043	10,937
Other non-current assets	6,298	19,331	19,532
Biological assets	0	0	0
<b>Non-current assets</b>	<b>6,534,254</b>	<b>7,042,828</b>	<b>7,394,184</b>
Inventories, prepayments and contracts in progress	153,503	192,651	221,441
Amounts receivable within one year	299,631	227,511	282,101
Other current assets	75,727	43,619	51,327
Cash and cash equivalents	106,833	199,131	219,551
<b>Current assets</b>	<b>635,693</b>	<b>662,912</b>	<b>774,421</b>
<b>Total assets</b>	<b>7,169,947</b>	<b>7,705,740</b>	<b>8,168,604</b>
<b>Total equity</b>	<b>4,556,001</b>	<b>5,158,768</b>	<b>5,301,544</b>
Minority shareholder equity	88,403	71,389	59,434
<b>Grants and subsidies</b>	<b>1,295,297</b>	<b>1,320,793</b>	<b>1,590,002</b>
Non-current liabilities	685,196	711,857	639,430
Current liabilities	633,453	514,323	637,628
<b>Liabilities</b>	<b>1,318,649</b>	<b>1,226,180</b>	<b>1,277,058</b>
Of which financial liabilities	796,465	783,954	698,731
<b>Total equity and liabilities</b>	<b>7,169,947</b>	<b>7,705,740</b>	<b>8,168,604</b>

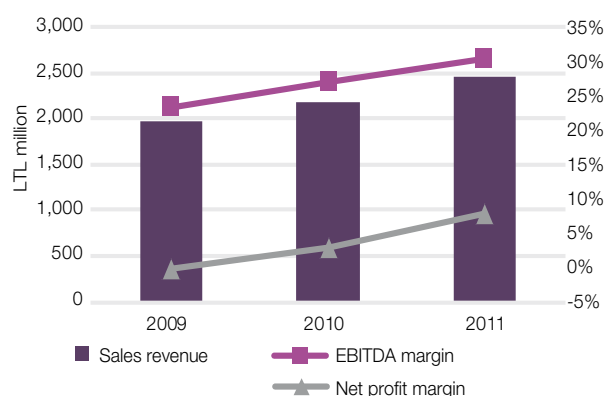
Ratios	2009	2010	2011
ROA	0.1%	1.0%	2.6%
ROE	0.2%	1.5%	3.9%
D/E	17.5%	15.2%	13.2%

Return to the state (LTL '000)	2009	2010	2011
Assigned dividends (only the state's share)	4,660	57,785	124,404
Expected SE profit contributions	0	0	36,386
Of which assigned SE profit contributions	0	0	2,192
Property tax	12,999	12,516	12,893
<b>Total contributions and non-standard taxes</b>	<b>17,659</b>	<b>70,301</b>	<b>173,684</b>

Other information	2009	2010	2011
Number of employees (at period end)	24,501	23,483	23,293
Number of executives (at period end)	103	104	100
Advertising and media costs (LTL '000)	5,001	5,360	6,055

The most significant contribution to better financial results was made by Lithuanian Railways and Klaipėda State Seaport Authority which earned a profit of LTL 150 million and 70 million respectively. It should be noted that Lithuanian Railways more than doubled the operating profit in 2011 while Lithuanian Post earned a profit of 736,000 for the first time in the last four years (the company incurred a net loss of LTL 10 million in 2010). Lithuanian Shipping Company incurred the biggest loss in the sector of LTL 27.6 million. Although the activities were loss-making for the second year in a row, the loss contracted by LTL 11.5 million compared to the previous year.

In 2011, transport enterprises managed nearly LTL 8.2 billion in assets. The amount was by 6% higher than a year before. This basically resulted from a LTL 285.5 million increase in investments in non-current assets by Lithuanian Railways. The



## Road management

The total length of roads in Lithuania exceeds 81,000 km. Roads in Lithuania are divided into roads of national and local importance. Roads of national importance measure around 21,000 km in length. They are divided into three groups: main (1,738 km), national (4,939 km) and regional (14,591 km) roads. Roads of national importance are exclusively owned by the state. They are used and operated in trust by ten regional road maintenance enterprises and state enterprise Automagistrālė set up by the Ministry of Transport and Communications.

In 2012, the Ministry of Transport and Communications put forward a proposal to reorganise state enterprises in charge of the maintenance of roads of national importance and reduce their number from 11 to 6. After the reorganisation, the following state enterprises will continue to operate: Vilniaus Regiono Keliai, Kauno Regiono Keliai, Klaipėdos Regiono Keliai, Panevėžio Regiono Keliai, Šiaulių Regiono Keliai and Automagistrālė. This reorganisation would ensure annual savings of around LTL 8 million which would be used for roads instead of administration. The total number of employees at road maintenance enterprises is expected to decrease by 196 people from 2,861 to 2,665.

### Road building

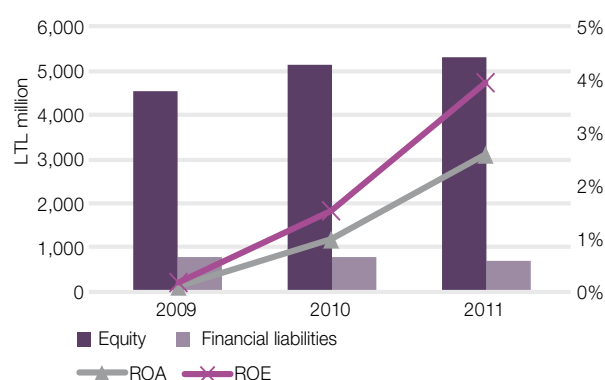
In Lithuania, roads are built by private companies which take part and succeed in public procurement procedures. The planned expenditure for the development of road infrastructure in 2011 amounted to LTL 506 million but only LTL 250 million was actually used. The main reasons for this discrepancy were delays during the preparatory work for the southern bypass of Vilnius and construction of an overhead road at Jakų crossing.

The development of the European transport network (TEN-T) is the most important road building project. The

majority of investments of Lithuanian Railways were subsidised as the company received LTL 250 million in subsidies in 2011. During the year, the total value of grants and subsidies to the transport sector rose by almost LTL 270 million and stood at LTL 1.6 billion at the end of the year.

In 2011, the largest amount to be paid as dividends in the transport sector was assigned by Lithuanian Railways (LTL 122.7 million). Lithuanian Post will pay dividends to the national budget (LTL 589,000) for the first time in history. Road maintenance enterprises will pay LTL 1.7 million in profit contributions, while the largest profit contribution of LTL 34.2 million will be made by the Klaipėda State Seaport Authority.

The following diagrams show changes in sales revenue, equity, financial liabilities and profitability of the sector in 2009–2011.



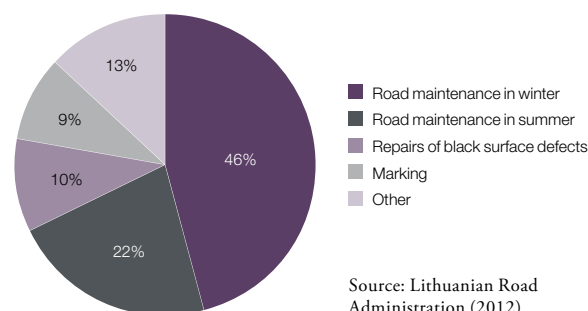
reconstruction of Via Baltica section should be completed in 2013–2015, thereby ensuring that multimodal transport networks are integrated with the road systems of neighbouring EU member states. The project is worth LTL 500 million and is financed by EU structural funds and Road Maintenance and Development Programme.

### Road maintenance

Roads are maintained by state enterprises. Works are ordered in the form of delegation of planned tasks: the scope of work depends on the available funding calculated according to economic estimates of technical work fixed in 2001 and indexed on an annual basis.

Based on available resources, LTL 276 million was planned for road maintenance in 2011. The cost of road maintenance during the winter of 2011 accounted for the largest share of all funding (46%) and road maintenance during summer required 22%. In addition, 10% was spent on repairing the defects of black surfaces and 9% on road marking.

#### Structure of road maintenance costs in 2011



## Railways

A total length of the Lithuanian railway network is 1,768 km and the rail infrastructure consists of two types of rail gauges: 1,520 and 1,435 mm. The Lithuanian railway network is dominated by the Russian-gauge 1,520 mm lines measuring 1,746 km in length. These lines connect Lithuania with the Baltic and CIS countries. The length of standard-gauge 1,435 mm lines is a mere 22 km. These lines connect Lithuania with Poland and, consequently, other EU countries.

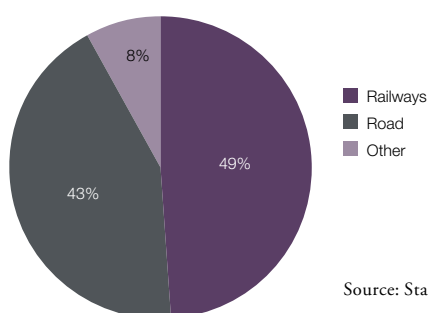
Two main railway corridors in the North-South and East-West direction cross Lithuania. More than 80% of all passengers and goods are carried through these corridors. The North-South corridor is strategically important for Lithuania's integration to the European railway network. However, different gauges of railway lines currently make this integration impossible. The East-West corridor is also strategically important as it connects Belarus and other major industrial centres in Lithuania with Klaipėda seaport.

The national railway development policy and strategy is implemented by the Ministry of Transport and Communications. The entire network infrastructure is managed in trust and services are provided by state-owned enterprise Lithuanian Railways.

### Operating results

According to the data of 2011, the passenger transport market was dominated by passenger carriage by road while railways accounted for a mere 1%. On the other hand, railways carry the bulk of all transported goods (49%). In Lithuania, freight transportation by rail has a much higher market share than in the EU, where the average indicator is 16%. However, passengers take trains more often in the EU countries as trains carry 7% of passengers on average.

### Freight carriage by various modes of transport in 2011

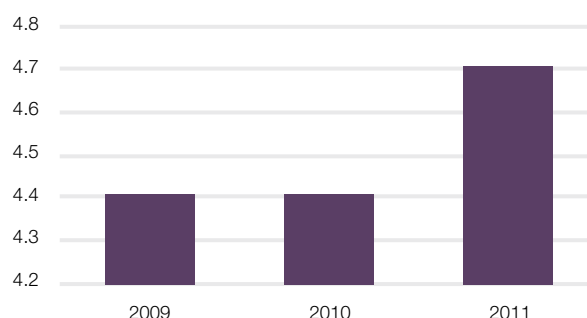


Source: Statistics Lithuania (2012)

### Passenger transport

In 2011, the number of railway passengers stood at 4.7 million and rose by 300,000 compared to 2010. However, the number of passengers increased on domestic routes only, while the number of passengers on international routes remained the same. The increase in the number of passengers resulted from the improving economic situation in Lithuania, investments in marketing and newly launched loyalty programme. As the number of passengers increased, the gross operating loss from passenger transportation shrank by 25% and stood at LTL 103 million in 2011.

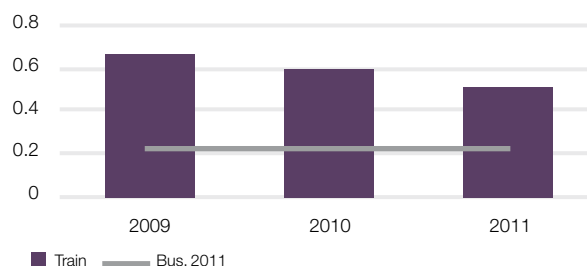
### Number of passengers transported, million



Source: Lithuanian Railways (2012)

In 2011, the cost of transportation by rail of one passenger per one kilometre stood at LTL 0.52\*. This indicator was more than double the costs of passenger transportation by bus which made up LTL 0.22\*\* per passenger. Although passenger transportation by train is not profitable, Lithuanian Railways must ensure the provision of these services in order to meet public needs. In accordance with the compensation procedure approved by the Government on 7 June 2010, losses incurred by railway companies due to public service obligations should be financed from the national budget.

### Costs of transportation per passenger-kilometre, LTL



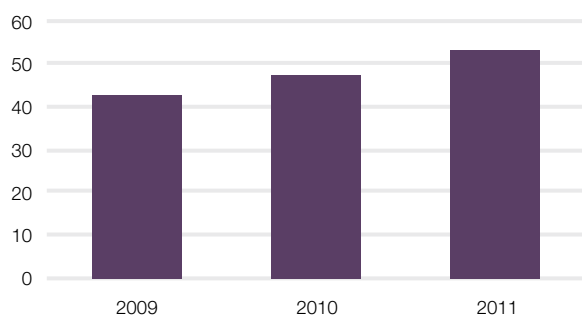
\* Calculated by dividing the sum of the cost of sale and operating costs of the Passenger Transportation Directorate of Lithuanian Railways by the turnover of passengers (see [www.litrail.lt](http://www.litrail.lt), Activity results).

\*\* Calculated by dividing the price of a ticket for the journey from Vilnius to Klaipėda by the distance based on ticket prices of Tolimojo Keleivinio Transporto Kompanija in 2011.

### Freight transport

Freight transportation is the key area of business of Lithuanian Railways. Railways as a mode of transport are suited best for large freight such as cement, oil, metal or grain. In 2011, the volumes of freight carried by Lithuanian Railways grew by almost 9% to 52 million tonnes.

### Freight volumes, million tonnes



Source: Lithuanian Railways (2012)

Oil and petroleum products as well as fertilisers are the main types of freight carried by Lithuanian Railways. These products dominate the portfolio of freight carried by rail as petroleum product refining and fertiliser production are among the largest industry sectors in Lithuania. Moreover, transportation of fertilisers manufactured in Belarus constitutes a very significant part of fertiliser transport (60%). As a result of a concentrated customer base, the volumes of freight carried by Lithuanian Railways depend on the performance of several large companies. These are Orlen Lietuva, Achema, Lifosa and Akmenės Cementas.

## Water transport

Lithuania has two seaports in Klaipėda and Šventoji. They are managed in trust by the Klaipėda State Seaport Authority. The Water Transport Division of the Ministry of Transport and Communications implements the water transport development strategy and policy, coordinates the activities and projects.

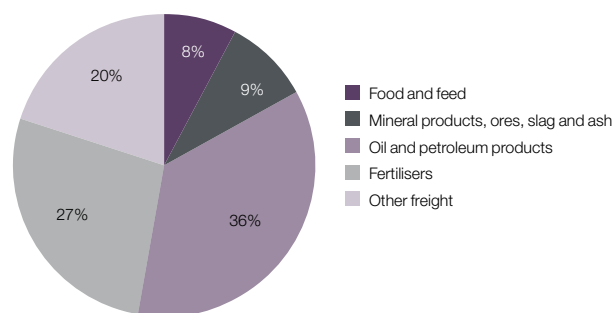
Klaipėda seaport is the northernmost ice-free seaport in the Baltic Sea and the key transport hub of Lithuania. It is at the crossroads of marine, railway and surface roads. The seaport has the advantage over other ports in the Baltic Sea because of its favourable geographic location offering the shortest routes to major regions in Eastern Europe such as Russia, Belarus and Ukraine. The seaport also provides connection to the main shipping lines to major seaports in other continents.

Klaipėda seaport is a deep-water port with a 15-metre-deep access channel and 14.5-metre-deep main channel.

More than 800 enterprises are directly related to the activities of Klaipėda port. They create over 23,000 jobs and generate 4.5% of gross domestic product. 13% of the national GDP is either directly or indirectly related to the seaport, which makes Klaipėda port of high economic and strategic importance.

The Lithuanian commercial fleet consists of 11 vessels of Lithuanian Shipping Company, 11 ships of Limarko Shipping Company and 8 ferries of DFDS Seaways. Other ship owners also operate on the market and use one or more vessels suitable for maritime transport.

### Freight by type in 2011



Source: Lithuanian Railways (2012)

### Strategic projects

The construction of Rail Baltica is the most important project of Lithuanian Railways. The track will cross all three Baltic states connecting them to Finland. On 11 August 2011, the first work under the project was completed and a railway section between Šeštokai and Mockava was reconstructed. The Rail Baltica track is expected to be built from the Lithuanian border to Kaunas by the end of 2013 and the entire project should be completed by 2015. The project is worth LTL 950 million and the Rail Baltica section in Lithuania will measure 330 km in length. The project is financed by the EU TEN-T and Cohesion Fund, Lithuanian budget and Lithuanian Railways.

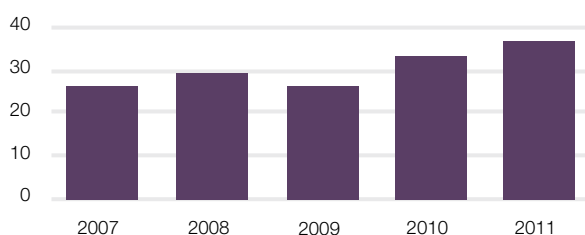
Šventoji port is used for recreational purposes and its financial results have not been included in the description of the sector.

### Operating results

The volumes handled at Klaipėda seaport grew for the second year in a row. 2011 was a record year both in terms of the growth rate and handling volumes. During the year, handling at Klaipėda seaport went up by 17% to 37 million tonnes. Handling volumes at Klaipėda seaport grew faster than at other major ports in the neighbouring countries. Handling at Tallinn seaport remained virtually unchanged (36.5 million tonnes) and rose by 12% at Riga seaport to 35 million tonnes. The increase in handling volumes at Klaipėda seaport relied on stronger flows of freight carried by rail from Lithuania's eastern neighbours (Belarus and Ukraine).

In 2011, the volume of transit freight rose by 29.5% from the previous year to 16.2 million tonnes and accounted for 44% of total handling volumes. The general increase in turnover of freight transiting through Klaipėda seaport in 2011 mainly relied on freight incoming from Belarus which made up 31.4% of all transit freight. Currently, Klaipėda seaport is the main export partner in the Baltic region of the largest production plants of Belarus. Russian freight accounted for 10.5% and freight from other countries 2.5% of total handling volumes at the port.

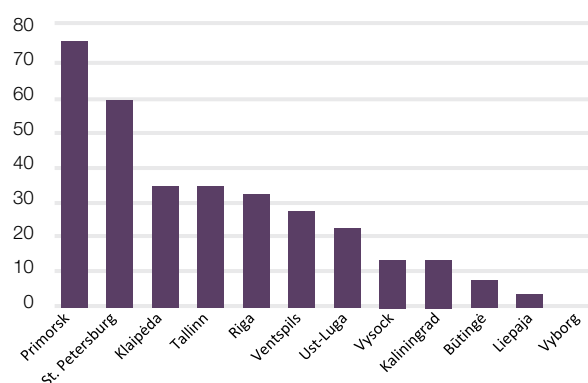
### Handling volumes at Klaipėda seaport, million tonnes



Source: Klaipėda State Seaport Authority (2012)

In 2011, Klaipėda state seaport was ahead of Tallinn seaport and was the third largest port on the eastern shore of the Baltic Sea in terms of handling. As in the previous year, the largest share of freight was handled by Primorsk and Saint Petersburg seaports. In 2011, the market share of Klaipėda seaport increased by nearly 1%. Only Ust-Luga seaport managed to boost its market share by a larger margin (3%).

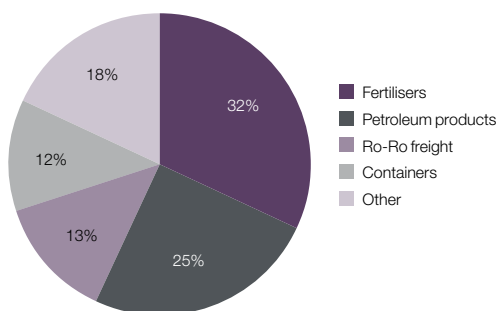
### Handling at Baltic Sea ports in 2011, million tonnes



Source: Klaipėda State Seaport Authority (2012)

The freight structure at Klaipėda seaport is more diversified than at neighbouring seaports. Therefore, its revenue is less dependent on changes in the flows of one type of products compared to, for instance, revenue of Riga, Ventspils or Tallinn seaports. In 2011, fertilisers was the main product at Klaipėda seaport and accounted for 32% of handling at the port. Petroleum products made up 25%, Ro-Ro freight 13% and containers 12% of total handling volumes. Compared to the previous year, the largest increase was in the handled volumes of fertilisers (34%). Handling of Ro-Ro freight and containers rose by 14% and 20% respectively. Changes in the volumes of other products were minor.

### Freight structure at Klaipėda seaport in 2011



Source: Klaipėda State Seaport Authority (2012)

### Comparison with other seaports

The comparison of the medians of financial indicators of comparable companies shows that Klaipėda seaport has an advantage over its competitors as it is able to ensure better margins (EBITDA, EBIT, net profit) and higher return on assets. However, the return on equity at Klaipėda seaport was lower than the relevant indicator of Helsinki, Tallinn and joint Copenhagen and Malmo (CMP) seaports in 2010.

Data of 2011	St. Petersburg	CMP	Tallinn	Median	Klaipeda
EBITDA margin	N/A	17.8%	67.6%	42.7%	78.3%
EBIT margin	3.6%	13.8%	50.7%	13.8%	56.7%
Net profit margin	4.2%	11.1%	40.8%	11.1%	40.8%
ROA	1.9%	13.3%	7.1%	7.1%	4.7%
ROE	2.0%	22.3%	10.1%	10.1%	5.3%
Asset turnover	0.45	1.20	0.17	0.45	0.12
Debt-to-assets ratio (D/A)	0.6%	0.0%	23.9%	0.6%	6.2%

### Strategic projects

Because of the exceptional strategic importance of seaports, the Baltic states face fierce competition in this sector. Seaports charge lower fees to be able to increase their handling volumes. In addition, their technical parameters such as the depth, development of infrastructure, hydrometeorological conditions, etc. are particularly significant.

To increase Klaipėda seaport's chances of competing with seaports that have deeper access channels, the decision was made to build an external deepwater seaport measuring 17–17.5 m in depth. This will enable the seaport to serve BALTMAX type vessels that have the largest draught in the Baltic Sea. The new port will be built on a man-made island or peninsula. The project is expected to be worth LTL 3.5 million. The start date has not been set yet.

Moreover, investments in the seaport infrastructure are necessary

in order to ensure the competitiveness of Klaipėda seaport. The largest investment project planned for 2012 is the dredging and widening of the port's channel. The value of this project is LTL 72 million.

The construction of the seaport in Šventoji was launched to comply with the EU Directives. The first construction phase was completed in 2011 and now Šventoji seaport is able to provide services to small recreational ships and boats. It is expected that the seaport will give stimulus for tourism development in Šventoji. During the next infrastructure development phase, the breakwater construction will be built in Šventoji to ensure that the seaport is not covered in sand after major storms. This project is worth LTL 183 million and is expected to be supported by the EU.

## Airports

In 2011, Lithuania had three international passenger airports operating in Vilnius, Kaunas and Palanga. Lithuania also has an airport in Šiauliai which is used mostly for military aviation and is owned by Šiauliai municipality.

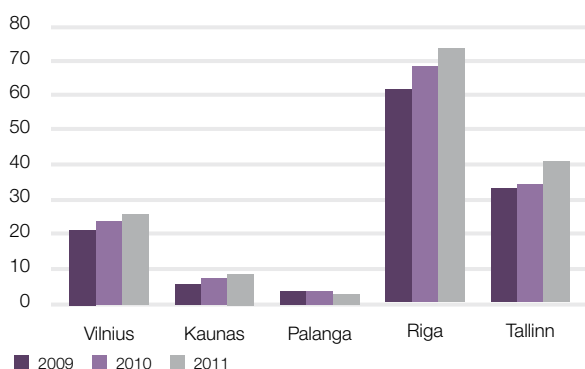
The air transport sector is regulated and its development strategy is formulated by the Ministry of Transport and Communications, while the airport infrastructure is managed in trust by SOEs. Air traffic is regulated, communication and flight control services are provided by Oro Navigacija, which is a state company of strategic importance.

### Operating results

Operating results of airports are measured in terms of the number of flights offered and passengers carried, freight transport and non-aviation services.

Vilnius airport retained its leading position among Lithuanian airports in terms of the number of flights and passengers in 2011. The number of flights at Vilnius airport stood at almost 28,000 in 2011 and increased by 6% compared to 2010. Kaunas and Palanga airports organised 9,000 and 3,000 flights respectively in 2011. According to the number of flights, the indicator of Vilnius airport was three times higher than the indicator of Kaunas airport. The distribution of passengers among Lithuanian airports was similar. The highest number of passengers was served by Vilnius airport (1.7 million), the second highest indicator was recorded by Kaunas airport (872,000) and the third by Palanga airport (111,000). It is encouraging that the increase in the number of passengers at Vilnius airport was especially sharp (almost 25%) in 2011. The strong growth of the passenger number was secured by a more flexible pricing policy of Vilnius airport, successful operations of traditional airlines (Lufthansa, Scandinavian Airlines, etc.) and low-cost carriers (WizzAir, Ryanair), larger number of flight destinations and improving economic situation in Lithuania. Still, the number of passengers also rose at Riga and Tallinn airports so Vilnius airport was not able to secure any major increase in its market share in 2011.

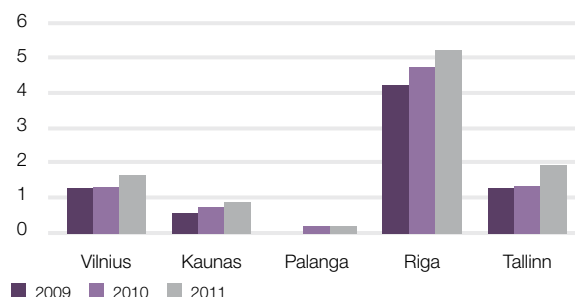
### Number of flights at airports of the Baltic states, '000



Source: Airports (2012)

The comparison of the number of flights and passengers served by airports in the Baltic states shows that Riga airport retained its strong leading position and was far ahead of other airports in the Baltic states in terms of flight and passenger numbers.

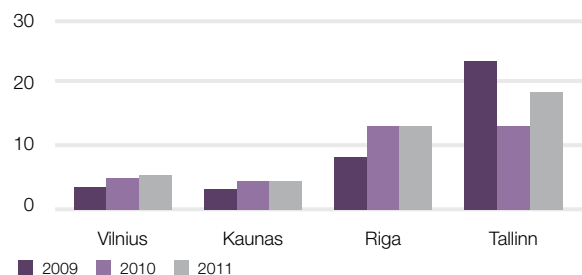
### Number of passengers at airports of the Baltic states, million



Source: Airports (2012)

Freight carried by air is divided into two categories: postal shipments and other freight. In 2011, 5,781 tonnes of freight were carried through Vilnius airport, 4,221 tonnes through Kaunas airport and 25 tonnes through Palanga airport. In 2011, the volumes of freight carried through Vilnius airport rose by 10% while the respective indicator of Kaunas airport contracted by 5%. The comparison of this indicator with airports in neighbouring countries shows that the increase in the volume of freight at Riga airport was similar to that at Vilnius airport and the volumes of freight at Lithuanian airports were more stable than at Tallinn airport, where they fluctuated strongly in the last three years, primarily because of a fall in the number of large freight transportation projects and subsequently because of new customers.

### Volumes of freight at airports of the Baltic states, '000 tonnes

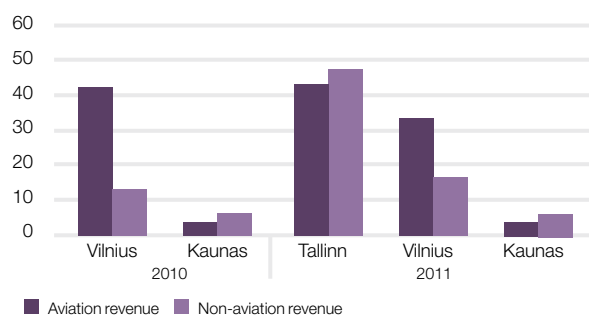


Source: Airports (2012)

### Non-aviation services

Non-aviation services (advertising, catering, car parking, retail trade, car hire, accommodation, etc.) generate more than 50% of revenue at airports internationally and this share has been increasing steadily. Lithuanian airports also pay particular attention to the development of non-aviation services as this revenue helps them reduce losses incurred as a result of the competitive battle on the aviation services market.

## Revenue by type of operations, LTL million



Source: Airports (2012)

In 2011, non-aviation services generated LTL 17 million in revenue at Vilnius airport and accounted for almost 36% of total income. Compared to 2010, this share increased substantially (from 23.5%) as non-aviation revenue rose sharply and revenue from aviation activities fell by 33% as a direct outcome of more flexible pricing policies. Non-aviation revenue at Kaunas airport stood at LTL 6.3 million in 2011 and was almost double the amount earned from aviation operations. Compared to 2010, this revenue went up

by almost 38%. The largest share of revenue was generated by parking lots and rent of premises. The comparison of the share of non-aviation revenue at Lithuanian airports and Tallinn airport in 2011 shows that Vilnius airport generates a smaller amount of non-aviation revenue and this type of revenue has a growth potential.

### Strategic projects

Currently, the European airspace is limited by national borders and is highly fragmented. This makes it more difficult for the planes to move across the EU and air transport becomes more expensive and less efficient. In order to increase the capacity of the airspace, Lithuania and Poland signed a letter of intent on cooperation in the development of the Functional Airspace Block (FAB) initiative which is part of the Single European Sky idea in 2010. The FAB would ensure more efficient control of movement in their airspace, better safety and shorten flight routes, thereby contributing to jet fuel consumption and environmental pollution reduction. In 2012, after the countries review FAB feasibility studies and make their proposals, an intergovernmental agreement on further development of the project should be signed by Lithuania and Poland.

## Development of Lithuanian logistics infrastructure: Public logistics centres

The World Bank Logistics Performance Index ranked Lithuania 45th among the world's 155 nations it surveyed. The score of the country was lowest for its logistics infrastructure and logistics competence. Latvia and Estonia ranked 37th and 43rd respectively while Poland was 30th.

The Government decided to set up public logistics centres (PLCs) in order to improve the competitiveness and promote the development of the logistics sector in Lithuania. A PLC will operate as an agglomeration of companies and will have at least one intermodal terminal allowing to change the mode of transport without transshipment. PLCs should help address at least two problems: relatively small warehousing space in Lithuania and poor interaction between different modes of transport, for instance, between railway and road transport.

The Government plans to set up four PLCs. Together with the Ministry of Transport and Communications, PLCs will be set up in Vilnius and Kaunas by Lithuanian Railways (projects worth LTL 121 million and 90 million respectively), in Šiauliai by the town's municipality (LTL 48 million) and in Klaipėda by the State Seaport Authority (LTL 48 million). The projects will be implemented in 2011–2015 and will receive funding from the Cohesion Fund and the national budget. The state will contribute to the projects by developing their infrastructure and building the necessary railway tracks and roads as well as communications. The state will also ensure equal treatment of all customers using the services of PLCs, accessibility of services and continuity of PLC operations. Private capital will be invested in warehouses and other infrastructure facilities.

## Post

At the end of 2011, 74 business entities operated on the Lithuanian postal and courier market. Of them, 13 provided postal and courier services and 61 only courier services.

The competition on the postal services market is partially restricted by laws. The Postal Law of Lithuania grants an exclusive right to Lithuanian Post to provide the services of collection, sorting, transportation, supply and delivery of local letter-post items, advertising postal, incoming international letter-post items weighing not more than 50 grams. These services can be provided by Lithuanian Post at the cost 2.5 times lower than other market players. This restriction of

competition is based on the obligation of Lithuanian Post to provide subscription services in rural areas which is a loss-making activity. As the company is able to process shipments under more favourable conditions than its competitors, it is able to offset these losses.

The postal market must be liberalised on 1 January 2013. Until then it is necessary to ensure a gradual shift to the competitive market and provision of high-quality universal postal services. The amended Postal Law also came into force in 2012 stipulating that losses of Lithuanian Post incurred from the subscription services provided in rural areas will be covered from the national budget.



## Operating results

In terms of the total number of shipments, the postal and courier services market rose by 2.3% in 2011 to 81 million shipments. Although the entire postal and courier services market grew in 2011, the postal services market shrank by almost 1% from 60.5 million to 60 million shipments. The courier services market rose by 11% from 18.7 million to 21.1 million shipments and ensured the growth of the whole postal and courier services market.

Last year, revenue generated by courier services went up by 20% from LTL 136.6 million in 2010 to LTL 160.2 million in 2011. Revenue from postal services rose by 18% from LTL 93.5 million to 112.3 million. Total revenue generated by postal and courier services increased by 19% during the year from LTL 229 million to 272.5 million.

## Liberalisation of the postal market

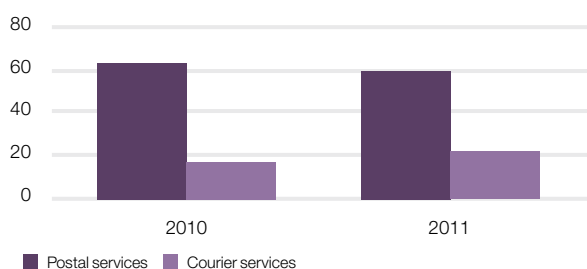
The EU Directive requires the Lithuanian postal market to become open on 1 January 2013. On this date, postal

markets will also be liberalised in the Czech Republic, Greece, Cyprus, Latvia, Luxembourg, Hungary, Malta, Poland, Romania and Slovakia. This Directive is aimed at harmonising a gradual liberalisation of the postal services market and ensuring an uninterrupted supply of universal postal services.

As a result of the liberalisation of postal services, Lithuanian Post will lose its privilege to provide services reserved to the company under the Postal Law at a rate 2.5 times lower than the rates of competitors. Therefore, Lithuanian Post is likely to see its market share decline.

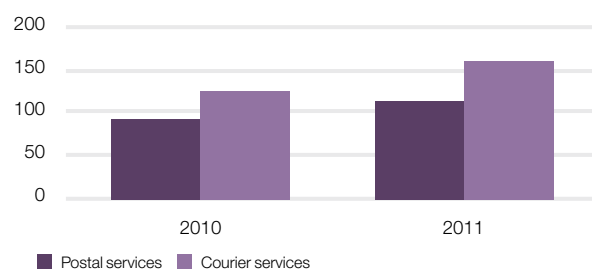
To ensure tighter control of service providers engaging in unfair practices and good preparation for liberalisation, the Postal Law authorised the Communications Regulatory Authority to impose economic sanctions against the providers of postal and courier services which fail to comply with the legal acts regulating their activities.

Number of shipments of postal and courier services market, million



Source: Communications Regulatory Authority (2012)

Revenue of postal and courier services market, LTL million



Source: Communications Regulatory Authority (2012)

## Summary of strategic projects in the transport sector

The following table describes strategic projects in the transport sector together with their expected investments. Accord-

ing to the table, the total value of all strategically important investments exceeds LTL 5.5 billion.

Project	Description	Implementation period	Investments, LTL million
Public logistics centres	Creation of the necessary infrastructure for public logistics centres in Vilnius, Kaunas, Klaipėda and Šiauliai	2011 - 2015	Vilnius: LTL 121 million Kaunas: LTL 90 million Klaipėda: LTL 48 million Šiauliai: LTL 48 million
Via Baltica	Reconstruction and modernisation of a road segment	2013 - 2015	LTL 500 million
Rail Baltica	Construction of a Lithuanian portion of the railway line connecting Finland with Poland through three Baltic states	2010 - 2015	LTL 950 million
Deepwater seaport	Construction of a new seaport able to service larger vessels	N/A	LTL 3.5 billion
Šventoji seaport	Construction of breakwater to prevent sand penetrating the port	2010 - 2015	LTL 183 million
Klaipėda seaport	Dredging and widening of the port	2011 - 2012	LTL 72 million



ENERGY

SOEs operating in the energy sector generate and supply electricity and natural gas to customers and provide related services. Moreover, this sector includes Klaipėdos Nafta which provides oil and petroleum product transshipment services and is responsible for the construction of the liquefied natural gas terminal in Lithuania.

The key strategic objective of the state in the energy sector is to ensure energy independence. Currently, Lithuania is dependent on a single gas supplier Gazprom. After the decommissioning of the Ignalina Nuclear Power Plant, the volume of electricity imports to Lithuania soared almost 13 times. Because of this situation, the state is unable to affect energy prices fixed by

external suppliers and does not have sufficient tools at its disposal to safeguard against the restriction or suspension of energy supply. Therefore, the Government strives to ensure that Lithuania gains energy independence by 2020 and important strategic projects have been launched to achieve this goal.

Moreover, the Government seeks to increase competition among companies operating in the energy sector, and improve efficiency and transparency of their operations in accordance with the requirements of the Third Energy Package of the EU. As a result, the reform of electricity companies was completed and the separation of gas transmission, distribution and supply operations was initiated.

Enterprise	Field of activity	Turnover in 2011, LTL '000	Assets at the end of 2011, LTL '000	Number of employees at the end of 2011	State's interest, %
Visagino Atominė Elektrinė (Visaginas Nuclear Power Plant)	Holding company of electricity enterprises (the corporate group includes Lietuvos Energija, LESTO and Litgrid); construction of the Visaginas Nuclear Power Plant	2,673,146	11,610,830	5,413	100%
LESTO	Electricity distribution and supply	2,245,484	5,283,545	3,564	82.6%
Lietuvos Dujos*	Natural gas import, transmission and distribution services	1,845,869	2,698,631	1,719	17.7%
Lietuvos Energija	Electricity generation and wholesale	1,429,507	3,720,441	1,179	96.1%
Litgrid	Electricity transmission, management of electricity transmission system and infrastructure development	434,806	2,502,718	623	97.5%
Klaipėdos Nafta	Oil product export and import	141,276	519,358	305	70.6%
Visagino Energija	Supply of heat and water, wastewater treatment	63,199	207,997	227	100%
Geoterma	Generation of heat	13,396	49,408	19	76.6%
Ignalinos Atominė Elektrinė (Ignalina Nuclear Power Plant)	Decommissioning of the Ignalina Nuclear Power Plant	1,099	1,770,691	2,037	100%
Radioactive Waste Management Agency	Radioactive waste management and burial	45	1,832	19	100%
Energy Agency	Administration of the decommissioning fund of the Ignalina Nuclear Power Plant, implementation of national energy programmes	0	3,365	23	100%

\* Turnover, assets and number of employees of Lietuvos Dujos have been disclosed for information purposes only. However, the portfolio of state-owned enterprises includes only the state's interest and dividends received from this enterprise.

## Financial results

Revenue of companies operating in the energy sector went down in the last two years from LTL 3.7 billion to 2.9 billion. The fall in revenue in 2010 was caused by the shutdown of reactors of the Ignalina Nuclear Power Plant after which revenue of the company decreased from LTL 597.3 million to 19.8 million. Lower revenue in 2011 was caused by a fall of LTL 293 million in turnover of the VAE group. Revenue of VAE subsidiaries Litgrid and LESTO fell because the regulator had set lower limits for electricity transmission service tariffs, while the liberalisation of the electricity market meant a reduction in the number of customers using LESTO public supply services. Revenue of another subsidiary Lietuvos Energija was affected negatively by a 30% decline in production of electricity because of higher prices of natural gas.

The fall in revenue was accompanied by the contracting cost of sale which, however, was affected by higher prices of fuel, especially gas. The operating costs kept shrinking every year. They plunged by 24% in 2010 after the shutdown of the Ignalina Nuclear Power Plant and dropped by 6% in 2011.

This change was mostly caused by a sharp fall of operating costs (57% or LTL 9.7 million) of Klaipėdos Nafta. The main obstacle for the reduction of operating costs of the VAE group was the inclusion of revaluation costs (LTL 63 million) of carbon pollution allowances (CPA) in the accounts of Lietuvos Energija. For these reasons, in 2011 gross profit of energy companies before depreciation and amortisation was 10% lower than in 2010 and stood at almost LTL 535 million, while the operating loss grew to LTL 135 million. Klaipėdos Nafta, which operated more efficiently and increased its sales revenue, was the only company to boost its operating profit by a considerable margin of 80.7% to LTL 51.2 million. After the suspension of electricity supply activities and increase in fuel costs, the operating loss of Visaginas Energija rose from LTL 214,000 to 6.6 million. Profits of Geoterma went up because of CPA trading and the operating loss of LTL 1 million incurred in 2010 was replaced by a profit of LTL 387,000 in 2011.

Energy companies earned a net profit of LTL 1.8 million in 2009, but incurred a loss of LTL 66 million in 2010 and

LTL 170.9 million in 2011. The indicators of 2010 were affected by the reform undertaken in the electricity sector and indicators of the VAE group adjusted as a result of the PSO accounting policy and changes in CPA accounting (the effect of adjustments on the net profit of 2010 was LTL 57.3 million). The net profit indicator of 2011 was strongly affected by the write-off of deposits held by the Ignalina Nuclear Power Plant at the bankrupt Snoras bank (LTL 74.9 million). The company lost LTL 89.9 million in total because of the bank's insolvency but included LTL 15 million in its accounts as amounts

receivable. VAE group companies incurred losses in both 2010 and 2011 because of changes made to the regulation of operations of energy companies based on which the regulator did not acknowledge some depreciation costs included by the companies in their accounts. The difference between depreciation costs reimbursed by the tariff and included in the accounts of LESTO and Litgrid was around LTL 320 million in 2011. The net result of the sector was positively affected by a sharp increase of 73.4% in the profit of Klaipėda Nafta to LTL 45.3 million.

Profit and loss statement (LTL '000)	2009*	2010	2011
<b>Sales revenue</b>	<b>3,661,985</b>	<b>3,192,808</b>	<b>2,892,160</b>
Cost of goods sold	2,096,830	1,903,928	1,731,219
<b>Gross profit (loss)</b>	<b>1,565,155</b>	<b>1,288,880</b>	<b>1,160,941</b>
Operating expenses	1,818,558	1,384,492	1,303,527
Profit (loss) from other activities	1,165	3,721	7,284
<b>Operating profit (loss)</b>	<b>-252,238</b>	<b>-91,891</b>	<b>-135,302</b>
<i>Operating profit margin</i>	<i>-6.9%</i>	<i>-2.9%</i>	<i>-4.7%</i>
<b>EBITDA</b>	<b>519,057</b>	<b>594,926</b>	<b>534,907</b>
<i>EBITDA margin</i>	<i>14.2%</i>	<i>18.6%</i>	<i>18.5%</i>
Financial and investment activities	31,953	19,616	-49,753
<b>Profit (loss) before taxes</b>	<b>-220,285</b>	<b>-72,275</b>	<b>-185,055</b>
Profit tax	-222,080	-6,320	-14,163
<b>Net profit</b>	<b>1,795</b>	<b>-65,954</b>	<b>-170,892</b>
<i>Net profit margin</i>	<i>0.0%</i>	<i>-2.1%</i>	<i>-5.9%</i>
Minority interest	10,513	7,274	2,481
<b>Net profit excluding non-standard taxes</b>	<b>11,452</b>	<b>-56,339</b>	<b>-169,318</b>
<b>Net profit excluding non-standard taxes and effect of Snoras bankruptcy</b>	<b>11,452</b>	<b>-56,339</b>	<b>-94,418</b>

\* Results of 2009 net of Ignalina Nuclear Power Plant write-offs

Balance sheet (LTL '000)	31 Dec 2009	31 Dec 2010	31 Dec 2011
Intangible assets	322,081	354,128	351,726
Tangible assets	10,834,760	11,161,181	11,228,520
Financial assets	200,265	245,043	206,291
Other non-current assets	335,849	278,052	295,019
Biological assets	0	0	0
<b>Non-current assets</b>	<b>11,692,955</b>	<b>12,038,403</b>	<b>12,081,555</b>
Inventories, prepayments and contracts in progress	230,342	302,787	231,472
Amounts receivable within one year	1,406,220	1,074,411	1,089,488
Other current assets	390,789	432,413	687,363
Cash and cash equivalents	408,654	387,745	245,318
<b>Current assets</b>	<b>2,436,005</b>	<b>2,197,356</b>	<b>2,253,641</b>
<b>Total assets</b>	<b>14,128,960</b>	<b>14,235,759</b>	<b>14,335,196</b>
<b>Total equity</b>	<b>9,129,777</b>	<b>8,991,206</b>	<b>8,780,736</b>
Minority shareholder equity	1,030,282	926,907	942,841
<b>Grants and subsidies</b>	<b>2,423,790</b>	<b>2,392,667</b>	<b>2,675,265</b>
Non-current liabilities	1,771,722	1,454,301	1,604,471
Current liabilities	803,671	1,397,585	1,274,724
<b>Liabilities</b>	<b>2,575,393</b>	<b>2,851,886</b>	<b>2,879,195</b>
Of which financial liabilities	853,525	1,110,394	1,109,564
<b>Total equity and liabilities</b>	<b>14,128,960</b>	<b>14,235,759</b>	<b>14,335,196</b>

Ratios	2009	2010	2011
ROA	0.1%	-0.4%	-1.2%
ROE	0.1%	-0.6%	-1.9%
D/E	9.3%	12.3%	12.6%

Return to the state (LTL '000)	2009	2010	2011
Expected dividends (only the state's share)	33,923	21,240	327,990
Of which assigned dividends (only the state's share)	33,923	21,240	52,990
Assigned SE profit contributions	0	0	36,386
Property tax	11,361	11,312	1,852
<b>Total contributions and non-standard taxes</b>	<b>45,284</b>	<b>32,552</b>	<b>329,852</b>

Other information	2009	2010	2011
Number of employees (at period end)	9,117	8,225	8,043
Number of executives (at period end)	76	100	93
Advertising and media costs (LTL '000)	269	2,495	1,308

Return indicators of energy companies were low because of the above-mentioned reasons: after changes in regulation, non-current assets of the VAE group were not revaluated in 2010 and 2011 so the book value may no longer correspond to the actual value of these assets, while return indicators calculated on the basis of book values may no longer reflect the actual operating results. The best return indicators in the energy sector were achieved by Klaipėdos Nafta. Its return on equity, which stood at 5.8% in 2010 and 8.4% in 2009, rose to 9.5% in 2011.

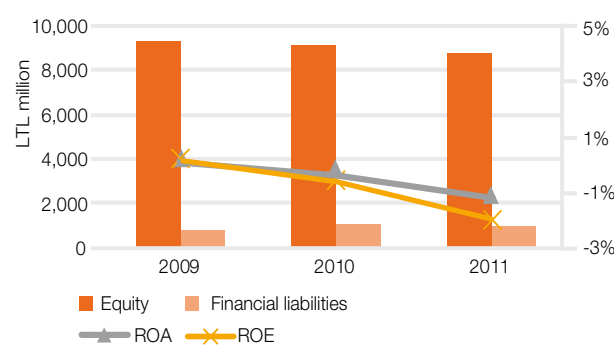
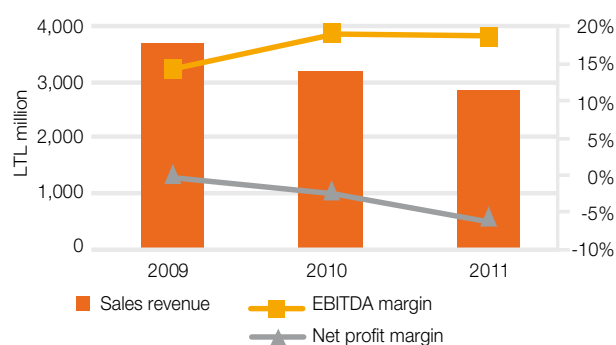
The results of Lietuvos Dujos have not been included in the portfolio and have not been evaluated as the state has just a 17.7% minority interest in this company. The SOE portfolio includes only the stake owned by the state (LTL 171.7 million in 2011) and dividends paid to the budget during the year (LTL 21.2 million in 2011, i.e. 1.7 times more than in 2010).

Energy companies declared a larger amount of dividends to be paid for 2011 compared to the previous year. Klaipėdos

Nafta did not pay any dividends for 2010 and decided to pay LTL 57 million from accumulated profit in 2011, of which LTL 40.2 million will be transferred to the national budget. VAE subsidiaries LESTO and Litgrid declared dividends of LTL 170.3 million and 309.9 million for 2011 but the bulk of this amount will be paid to the holding company VAE and was not included in the total amount of dividends payable to the state. The VAE group is expected to pay LTL 275 million in dividends in the second half of this year.

In 2011, the amount of property tax shrank because the decommissioned Ignalina Nuclear Power Plant no longer paid this tax. The other two companies that pay this tax are Visagino Energija (LTL 1.8 million) and Radioactive Waste Management Agency (LTL 9,000).

The following diagrams show changes in sales revenue, equity, financial liabilities and profitability of the sector in 2009–2011.



## Electricity sector

After the electricity sector was restructured in 2010, the control of major electricity companies was transferred to Visaginas Nuclear Power Plant (VAE) which is 100% owned by the state. In accordance with the requirements of the Third Energy package of the EU, companies within the VAE group are divided into four blocks: generation, transmission, distribution and network maintenance. After the restructuring, these enterprises have to carry out electricity generation and supply activities under competitive conditions while electricity transmission and distribution have remained monopolistic activities.

Operations in the electricity sector are regulated by the National Control Commission for Prices and Energy (NCCPE). The Commission issues licences for electricity

sector operators, sets the requirements for reliability and quality of electricity transmission services, approves the price caps for regulated services and electricity prices, pricing methodology and performs other related regulatory functions.

### Electricity generation

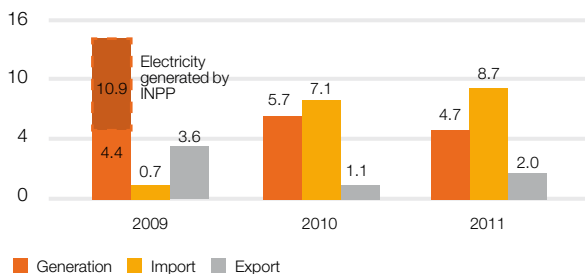
The electricity generation block is made up of Kaunas Hydropower Plant, Kruonis Pumped Storage Power Plant and Lithuanian Power Plant, all operated by Lietuvos Energija. This generation block consists of major electricity generation capacities in Lithuania, carries out electricity balancing and ensures the electricity reserve necessary for Lithuania.

Last year, almost 4.7 TWh of electricity was generated in Lithuania, i.e. generation contracted by 18% from 2010.

According to the NCCPE, Lietuvos Energija generated almost 36% of the total amount of electricity produced in Lithuania in 2011. Power plants operated by the company saw the volume of generated electricity fall by a third compared to 2010 as a result of the decrease in subsidised generation. Other thermal power plants generated 37% and power plants running on renewable energy resources generated 26% of electricity produced nationwide.

After the decommissioning of the Ignalina Nuclear Power Plant at the end of 2009, the total volume of electricity generated in Lithuania fell nearly three times and electricity imports increased considerably. Imports of electricity went up almost 13 times in 2011 compared to 2009 and rose by 22.2% between 2010 and 2011. Currently electricity imports to Lithuania exceed electricity exports nearly 5 times, which is one of the highest indicators in the EU.

**Electricity generation, export and import in Lithuania, TWh**



Source: NCCPE

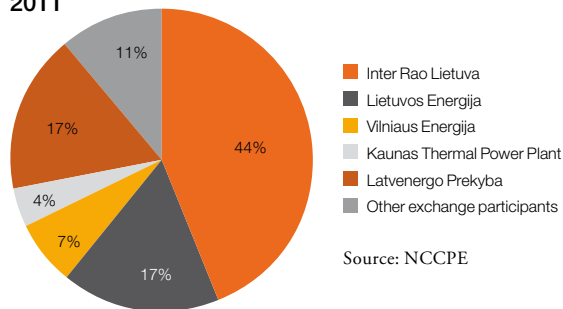
**Transfer**

Electricity transfer covers electricity transmission in the high-voltage network and electricity distribution in the medium- and low-voltage network. Two blocks of companies have been set up in Lithuania for these functions.

The electricity transmission block consists of two companies: Litgrid and BaltPool. Litgrid is a high-voltage transmission system operator which controls electricity flows in Lithuania and ensures stable operation of the national electricity grid. Since the beginning of 2010, Baltpool has organised electricity wholesale on the Lithuanian electricity exchange and supervised conclusion of bilateral agreements between producers and suppliers. At the end of November 2011, Baltpool was issued a licence to organise trading in natural gas on the exchange. In the middle of June 2012, electricity trading in Lithuania should be taken over by Nordic electricity exchange operator Nord Pool Spot, whose trading system has 350 members from 20 countries.

Trading on the exchange made up almost 8 TWh of electricity and its average price stood at 15.63 ct/kWh in 2011. During the year, the number of active exchange participants rose from 20 to 25 but the sales market remained concentrated and was dominated by five companies. The largest share of electricity (44%) was sold by Inter Rao Lietuva. Compared to 2010, the share sold by Lietuvos Energija shrank by the largest margin from 40 to 17%, while Latvenergo Prekyba saw its share soar from 3.3 to 17%.

**Electricity market structure of sales on the exchange in 2011**



Source: NCCPE

The electricity distribution block is made up of the company group LESTO. This company started operating at the beginning of 2011 after the merger of distribution companies VST and Rytu Skirstomieji Tinklai. LESTO acts as the medium- and low-voltage network operator and public supplier of electricity. Electricity via the distribution network operated by the company reaches more than 1.5 million private and 60,000 business customers.

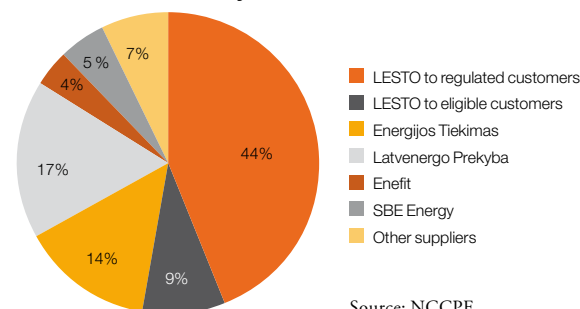
The pricing of electricity transfer operations carried out by both LESTO and Litgrid is regulated as the price caps for these services are set by the NCCPE. Electricity transmission and distribution network operators are not allowed to earn more than 5% in profit from the value of assets used for licensed activities. Since 2009, the value of assets used for licensed activities has been determined by the NCCPE according to the principles laid down in the Government resolution rather than data disclosed in financial statements of companies, i.e. by adding the accrued amount of investments to the book value of companies in 2002 and deducting the amount of accrued depreciation. After the changes in the regulatory framework, assets of the companies have not been revaluated. Therefore, the book value of assets specified in the balance sheets of LESTO and Litgrid is triple the value of assets used for licensed activities as determined by the regulator. For that reason, financial statements of companies show losses since not all depreciation costs included in their accounts are included in the service charges.

**Supply**

Since 2010, some customers in Lithuania can choose between a public and independent supplier. This option will be available to customers with the permissible power limit above 30 kW since 2012 and to all customers since 2015.

In 2011, the number of active independent suppliers rose from 15 to 28 and they supplied a total amount of 3.7 TWh of electricity. In the retail market, 17% of electricity was supplied by Latvenergo Prekyba and 14% by Energijos Tiekimas. During the year, the market share of LESTO shrank by 8 percentage points and stood at 53% but LESTO supplied just 9% of electricity to independent customers.

**Structure of electricity retail market in 2011**



Source: NCCPE

## Maintenance and asset management companies

During the restructuring of SOEs in the energy sector, the decision was made to separate maintenance companies and pool their functions in specialised enterprises. Buildings, information systems, IT telecommunications equipment and maintenance were handed over to these enterprises together with

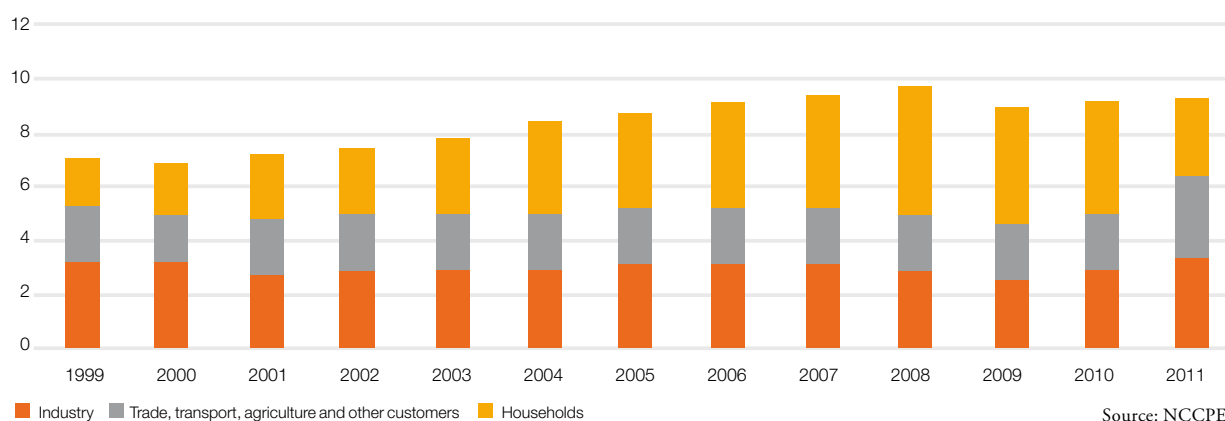
some employees. The largest of these companies are Technology and Innovation Centre and NT Valdos. The first one provides innovation, knowledge and competence management, information technology and other services and the second manages real estate and vehicles of energy companies.

## Electricity consumption

In 2011, 11.42 TWh of electricity was consumed Lithuania and net consumption (without network losses, own needs and balancing energy) stood at 9.36 TWh. Compared to 2010, consumption increased by 1.5%, mainly because of a sharp rise

in electricity consumption by the industry (15.6%). Compared to 1999, household consumption of electricity went up by 39% last year and the total growth of consumption reached 29%, i.e. about 2% per year on average.

### Electricity consumption in 1999–2011, TWh



## Electricity price

The electricity price for customers is made up of several components: electricity acquisition, transmission, distribution, supply prices and the price of systemic services and public service obligations (PSO). Electricity transmission, distribution and public supply prices are regulated by the NCCPE.

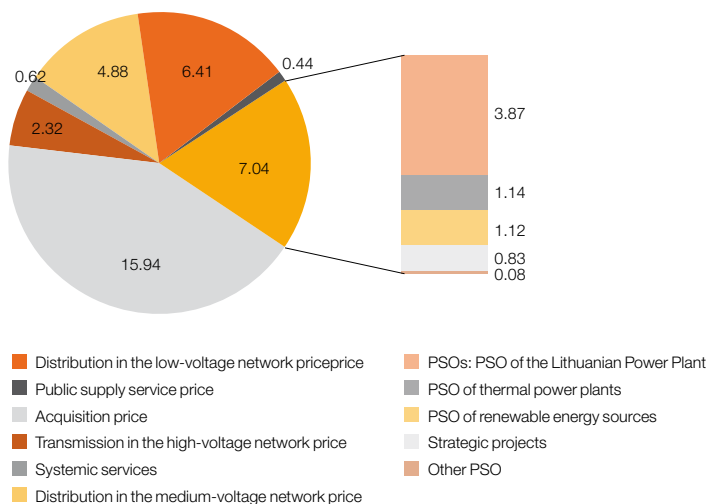
In 2012, the average electricity price stood at 37.65 ct/kWh net of VAT in Lithuania. Compared to 2011, the price increased by 1 cent. The electricity acquisition price accounts for 42% of the price and did not change much during the year (15.94 ct/kWh). Prices of electricity transmission and distribution in the medium- and low-voltage networks also remained virtually the same and stood at 2.32, 4.88 and 6.41 ct/kWh respectively, making up 36% of electricity price. During the year, the price of systemic services fell from 0.66 to 0.62 ct/kWh.

The increase in the electricity price was caused by the PSO price which grew by 17% in 2012 from 6.01 to 7.04 ct/kWh. This price consists of several components: 3.87 ct/kWh is the share of the Lithuanian Power Plant where generation is necessary to ensure electricity supply security and reserves of the energy system. The support to generation by thermal power plants and plants running on renewable energy sources (RES) equals to 1.14 and 1.12 ct/kWh respectively. Funds for the implementation of strategic projects make up 0.83 ct/kWh. The remaining portion of PSO funds is used to cover administrative costs, connect RES power plants to the electricity network and balance energy.

Compared to 2011, PSO of the Lithuanian Power Plant increased by 0.46 ct/kWh, thermal power plants by 0.3 ct/kWh,

RES power plants by 0.26 ct/kWh and PSO for strategic projects went down by 0.01 ct/kWh. The main causes of the increase in PSO prices were a steep rise of electricity generation costs of thermal power plants because of higher prices of natural gas and growing volumes of electricity generated from renewable resources.

### Structure of the average electricity price in 2012, ct/kWh net of VAT

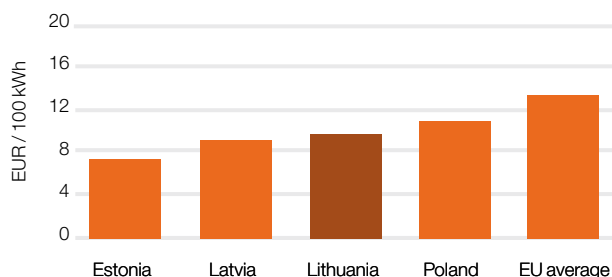


Source: NCCPE

## Electricity prices for residents of EU countries

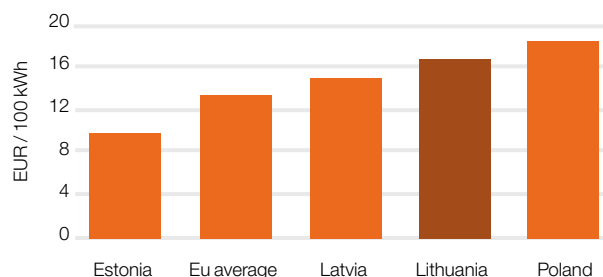
In Lithuania, the nominal electricity price paid by households is 21% lower than the average price in the EU. However, taking into account the purchasing power, Lithuanians actually pay 28% more for electricity compared to an average EU citizen. Moreover, the electricity price in Lithuania is higher than in Latvia and Estonia both in nominal terms and adjusted by the purchasing power.

### Electricity price for households (net of VAT, first half of 2011)



Source: Eurostat

### Electricity price for households adjusted by the purchasing power (net of VAT, first half of 2011)



## Natural gas sector

In Lithuania, natural gas import, transmission, distribution and supply markets are dominated by the single company: Lietuvos Dujos. The state has a 17.7% stake in the company, E.ON Ruhrgas International GmbH (Germany), which is part of E.ON AG concern, has a 38.9% stake and natural gas supplier Gazprom (Russia) controls 37.1% of the company. In 2011, Lietuvos Dujos was the only company in Lithuania to carry out natural gas transmission activities and distributed nearly 98% of the total amount of gas consumed.

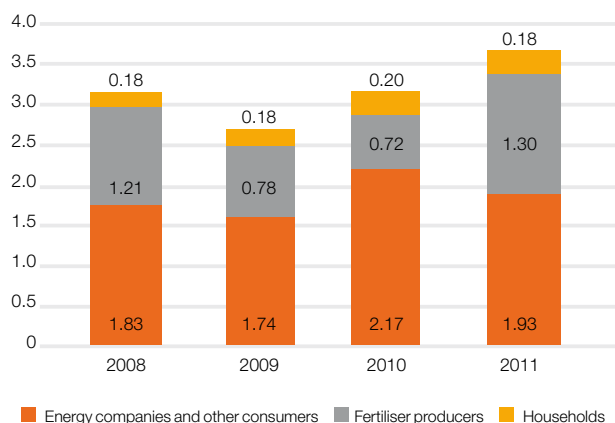
The edition of the Natural Gas Law came into force in August 2011 providing for the compliance with the requirements of the Third Energy Package of the EU and unbundling of gas transmission, distribution and supply operations. In accordance with this law, Lietuvos Dujos will have to be divided into several companies by 31 October 2014. After this restructuring, customers will be able to choose alternative gas suppliers, while the competitive environment will yield more favourable gas prices for customers.

### Natural gas consumption trends

In 2011, Lithuania imported 3.4 billion cubic metres of natural gas, which is almost 10% more than a year ago. The steepest increase (81%) was in the volume of gas imported by Achema (to 1.3 billion m<sup>3</sup>), while natural gas imports of Lietuvos Dujos fell by almost 14% (to 1.35 billion m<sup>3</sup>). According to the NCCPE and Statistics Lithuania, the country paid LTL 3.7 billion for all imported gas in 2011 which made up 3.5% of the gross domestic product.

In 2011, the number of households consuming natural gas did not change much and stood at 551,000. These households consumed almost 182 million cubic metres of gas in 2011 or 8% less than in 2010. The number of non-household consumers of natural gas is 6,000 but they consume about 95% of gas imported to Lithuania. The largest consumer of gas is Achema, which manufactures nitrogen fertilisers and other industrial chemicals. Companies generating electricity and heat consume more than half of all imported gas.

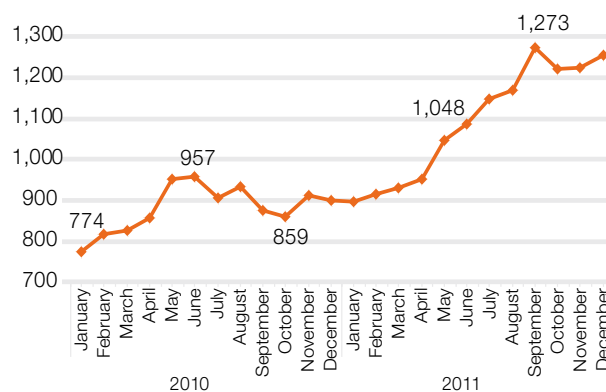
### Gas consumption in Lithuania, billion m<sup>3</sup>



Source: NCCPE

In 2010–2011, the average price of gas imports went up by 25% from LTL 862 to 1,081 per one thousand cubic metre of gas. In 2011, the sharpest increase in gas prices was recorded in May and June (10 and 9% respectively).

### Price of gas imports, LTL per thousand m<sup>3</sup>



Source: NCCPE



## Natural gas price for households

The natural gas price paid by households to Lietuvos Dujos is made up of two components: a fixed monthly charge paid for the support of the gas system, ensured capacity and maintenance services as well as the variable portion which depends on the amount of gas consumed. The monthly tariff for group I customers that consume up to 500 cubic metres per year is lower and stands at 1.95 LTL/month. The monthly tariff for group II customers that use gas for heating and consume more than 500 cubic metres per year is LTL 13.81.

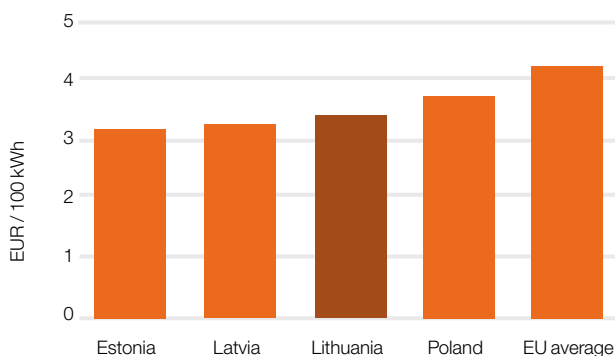
### Structure of natural gas prices (LTL/m<sup>3</sup>, first half of 2012)



Source: NCCPE

Because of the lower distribution costs per one cubic metre of gas, group II customers pay a smaller variable part of the natural gas price. Since the middle of 2011, the tariff has been 1.75 LTL/m<sup>3</sup>, while group I customers have been charged 2.33 LTL/m<sup>3</sup>. The import price of gas accounts for the largest portion of the tariff.

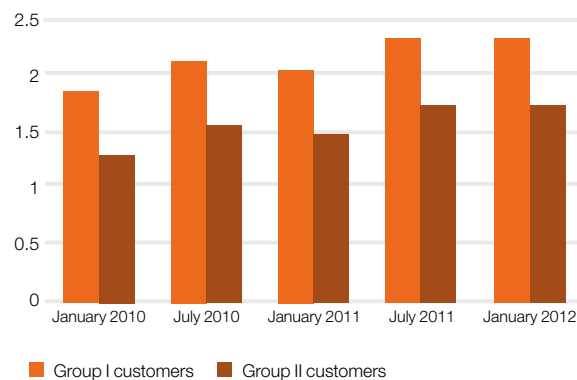
### Natural gas price for households (net of tax, first half of 2011)



Source: Eurostat

Between 2010 and the beginning of 2012, natural gas tariffs rose by almost a third. After a large price leap in 2010, they were cut to 2.04 and 1.45 LTL/m<sup>3</sup> respectively for group I and II customers in January 2011. However, tariffs went up once again in July 2011 by 17% on average and did not change in the first half of 2012.

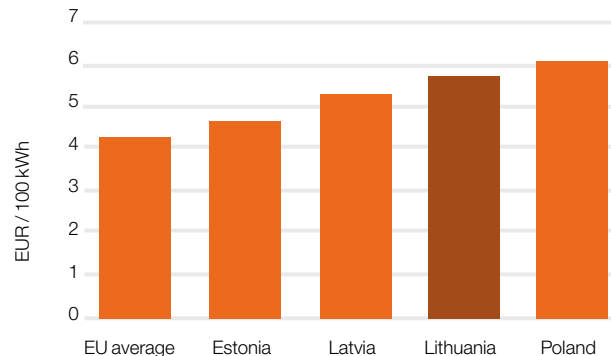
### Changes in natural gas tariffs in 2010–2012 (LTL/m<sup>3</sup>)



Source: Lietuvos Dujos

Lithuanians pay one of the lowest prices for natural gas in Europe. According to Eurostat, the price in Lithuania stood at 3.59 EUR/100 kWh while the EU average was EUR 4.3 in the first half of 2011. However, Lithuanians pay more for natural gas than Latvians or Estonians. If the purchasing power is taken into account, Lithuania is among seven EU members that pay the highest price for gas. Among the neighbouring countries, only Poles pay more for natural gas where 100 kWh of gas cost EUR 3.77.

### Natural gas price for households adjusted by the purchasing power (net of tax, first half of 2011)



## Strategic projects

### Construction of the Visaginas Nuclear Power Plant

The construction of the Visaginas Nuclear Power Plant is the regional electricity generation development project of three EU member states – Lithuania, Latvia and Estonia – and the strategic investor from Japan Hitachi. The project is expected to be completed by 2020–2022 and to be worth LTL 17.3 billion (at prices of 2010). Investments in the new power plant will be financed by loans and funds of the strategic investor, regional partners and VAE group. Lithuania plans to invest about LTL 6 billion in this project.

The implementation of the Visaginas NPP project is very important for energy security of the Baltic region and is a material prerequisite for the connection of the Baltic states to the European electricity grid. The Visaginas NPP will reduce dependence on electricity imports from a single country and electricity export will improve the trade balance of the country.

The Visaginas NPP is the largest infrastructure project in the Baltic region in the last 20 years. The construction of the Visaginas NPP alone will provide opportunities for local businesses of around LTL 5.2 billion and will create up to 6,000 new jobs.

In 2011, the International Atomic Energy Agency (IAEA) concluded that the construction site of the new nuclear power plant was adequately prepared for the construction of the power station. In May 2012, the Government approved the Concession Agreement of the Visaginas NPP and submitted it together with other project documentation to the Lithuanian Parliament for discussion.

### Decommissioning of the Ignalina Nuclear Power plant

After the shutdown of the Ignalina Nuclear Power Plant in 2009, it is important to ensure its smooth decommissioning and safe disposal of radioactive waste. This requires the deployment of the most advanced technologies and efficient use of funding allocated for decommissioning. The amount of funding available for the project implementation in 1999–2013 is LTL 5,484.8 million. The EU support for the project in 2010–2013 is LTL 1,697 million and LTL 365.3 million will be paid from the national budget of Lithuania. The budget of the project for 2011 was LTL 54 million. The project is being implemented by state company Ignalina Nuclear Power Plant and the Ignalina NPP Decommissioning Division of the Ministry of Energy.

In 2011, the Ignalina NPP completed the first disassembly and deactivation project and began unloading spent nuclear fuel from the reactor of the second energy unit. In 2012, the permission was granted to conduct hot tests of the storage facility for radioactive substances of very low activity.

### New unit of the Lithuanian Power Plant

After the shutdown of the Ignalina Nuclear Power Plant, it became necessary to increase the capacity of the Lithuanian energy system and reduce the dependence on imported energy. Therefore, construction of a new modern 455 MW combined-cycle gas turbine unit was launched at the Lithuanian Power Plant in 2009. The project implementation cost is projected to

be LTL 1.3 billion. The project is supported by the EU funds, European Bank for Reconstruction and Development as well as commercial banks. Lietuvos Energija, which is implementing the project, also contributes financially to the construction.

In 2011, the majority of construction work of the new unit was completed. In March 2012, the new unit was connected to the transmission network and began generating the first electricity megawatt-hours during testing. The unit is expected to start operating at full capacity in September 2012.

### Construction of electricity links

Litgrid is responsible for the implementation of electricity link construction projects and operation of links.

#### Link to Sweden

The completion of the NordBalt project and electricity link to Sweden will connect Lithuanian and Swedish energy transmission systems. The length of the link will be around 450 km and the capacity will be 700 MW. This link would consist of high-voltage direct-current underwater and underground cables and converter stations in Lithuania and Sweden. The link is expected to become operational in 2016.

The project is being implemented together with Swedish transmission network operator Svenska Kraftnät. The preliminary value of the project is LTL 1.9 billion. The preparatory work was carried out and the spatial planning document was drawn up in 2011. The construction of converter stations in Lithuania and Sweden should begin in the second half of 2013 and cables should be laid in the first half of 2014.

#### Link to Poland

The LitPol Link project is aimed at connecting Lithuanian and Polish electricity transmission systems. This project is extremely important for Lithuania as it will enable the country to join the energy system of Western Europe. The 1,000 MW link is expected to be built in two phases. The first one should be completed in 2015 and the Lithuanian-Polish link should begin operating at the 500 MW capacity. In 2020, after the completion of the second converter construction phase, the LitPol Link should operate at the capacity of 1,000 MW. The project is worth LTL 1.28 billion and will be financed by Litgrid, PSO, EU and borrowed resources.

The special LitPol Link plan was approved in 2011 and the consultant for the preparation of the technical design of reconstruction of the 330 kV distribution station of the Alytus transformer substation and obtaining the building permit was selected in 2012.

### Renewable energy sources (RES)

The National Energy Strategy outlines the objective to increase the consumption of RES energy. Currently, this type of energy accounts for 15% of total consumption and this indicator should reach 23% by 2020. The share of RES electricity should be at least 20% of total electricity generation. For this purpose, 500 MW wind farms and 10 MW solar power plants will be built. In addition, electricity generation by hydropower and biomass incineration plants will be promoted.

### Liquefied natural gas terminal

The construction of the liquefied natural gas terminal is the key project of the gas sector aimed at reducing energy dependence on the single gas supplier. The gas terminal will enable Lithuania to secure independent supplies of natural gas, diversify natural gas supply, participate in the international gas market and shape the national gas market.

The terminal in the form of a ship with a floating storage re-gasification unit will be supplied by Norwegian Hoegh LNG. The annual capacity of the terminal will be 2–3 billion cubic metres of gas. The value of the terminal project is LTL 1 billion. The project will be implemented by Klaipėdos Nafta. The liquefied natural gas terminal is expected to be completed by the end of 2014.

### Lithuanian and Polish gas pipeline

The gas pipeline connecting to the Polish gas system will ensure the operation of the free gas market and diversification of gas supply sources. This gas pipeline is expected to be completed by 2018 by Lietuvos Dujos and Polish Gaz System. According to preliminary estimates, the length of the Lithuanian and Polish gas pipeline link would be 562 km, it would be able to transport up to 2.3 billion cubic metres of gas annually to the Baltic states. The preliminary value of the project is LTL 1.6 billion and the bulk of investments would be made in Poland.

### Klaipėda and Jurbarkas gas pipeline

This transmission pipeline will be necessary for the supply of natural gas after the liquefied natural gas terminal is built and it will increase the reliability of supply of natural gas to

Western Lithuania. In 2011, LTL 451,000 was spent on project implementation and the first gas pipeline section between Šakiai and Jurbarkas was completed. The entire gas pipeline should be built by 2013. The project is worth LTL 168 million and almost 50% of funds will be contributed by the EU.

### Underground natural gas storage facility in Syderiai

The underground natural gas storage facility would ensure that Lithuania has the necessary gas reserves for 60 days and that the country faces no shortages of gas in case of gas supply interruption. The storage facility will be built near Syderiai settlement in Telšiai district. Studies carried out in 2010–2011 showed that this site was suitable for the storage facility. In 2012, test drilling will be conducted in order to carry out the final assessment of the geological structure in Syderiai and its suitability for the underground storage facility.

The European Commission has assigned nearly LTL 7 million for preparatory work for the underground natural gas storage facility in Lithuania.

### Natural gas exchange

In November 2011, Baltpool was issued a natural gas market operator licence and the company became entitled to organise secondary trading in natural gas on the gas exchange. The natural gas exchange provides opportunities for quick buying or selling of required or surplus gas and gas trading will be available not only by bilateral agreements. The new exchange creates favourable conditions for competition and contributes to the gas market liberalisation.

Projects of the energy sector are summarised in the following table.

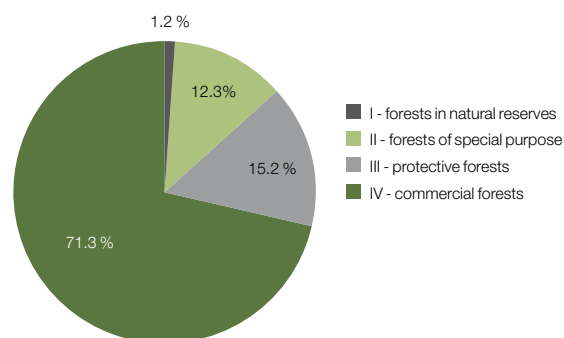
Project	Description	Implementation period	Investments, LTL million
Visaginas Nuclear Power Plant	Construction of the new nuclear power plant and related infrastructure	2006–2022	LTL 17.3 billion
Shutdown of the Ignalina Nuclear Power Plant	Decommissioning of the power plant, safe disposal of radioactive waste	2001–2032	LTL 5.5 billion
New unit of the Lithuanian Power Plant	Construction of the combined-cycle gas turbine unit	2009–2012	LTL 1.3 billion
Nordbalt	Construction of the link between Lithuanian and Swedish electricity transmission systems	2010–2015	LTL 1.9 billion
LitPol Link	Construction of the link between Lithuanian and Polish electricity transmission systems	2009–2020	LTL 1.3 billion
Liquefied natural gas terminal	Construction of the terminal-floating storage facility	2010–2014	LTL 1 billion
Lithuanian and Polish gas pipeline	Connection of gas pipeline systems of Lithuania and Poland	2011–2018	LTL 1.6 billion
Gas pipeline Klaipėda–Jurbarkas	Construction of the gas transmission pipeline	2011–2013	LTL 168 million
Underground natural gas storage facility	Surveys of an underground natural gas storage facility in Lithuania	2010–2012	LTL 7 million

# FORESTRY

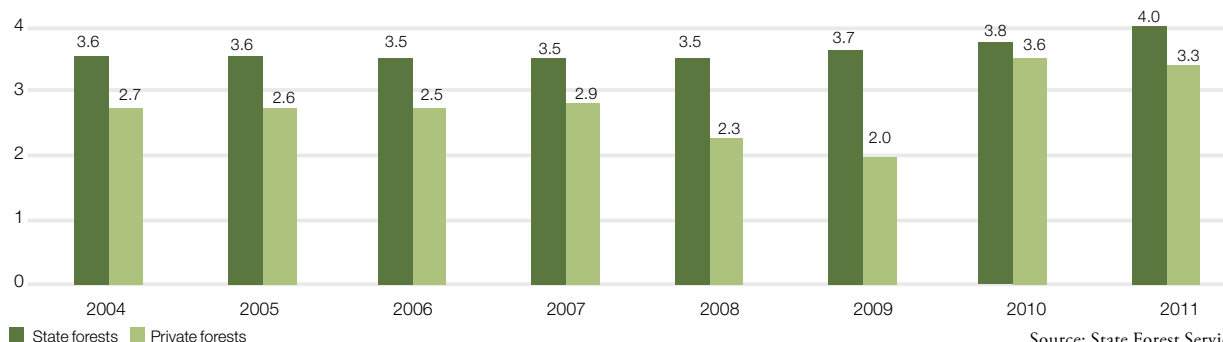


In Lithuania, forests cover 2,172,900 hectares of land, i.e. 33.3% of the national territory (according to information of the State Forest Service as of 1 January 2012). The state owns almost half of all forests in Lithuania (it also controls forests intended for property restitution which make up 11.6% of all forests), while private individuals own 38.9% of forest land. Commercial forests account for the majority of forests in the country (71.3%). Softwood forests account for 56.1% and hardwood forests for 39.8% of the total forest area in Lithuania. In 2011, 7.3 million cubic metres of timber were harvested in Lithuanian forests (slightly less than a year ago) and timber harvesting in state-owned forests rose by 5.1% to 4 million cubic metres. The forestry and wood industry (including furniture manufacture) generates about 4% of the total value added created in Lithuania.

Forest area by type as of 1 January 2012



Source: State Forest Service

Harvesting in forests of various types of ownership, million m<sup>3</sup>

Source: State Forest Service

Key forest indicators as of 1 January	2008	2009	2010	2011	2012
Forest land according to public records of forests, '000 ha	2,142.9	2,150.3	2,159.8	2,169.8	2,172.9
Forest coverage, %	32.8	32.9	33.1	33.2	33.3
Forest area per capita, ha	0.64	0.64	0.65	0.67	0.68
Total volume of timber with bark, million m <sup>3</sup>	421.6	426.9	479.4	489.8	501.3
Average volume of timber per 1 ha, m <sup>3</sup>	207.0	209.0	234.0	236.9	240.4
Annual increment in stands volume per 1 ha, m <sup>3</sup>	6.7	6.8	7.9	8.0	8.2

There are 43 state enterprises operating in the forestry sector: 42 forest enterprises managing and using entrusted state forests as well as carrying out comprehensive forestry activities there and the State Forest Inventory and Management Institute which carries out forest management, prepares and imple-

ments land reform projects related to land management. Assets managed by forest enterprises account for more than 99% of total assets of the sector, revenue makes up almost 99% and employees account for almost 97% of the total indicators of the sector.

Enterprise	Field of activity	Turnover in 2011, LTL '000	Assets at the end of 2011, LTL '000*	Number of employees at the end of 2011
<b>10 largest forest enterprises:</b>				
Panevėžys Forest Enterprise	Comprehensive forestry activities	21,983	23,545	131
Ukmergė Forest Enterprise		19,266	23,202	145
Tauragė Forest Enterprise		20,238	19,409	159
Dubrava Experimental-Training Forest Enterprise		17,731	25,931	139
Trakai Forest Enterprise		16,981	16,243	124
Kretinga Forest Enterprise		18,976	17,569	99
Švenčionėlių Forest Enterprise		15,467	21,937	99
Jurbarkas Forest Enterprise		15,344	21,109	102
Kėdainiai Forest Enterprise		19,022	20,330	81
Telšiai Forest Enterprise		15,136	15,599	119
<b>Other enterprises in the forestry sector:</b>				
State Forest Inventory and Management Institute	Forest management projects	6,957	4,888	126

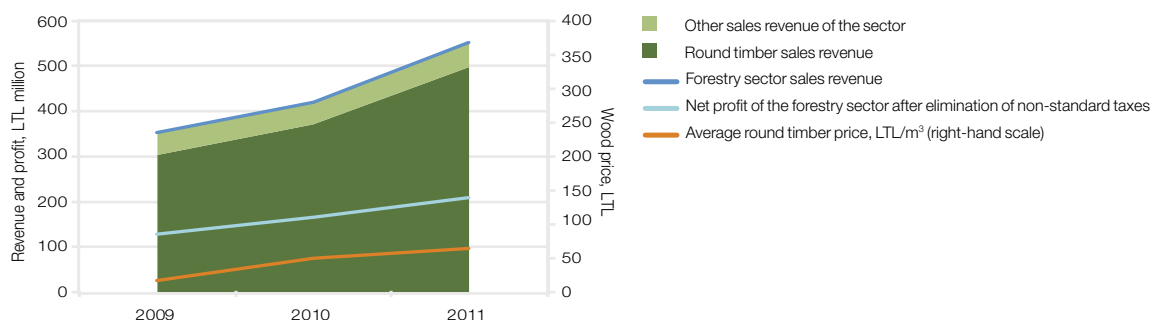
\* Balance sheet data of forest enterprises do not include the value of forests managed by these enterprises.

## Financial and operating results

Sales revenue of the forestry sector, which was rising in the last two years, stood at LTL 552.5 million in 2011 (up by 31.4% from 2010). The growth relied on higher revenue of forest enterprises from the sale of round timber which made up LTL 497.6 million in 2011 and increased by 34.1% compared to the previous year. The volume of round timber sold went up by 5.9% (to 3,564,900 cubic metres). The

stronger demand for wood pushed the average price of round timber up by 26.6% to 139.6 LTL/m<sup>3</sup>. During the year, other revenue generating a significant portion of income of forest enterprises also increased including transport (loading) services (up by 4.6% to LTL 26 million) and sale of seeds and sapling (up by 22.1% to LTL 10.1 million).

### Operations of forestry sector in 2009–2011



The total cost of sale of the sector rose by 21.8% to LTL 191.7 million. The main portion of this growth (26% to LTL 147 million) relied on the rising cost of round timber sold. The cost of one cubic metre of timber sold went up from LTL 34.7 to LTL 41.2 per one cubic metre sold (up by 19%). This difference arose out of logging work contracts signed at the end of 2009 which laid down much better prices for work completed in 2010 because of the economic downturn. The cost of transport (loading) services rose to LTL 25.4 million (the growth of 6.5% was slightly faster than the growth of revenue of these activities) and the cost of seed and sapling sold went up by 9.6% to LTL 9 million (revenue from sales of this production increased twice as fast).

In 2011, the operating costs of the forestry sector went up by 46.7% and stood at LTL 325.8 million. The reforestation, forest protection and maintenance costs of forest enterprises increased by 20.9% to LTL 164.9 million because of larger volumes of work in 2011 after the reduction of activity in 2009–2010 due to the economic downturn and the increased scope of forest maintenance and reforestation in the aftermath of the squall of August 2010. The rise in operating costs was also caused by higher raw material taxes (mandatory deductions from the revenue for sale of raw wood and uncut forest) paid by forest enterprises: the amount of raw material taxes more than doubled compared to the previous year and stood at LTL 75.3 million in 2011 as the tax rate was raised from 10% to 15% and taxable revenue was higher. As a result of the Snoras bankruptcy, at the end of 2011 forest enterprises wrote off LTL 29.9 million in bad debts which were also included in operating costs. The remaining operating costs of Lithuanian forest enterprises (net of the property tax paid by state enterprises and classified as non-standard taxes) went up from LTL 42.1 million to 48.8 million (an increase of 16%).

Due to the above-mentioned reasons, the net profit of the sector (LTL 28.5 million) decreased in 2011 compared to the previous year. However, if non-standard taxes are deducted

from the operating costs, the adjusted net profit stood at LTL 97.4 million, which was by 28.4% more compared to the previous year, while the adjusted net profit margin was 17.6% (down from 18.1% in 2010).

At the end of 2011, assets of SOEs operating in the forestry sector made up LTL 3,813.6 million and increased by 5.5% compared to the previous year. The bulk of this increase can be attributed to the revaluation of state forests managed and used for commercial activities by forest enterprises, which was carried out by the Ministry of Economy. The value calculated at the end of 2011 was LTL 3,253 million. A 4.9% rise in the value resulted from higher market prices of round timber. Additional investments contributed to a 13.1% increase in the value of non-current tangible assets to LTL 303.8 million in 2011. Changes in financial assets (from LTL 23,200 in 2009 to nearly LTL 8.1 million in 2011) resulted from bonds purchased by forest enterprises. In 2010, Jurbarkas Forest Enterprise and Kaišiadorys Forest Enterprise purchased bonds worth LTL 2 million and 1.9 million respectively. In 2011, Jurbarkas Forest Enterprise additionally acquired bonds for LTL 3.1 million, Joniškis and Ukmergė Forest Enterprises for LTL 1 million each (most bonds will mature in 2013–2015). Cash and cash equivalents of forest enterprises also increased by 65.8% to LTL 90.1 million and the cash ratio of enterprises was 1.98 (up from 1.39 in the previous year), i.e. forest enterprises could cover the amount which is almost double their existing current liabilities using cash and cash equivalents available to them. Current liabilities in the sector grew from LTL 30.6 million to 46.9 million between 2009 and 2011 because of the growing debts to suppliers as a result of increasing volumes of work and rising liabilities related to employment. A very low financial debt to equity ratio of just 0.1% (the lowest among the sectors concerned) shows that enterprises in the forestry sector are in a very strong financial situation. This means that forest enterprises have vast resources to use borrowed funds to finance their operations in the future.

Profit and loss statement (LTL '000)	2009	2010	2011
<b>Sales revenue</b>	<b>352,000</b>	<b>420,329</b>	<b>552,486</b>
Cost of goods sold	166,432	157,378	191,699
<b>Gross profit (loss)</b>	<b>185,568</b>	<b>262,951</b>	<b>360,787</b>
Operating expenses	186,845	222,050	325,772
Profit (loss) from other activities	3,101	2,560	2,167
<b>Operating profit (loss)</b>	<b>1,825</b>	<b>43,461</b>	<b>37,182</b>
<i>Operating profit margin</i>	<i>0.5%</i>	<i>10.3%</i>	<i>6.7%</i>
<b>EBITDA</b>	<b>32,710</b>	<b>73,786</b>	<b>69,950</b>
<i>EBITDA margin</i>	<i>9.3%</i>	<i>17.6%</i>	<i>12.7%</i>
Financial and investment activities	3,168	3,148	2,122
<b>Profit (loss) before taxes</b>	<b>4,992</b>	<b>46,609</b>	<b>39,304</b>
Profit tax	2,355	6,913	10,777
<b>Net profit</b>	<b>2,637</b>	<b>39,696</b>	<b>28,527</b>
<i>Net profit margin</i>	<i>0.7%</i>	<i>9.4%</i>	<i>5.2%</i>
<b>Net profit excluding non-standard taxes</b>	<b>26,507</b>	<b>75,875</b>	<b>97,434</b>
<b>Net profit excluding non-standard taxes and effect of Snoras bankruptcy</b>	<b>26,507</b>	<b>75,875</b>	<b>127,334</b>

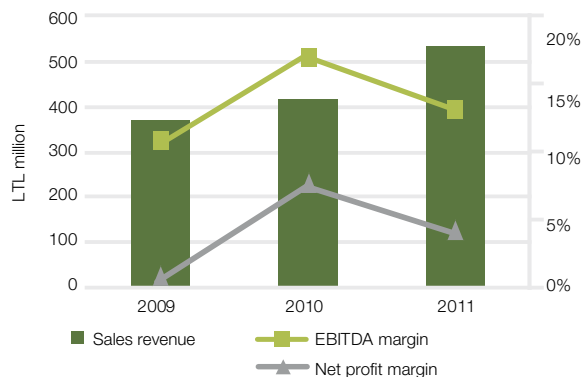
Balance sheet (LTL '000)	31 Dec 2009	31 Dec 2010	31 Dec 2011
Intangible assets	214	250	242
Tangible assets	260,655	268,661	303,762
Financial assets	23	3,985	8,061
Other non-current assets	2,378	5,140	4,517
Biological assets	3,100,000	3,100,000	3,253,000
<b>Non-current assets</b>	<b>3,363,270</b>	<b>3,378,037</b>	<b>3,569,582</b>
Inventories, prepayments and contracts in progress	72,570	81,733	86,719
Amounts receivable within one year	25,370	28,238	30,110
Other current assets	57,109	68,164	34,270
Cash and cash equivalents	38,382	57,282	92,892
<b>Current assets</b>	<b>193,430</b>	<b>235,417</b>	<b>243,991</b>
<b>Total assets</b>	<b>3,556,700</b>	<b>3,613,453</b>	<b>3,813,573</b>
<b>Total equity</b>	<b>3,511,466</b>	<b>3,552,339</b>	<b>3,737,387</b>
<b>Grants and subsidies</b>	<b>10,453</b>	<b>17,509</b>	<b>27,756</b>
Non-current liabilities	4,139	3,137	1,484
Current liabilities	30,643	40,468	46,947
<b>Liabilities</b>	<b>34,782</b>	<b>43,605</b>	<b>48,430</b>
Of which financial liabilities	6,024	4,803	3,060
<b>Total equity and liabilities</b>	<b>3,556,700</b>	<b>3,613,453</b>	<b>3,813,573</b>

Ratios	2009	2010	2011
ROA	0.7%	2.1%	2.6%
ROE	0.8%	2.1%	2.7%
D/E	0.2%	0.1%	0.1%

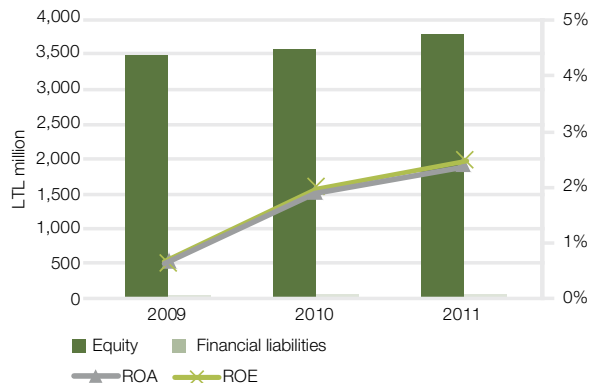
Return to the state (LTL '000)	2009	2010	2011
Assigned SE profit contributions	0	0	21,203
Property tax	5,017	4,983	5,791
Raw material tax	23,066	37,580	75,276
<b>Total contributions and non-standard taxes</b>	<b>28,083</b>	<b>42,563</b>	<b>102,270</b>

Other information	2009	2010	2011
Number of employees (at period end)	3,655	3,690	3,795
Number of executives (at period end)	130	129	127
Advertising and media costs (LTL '000)	722	939	1,282

In 2011, the return on equity in the forestry sector was 2.7% and increased from 2.1% in the previous year. Enterprises of this sector paid LTL 75.3 million in raw material taxes and LTL 5.8 million in property taxes in 2011. Besides, LTL 21.2 million was appropriated as profit



contributions of SOEs and were paid to the national budget. Therefore, the total amount of payments and non-standard taxes made up LTL 102.3 million and was more than double compared to the previous year.



### Lithuanian forestry and wood industry

In 2011, 7.3 million cubic metres of round timber was produced from local resources (down by 1.9% from the previous year). While 5.5 million cubic metres was used domestically (down by 11.9% compared to 2010), exports

rose to 2 million cubic metres (an increase of 38%) according to preliminary estimates. Just like in the previous year, Sweden and Poland were the main wood export destinations in 2011 (33.9% and 30.2% of timber respectively).

#### Logging and trade in round timber, million m<sup>3</sup>



Source: State Forest Service

Lithuanian wood industry companies which produce wood items, furniture and paper products are the main users of wood supplied by forest enterprises. Although the number of wood industry companies operating in Lithuania fell in 2011, major companies of the industry which were able to organise their activities in the best manner and offer competitive products saw their production volumes rise. In 2011, the value of

production of the wood industry was almost LTL 6.3 billion (up by 25.4% from the previous year). The production of furniture manufacture accounted for almost LTL 3 billion (up by 35.5% from the previous year). Structural changes in wood production (see the relevant chart below) show that the output of higher value-added furniture manufacture and paper industry has been on the rise.

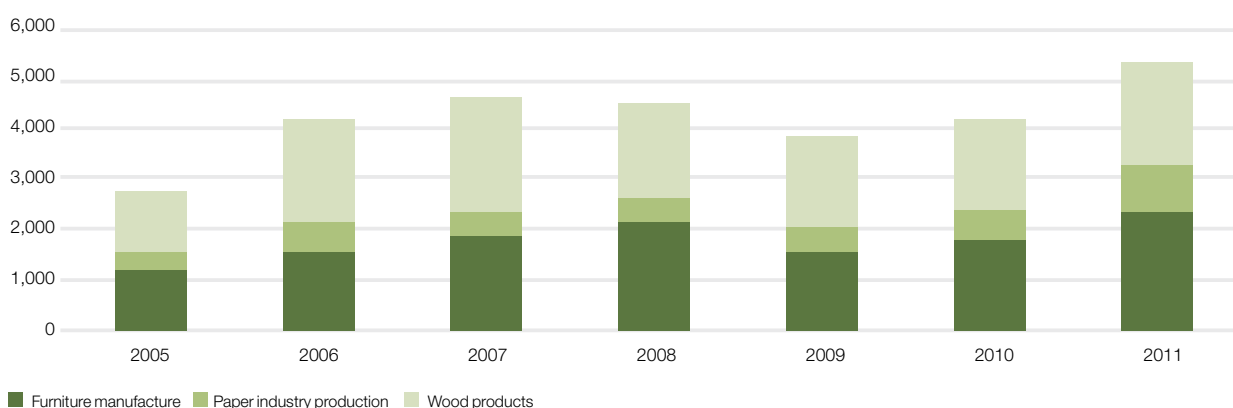


### Production of the Lithuanian wood industry in 2009–2011, LTL million

	Production	2009	2010	2011
1. Swedspan Girių Bizonas	Wood products	211	198	260
2. Vilniaus Baldai	Furniture	149	197	238
3. Boen Lietuva	Wood products	152	190	236
4. Freda	Furniture	105	157	235
5. Klaipėdos Baldai	Furniture	170	151	189
6. Klaipėdos Mediena	Wood products	154	168	186
7. Grigiškės	Wood products	110	130	159
Total production of wood industry		4,334	5,023	6,297
<b>Including furniture production</b>		<b>1,996</b>	<b>2,192</b>	<b>2,970</b>

Source: Prof. A. Morkevičius, Overview of Lithuanian Wood Sector in 2011, [www.forest.lt](http://www.forest.lt)

### Annual production of the wood industry by type of product, LTL million (at prices of 2005)



Source: Prof. A. Morkevičius, Overview of Lithuanian Wood Sector in 2011, [www.forest.lt](http://www.forest.lt)

In 2011, exports of the entire Lithuanian wood industry made up LTL 6.9 billion and imports stood at LTL 3.2 billion. Compared to the previous year, there was an

improvement in the overall foreign trade balance and higher-value portion of wood production (furniture and paper) made up a larger share of exports.

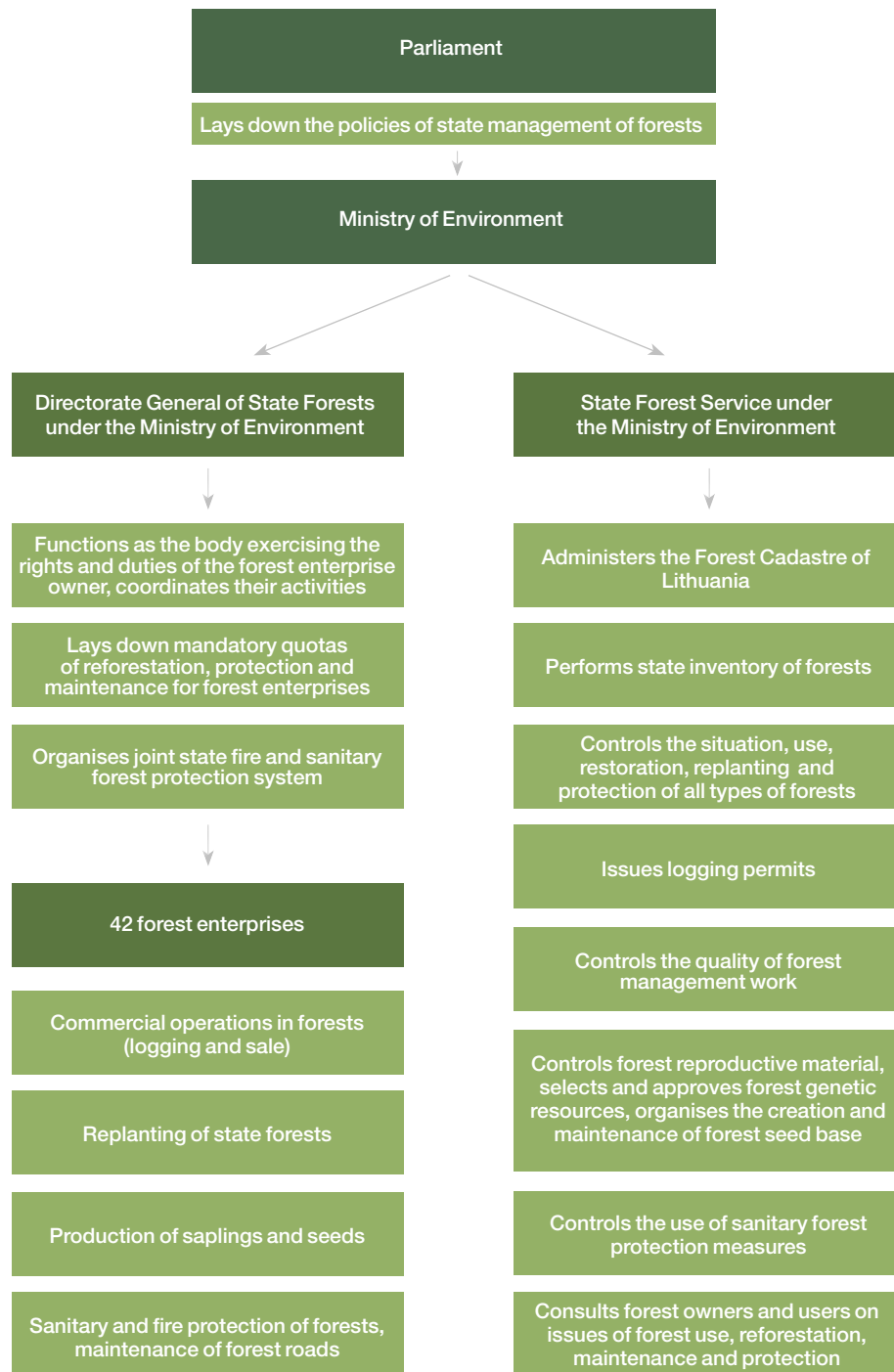
## Forestry sector

### Management structure

The Forestry Law stipulates that the Parliament lays down forestry policies by adopting laws and the Ministry of Environment is responsible for the preparation of the strategy of state forests and relevant programmes. The Parliament amended the Forestry Law and all functions relating to compliance with the Forestry Law have been exercised by the State Forest Service under the Ministry of Environment since 1 January 2012. Since 2012, State Forest Service has administered the Lithuanian Cadastre of Forests, carried out national inventory of forests and controlled the

status of all forests nationwide, their use, reforestation and protection (previously the latter function was delegated to regional environmental protection departments). The Directorate General of State Forests under the Ministry of Environment organises and coordinates the reforestation, maintenance and protection of state forests allocated to forest enterprises, coordinates the use of forest resources and activities of forest enterprises. The latter manage state forests entrusted to them, maintain, supervise and carry out commercial activities in state forests.

State management of forests and Forestry Law implementation (since 1 January 2012)



## Return to the state: major changes

The new version of the Forestry Law came into force on 1 January 2011 and raised mandatory deductions to the national budget from the revenue of forest enterprises for sale of raw wood and uncut forest (raw material tax) from 5% to 10% (no deductions to the national budget applied before 1 July 2009). A 5% tariff was left for the portion of raw material tax that is allocated to finance the general needs of the forestry sector.

The Law on State and Municipal Enterprises stipulates that the purpose of state enterprises is to provide public services, manufacture products and carry out other activities aimed at meeting the public interests. However, the main activity of forest enterprises, which are all owned by the state, is commercial since they compete with private companies in the forestry sector and wood suppliers from neighbouring countries. After the above-mentioned amendments entered into force in 2011, the law stipulates that the profit contribution paid by the enterprise to the national budget out of the profit of the state enterprise available for appropriation must make up 50% of the profit earned by the enterprise during the reference financial year. Until then there was no legal requirement to make profit contributions to the national budget applicable to state enterprises.

## Electronic timber trading system

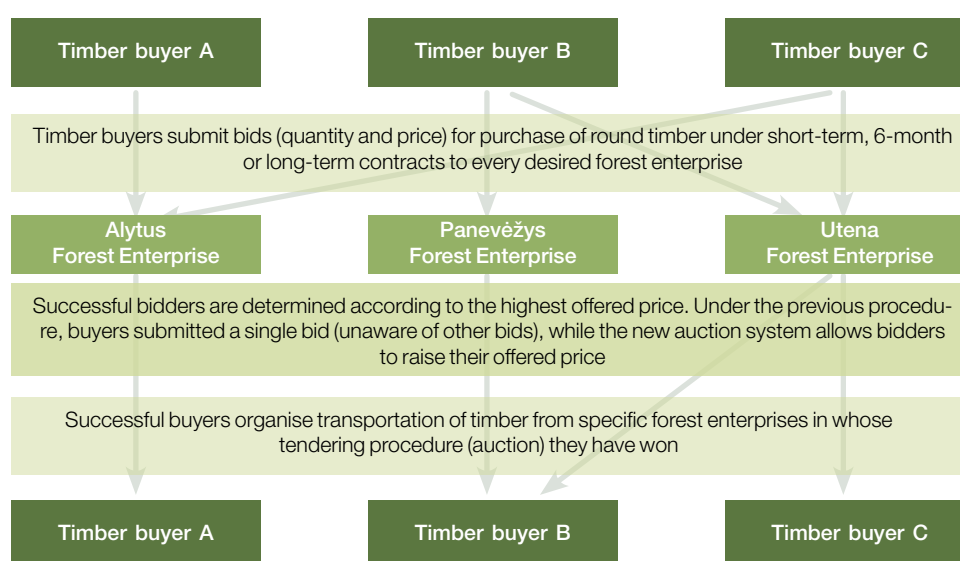
In 2011, the Ministry of Environment and Directorate General of State Forests prepared and put in place the Round Timber Electronic Trading System. This system should help timber buyers and sellers save time, human resources and financial costs, set a fair market price of timber, ensure more transparent evaluation of bids of timber buyers and conduct of sale operations, create better opportunities for national wood processing companies to secure stable supplies of raw wood.

This system will be used for auction sale of all timber prepared for wholesale by state forests (accounting for 90% of all timber from state forests) under short-term, 6-month and long-term (3–10 years) contracts. It will replace the previous procedure of timber sale used by forest enterprises which required buyers to physically deliver their bids for the desired quantity of timber in sealed envelopes and made it impossible for buyers to place new bids after the opening of envelopes.

The first short-term sale of timber under the new system took place in March 2012, 6-month sale should begin in summer and long-term sale will be launched in 2013.

This timber sale system was put in place disregarding one of the main wishes of timber buyers to have a centralised system of timber trading for all forest enterprises. Currently, timber buyers who wish to purchase large quantities of timber have to contact several individual enterprises and buy relatively small quantities of timber from several sellers. The centralised system would make it easier to buy larger quantities of timber and would enable individual forest enterprises to lay off excessive workforce that exercises the same functions. This system should also help address national timber trade logistical problems in a centralised manner as the transportation costs may have a major effect on the final cost of timber. A single coordinating body (for instance, the Directorate General of State Forests) should be responsible for organising efficient transport of timber by minimising the distance between sellers and buyers. Enterprises managing state forests in other countries (Latvia, Sweden) emphasise the efficient organisation of logistics for their timber as a service offering added value to buyers. These enterprises carry out centralised timber trading and organise the delivery of timber from all their logging sites to destinations preferred by buyers.

### Wholesale round timber trading system of Lithuanian forest enterprises



## Strategic projects

Above-ground automated forest fire surveillance systems, which are currently being deployed by forest enterprises, will ensure more accurate determination of the coordinates of a forest fire outbreak, enabling to arrive more quickly at the fire site and prevent the outbreak. The use of this system should ensure a 20% reduction of the average area of forest fires. The system should be put in place by 24 forest enterprises and the Curonian Spit National Park in 2010–2013.

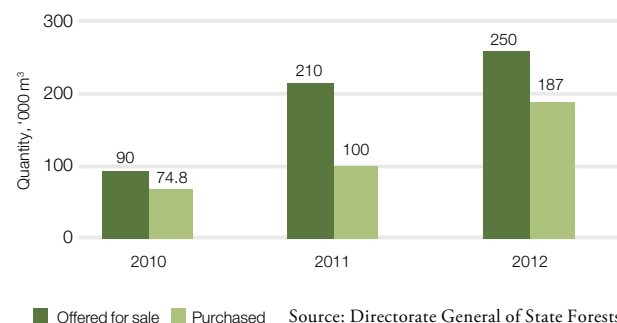
The system was deployed by 12 forest enterprises in 2011 and was already operating in 18 forest enterprises and the Curonian Spit National Park by the end of the year. The value of work carried out in 2011 was LTL 17.3 million and the total value of the project is expected to reach LTL 46.6 million in 2010–2013 (the EU support should be LTL 29 million).

The increase in the forest coverage of the Lithuanian territory is one of the strategic objectives of the forestry sector. It has been laid down in the Lithuanian Forestry Policy and its implementation strategy approved by the Minister of Environment. The goal is to increase the forest coverage in Lithuania by 3% between 2002 and 2021. The Lithuanian Forest Coverage Enhancement Programme for 2004–2020 has been adopted for this purpose. It stipulates that the forest area in Lithuania should increase by 11,000 hectares annually by replanting or naturally. Of that number, 6–7,000 hectares should be planted every year. In 2001–2011, forest enterpri-

ses replanted almost 12,000 hectares of new forests (including 778 hectares in 2011). The achievement of this objective is hampered by the fact that the significant amount of land not used for agriculture has not been transferred to forest enterprises because of the ongoing land reform.

The increase of biomass production from renewable energy sources is one of the priorities for 2012–2013. In 2011, forest enterprises built 1,600 logging waste storage sites near the access roads and offered 250,000 cubic metres of logging waste for sale in 2012 under long-term agreements (187,000 cubic metres are expected to be sold).

**Supply and sale of biofuel by forest enterprises in 2010–2012, '000 m<sup>3</sup>**



Project	Description	Implementation period	Investments, LTL million
Deployment of above-ground automated forest fire surveillance systems	Above-ground automated systems will ensure more accurate determination of the coordinates of a forest fire outbreak, enabling to arrive more quickly at the fire site and prevent the outbreak.	2010-2013	LTL 46.6 million (including LTL 29 million in EU support)
Increasing the forest coverage of the Lithuanian territory	The goal is to increase the forest coverage in Lithuania by 3% between 2002 and 2021.	2004-2020	LTL 302.4 million
Increasing biofuel production at state forests	The Council of Europe has decided that a fifth of energy needs must be generated by EU Member States from renewable sources (including biofuel) by 2020.	2012–2013*	Preparation of research paper "Assessment of potential and actual logging waste resources in Lithuanian state forests": LTL 60,000–70,000*

\* Continuous work has been carried out during the implementation of this project (including upgraded logging mechanisms) and data are insufficient to estimate their total value.

# OTHER ENTERPRISES



SOEs not attributable to major economic sectors according to the field of activity exercise various functions important for the state such as minting coins, providing hallmark and calibration services, assessing construction projects, taking care of cultural properties, etc. Many companies in this sector are the only ones to carry out such activities in Lithuania and have no competitors in the private sector. Five of them – Detonas, Lithuanian Radio and Television Centre, Jonavos Grūdai, Šilutės Polderiai and Giraitės Ginkluotės Gamykla – are considered to be strategically important enterprises or organisations important for ensuring national security. The other enterprise sector

includes 70 SOEs and their total assets make up LTL 3.8 billion or 13% of total assets of SOEs. Twelve of these enterprises are public limited liability companies, 33 are private limited liability companies and the remaining 25 are state enterprises (VĮ). Deposit and Investment Insurance is the largest company in the sector by assets as it manages LTL 1.5 billion in assets, while the Centre of Registers is the largest enterprise by turnover and number of employees and provided services for LTL 88 million in 2011.

The following table presents 10 largest enterprises by turnover, assets and number of employees.

Enterprise	Field of activity	Turnover in 2011, LTL '000	Assets at the end of 2011, LTL '000	Number of employees at the end of 2011	State's interest, %
Centre of Registers	Administration of Real Estate Register, Register of Legal Entities and other registers	88,043	76,128	1,583	100%
Regitra	Administration of the Road Vehicle Register and Register of Drivers	77,753	47,124	506	100%
Lithuanian Radio and Television Centre	Broadcast of radio and television programmes	73,425	145,138	400	100%
Lithuanian Oil Product Agency	Storage of oil products	50,392	392,112	45	100%
Jonavos Grūdai	Wholesale, processing and storage of grain and rapeseed	21,631	19,434	76	70.13%
State Land Fund	Land management, spatial planning, geodesy work, soil testing and assessment, melioration cadastre work	17,180	12,152	306	100%
Lithuanian Exhibition and Congress Centre LITEXPO	Organisation of exhibitions and conferences	14,103	49,268	109	98.76%
Pieno Tyrimai	Milk content and quality tests	14,070	21,048	153	100%
Problematika	Testing and certification of building materials	13,289	25,723	101	100%
Giraitės Ginkluotės Gamykla	Manufacture of small arms ammunition	13,173	61,535	70	100%

## Financial results

In 2011, revenue of the other enterprise sector went up by 9.3% to LTL 656 million. The largest revenues were generated by the Centre of Registers (LTL 88 million, up by 5% from the previous year), Regitra (LTL 77.8 million, up by 16%) and Lithuanian Radio and Television Centre (LTL 73.4 million, up by 8.7%). The largest net loss in the last three years of LTL 71.7 million was incurred as a result of a 10.7% increase in cost, 4.6% rise in operating costs and expenditure included in the accounts of companies because of Snoras bankruptcy. The return on equity fell by 4.2 percentage points in the sector compared to the previous year and stood at -6.3% at the end of 2011.

The bulk of the loss (almost LTL 54 million, up from LTL 44.5 million in 2010) was incurred by Housing and Loan Insurance which had to pay out almost LTL 57 million in insurance benefits. The deteriorating financial results of the sector were also affected significantly by losses incurred by enterprises because of Snoras bankruptcy. Both Investment and Business Guarantees and Regitra lost LTL 15 million

each, Centre of Registers lost LTL 10 million and LITEXPO LTL 1.8 million. In addition, the Lithuanian Oil Product Agency incurred a non-standard loss of LTL 8.2 million because of revaluation of non-current tangible assets in 2011.

The most profitable companies in the sector were Turto Bankas (LTL 3 million), Lithuanian Radio and Television Centre (LTL 2 million) and Problematika (LTL 2.2 million). A year ago, Turto Bankas incurred a net loss of LTL 1.2 million, while the Lithuanian Radio and Television Centre and Problematika generated a profit of LTL 2 million and 2.2 million respectively.

Key changes in the balance sheet of the sector were caused by Snoras bankruptcy. Deposit and Investment Insurance paid out LTL 4 billion in benefits from the deposit insurance fund administered by the company and an interest-free LTL 3 billion loan granted by the Lithuanian Government. In 2011, prepayments and current liabilities of Deposit and Investment Insurance increased by LTL 776 million since some depositors of Snoras have not withdrawn their insured deposits.

Profit and loss statement (LTL '000)	2009	2010	2011
<b>Sales revenue</b>	<b>565,107</b>	<b>600,314</b>	<b>655,984</b>
Cost of goods sold	447,419	495,465	548,549
<b>Gross profit (loss)</b>	<b>117,688</b>	<b>104,849</b>	<b>107,435</b>
Operating expenses	148,612	137,691	144,013
Profit (loss) from other activities	5,328	5,308	4,455
<b>Operating profit (loss)</b>	<b>-25,595</b>	<b>-27,534</b>	<b>-32,123</b>
<i>Operating profit margin</i>	<i>-4.5%</i>	<i>-4.6%</i>	<i>-4.9%</i>
<b>EBITDA</b>	<b>33,632</b>	<b>30,610</b>	<b>20,914</b>
<i>EBITDA margin</i>	<i>6.0%</i>	<i>5.1%</i>	<i>3.2%</i>
Financial and investment activities	6,867	6,971	-32,900
<b>Profit (loss) before taxes</b>	<b>-18,728</b>	<b>-20,563</b>	<b>-65,023</b>
Profit tax	5,682	4,979	6,688
<b>Net profit</b>	<b>-24,411</b>	<b>-25,542</b>	<b>-71,711</b>
<i>Net profit margin</i>	<i>-4.3%</i>	<i>-4.3%</i>	<i>-10.9%</i>
Minority interest	724	637	369
<b>Net profit excluding non-standard taxes</b>	<b>-21,058</b>	<b>-22,504</b>	<b>-68,467</b>
<b>Net profit excluding non-standard taxes and effect of Snoras bankruptcy</b>	<b>-21,058</b>	<b>-22,504</b>	<b>-23,850</b>

Balance sheet (LTL '000)	31 Dec 2009	31 Dec 2010	31 Dec 2011
Intangible assets	16,659	17,005	14,958
Tangible assets	1,020,765	1,022,499	1,003,280
Financial assets	1,190,321	1,580,716	899,924
Other non-current assets	3,402	5,664	5,977
Biological assets	6,726	6,676	7,262
<b>Non-current assets</b>	<b>2,237,872</b>	<b>2,632,560</b>	<b>1,931,401</b>
Inventories, prepayments and contracts in progress	490,262	469,405	1,202,500
Amounts receivable within one year	122,252	99,088	103,374
Other current assets	684,689	637,207	454,062
Cash and cash equivalents	76,789	185,651	99,212
<b>Current assets</b>	<b>1,373,993</b>	<b>1,391,351</b>	<b>1,859,148</b>
<b>Total assets</b>	<b>3,611,865</b>	<b>4,023,911</b>	<b>3,790,550</b>
<b>Total equity</b>	<b>1,068,096</b>	<b>1,097,704</b>	<b>1,067,181</b>
Minority shareholder equity	14,797	15,098	14,755
<b>Grants and subsidies</b>	<b>419,503</b>	<b>458,520</b>	<b>457,747</b>
Non-current liabilities	1,723,773	2,032,901	1,153,268
Current liabilities	400,493	434,786	1,112,353
<b>Liabilities</b>	<b>2,124,266</b>	<b>2,467,686</b>	<b>2,265,621</b>
Of which financial liabilities*	356,661	310,573	3,243,844
<b>Total equity and liabilities</b>	<b>3,611,865</b>	<b>4,023,911</b>	<b>3,790,549</b>

Ratios	2009	2010	2011
ROA	-0.6%	-0.6%	-1.8%
ROE	-1.9%	-2.1%	-6.3%
D/E*	33.4%	28.3%	304.0%
D/E**	33.4%	28.3%	24.8%

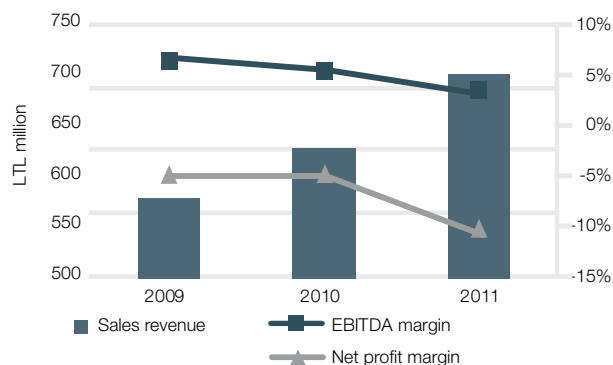
\*Financial liabilities as of 31 December 2011 include a LTL 2,979 million interest-free loan granted by the Ministry of Finance on behalf of the state to Deposit and Investment Insurance for the payment of benefits to Snoras depositors.

\*\*This D/E ratio has been calculated by subtracting the LTL 2,979 million interest-free loan granted to Deposit and Investment Insurance from the amount of financial liabilities.

Return to the state (LTL '000)	2009	2010	2011
Expected dividends (only the state's share)	2,730	6,536	11,757
Of which assigned dividends (only the state's share)	2,730	6,536	9,206
Assigned SE profit contributions	0	0	2,678
Property tax	3,944	3,574	3,816
Total contributions and non-standard taxes	6,674	10,110	18,250

Other information	2009	2010	2011
Number of employees (at period end)	6,612	6,228	6,224
Number of executives (at period end)	189	192	183
Advertising and media costs (LTL '000)	5,206	4,462	4,685

The largest amount of dividends for 2011 was declared by Problematika (LTL 1.7 million), Jönavos Grūdai (LTL 1.3 million) and Lithuanian Mint (LTL 1.2 million). In addition, the Lithuanian Radio and Television Centre is expected to pay out LTL 2.6 million in dividends.



The following paragraphs will briefly discuss major enterprises of the sector.

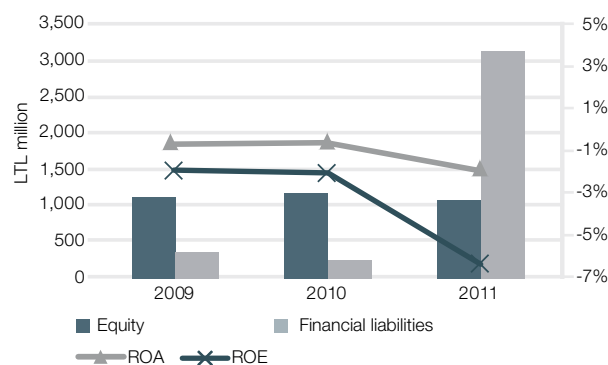
## Deposit and Investment Insurance

The company was founded at the end of 1996 in accordance with the Law on Deposit Insurance. The Ministry of Finance exercises the rights and duties of its owner. The mission of the company is to ensure the protection of deposits and obligations to investors in cases of insolvency of financial institutions. In this way the company contributes to maintaining the stability of the financial market and increasing the confidence of the public in financial institutions.

Deposit and Investment Insurance carries out the following main activities:

- accepts insurance premiums from credit institutions, financial brokerage companies and management companies entitled to provide investment services according to the procedure laid down by law and keeps the premiums in the Deposit Insurance Fund and Investor Obligation Insurance Fund.
- Invests the resources of administered funds and equity capital of the company in securities of governments and central banks of the relevant countries.

During the year in question, Turto Bankas nominated LTL 1.5 million to be paid in profit contributions, while Pieņo Tyrimai and State Land Fund will pay LTL 475,000 and 181,000 respectively.



## Turto Bankas and State Property Fund

Turto Bankas began operating in 1996 with the aim of minimising the losses incurred in the aftermath of the 1995 banking crisis in Lithuania. The company specialises in collection of debts to the state and administration of loans, state guarantees and other property obligations transferred under agency agreements. In addition, Turto Bankas exacts misused funds of the European Union and other financial support mechanisms and returns them to the national budget. Another important function of the bank is to organise and coordinate the renovation of state-owned real estate.

The State Property Fund was founded in 1998 after the reorganisation of the Lithuanian State Privatisation Agency. The company operates under the Law on the State Property Fund and is responsible for the management and privatisation of state-owned property. The State Property Fund is also entitled to restructure state-owned enterprises in cases where restructuring increases the likelihood of privatisation or the selling price of these enterprises.

According to the Centralised State Property Management Strategy for 2009–2016 approved by the Government, the State Property Fund and Turto Bankas will be merged. The company created by reorganisation will implement state-owned real estate policies and will continue to exercise the functions of stock privatisation and administration of debts to the state. The new property manager will be able to collect reliable information on real estate owned by the state and its use. In addition, it will be possible to reallocate property and use it more efficiently as well as to adopt better decisions related to the acquisition and maintenance of property. The first steps towards the reorganisation of companies in charge of state property management have already been made. In 2011, the legal form of Turto Bankas was changed from a public company to a state enterprise and the merger with the State Property Fund is expected to take place in the autumn of 2012.



## Centre of Registers

The Centre of Registers, a state enterprise, was founded in 1997. It manages the Real Estate Cadastre and Register, Register of Legal Entities and Register of Addresses, creates, implements, develops and administers information systems related to these and other registers and manages archives of registers. The Centre of Registers has the largest headcount in the other enterprise sector. The company employs 1,583 people and has 46 branches including 10 units in former

centres of counties and 36 units in other regional centres.

In 2011, the Centre of Registers put in place several important features: a public limited liability company can now be set up online in the Register of Legal Entities as can be associations and public entities. In 2011, the company deployed software tools which enable its customers to change the registered address of a legal entity, contact data and beneficiary's status online.

## Lithuanian Radio and Television Centre

The Lithuanian Radio and Television Centre is a public company fully owned by the state. It is the sixth largest company in the other enterprise sector by assets, as it manages assets worth LTL 146 million. In 2011, the company employed 400 people. The Lithuanian Radio and Television Centre ensures smooth and quality broadcast of radio and television program-

mes to everyone living in Lithuania and manages the television tower in Vilnius which is the highest building in the country. Currently, the company focuses on the development of the mobile internet network Mezon. The Lithuanian Radio and Television Centre competes with private companies Omnitel, Bitė Lietuva and Tele 2 on the mobile internet services market.

## Regitra

The company has been operating since 2000 and administers the Road Vehicle Register and Driver Register of the Republic of Lithuania, registers motor vehicles and their trailers. Since 2003, the company has been organising driving tests and has been issuing and replacing driver's licences since 2007. The company has 10 branches in all counties.

In 2011, Regitra provided services to 838,000 customers

and issued 176,000 driver's licences. The company has also developed its e-services. This year at the internal conference in Poland Regitra presented its e-services system Portal for Drivers, which allows users to order their driver's licence online. Regitra is one of the most profitable companies of the sector with the return on equity of 22% in 2011.

## LITEXPO

The Lithuanian Exhibition and Congress Centre LITEXPO is a private limited liability company controlled by the Ministry of Economy. The company hosts international exhibitions, conferences, seminars and other events, organises exhibitions of Lithuanian companies abroad, coordinates Lithuania's presentations during international exhibitions. The company also rents conference halls, installs and designs booths.

The exhibition facilities consist of 5 exhibition halls with the total exhibition area of 17,600 square metres and outdoor sites of 15,100 square metres. In addition, the centre has 11

conference halls that can be equipped for the convenience of clients and meet a variety of their needs.

During the year concerned, LITEXPO hosted 21 international exhibitions (23 in 2010) attended by 2,147 companies. These events were visited by 305,000 people. The total number of events held at LITEXPO was 873 (586 in 2010).

In 2011, the company put in place management improvements aimed at using the best corporate governance practices and two independent members were delegated to the board of LITEXPO.

## Other enterprises of the sector

The majority of smaller enterprises within this sector can be divided into the following groups according to the field of activity:

- construction, design and related services;
- agriculture, crop production and livestock farming;
- financial and insurance activities;
- employment of convicts;

- metrology;
- recreational and health services;
- publishing.

Four SOEs carry out activities related to construction. Šilutės Polderiai carries out maintenance, repair, reconstruction and new construction of polder systems. Detonas carries out building demolition and destruction work. Visagino Staty-

bininkai carries out construction, including special design, work, operation of the sand and gravel quarry and dumping site of building materials, while Problematika tests and certifies building materials.

Ten companies operate in the agriculture, crop production and livestock farming segment. Three of them are stud farms – Nemunas, Vilnius and Sartai – which have the main objective of preservation of the gene pool of Lithuanian horses. There are also three state-owned animal breeding enterprises in Lithuania: Šilutės Veislininkystė, Panevėžio Veislininkystė and Lietuvos Veislininkystė, which seek to study and improve breeds of beef cattle. The state owns two experimental farms in Dotnuva and Upytė which carry out a variety of agricultural and livestock farming activities. Moreover, the state controls Jonavos Grūdai and Gyvulių Produktyvumo Kontrolė.

Four SOEs carry out financial and insurance activities: Mortgage Loan Insurance, Investment and Business Guarantees, Rural Credit Guarantee Fund, and Deposit and Investment Insurance. Mortgage Loan Insurance provides insurance coverage of mortgage loans of individuals and modernisation of apartment buildings, helps people with regular income to obtain housing. Investment and Business Guarantees as well as the Rural Credit Guarantee Fund provide

guarantees for business and investment project credits and services relating to agriculture. The state uses these companies to promote entrepreneurship and contribute to ensuring the stability of the financial system.

The state also controls three companies set up under correctional facilities in Pravieniškės, Marijampolė and Alytus. These companies employ convicted persons held at correctional facilities who manufacture furniture, electronic goods, metal products and clothes.

The state owns five metrology centres in major cities in Lithuania which implement the national policy by standardising measurements, their methods, measures to achieve uniformity and required accuracy of measurements. Although these centres compete with private sector companies on the metrology services market, they also provide public services by implementing the requirements of the Metrology Law, EU Directives and other legal acts.

Recreational and tourism services are provided by state-owned recreational facility Baltija, rehabilitation centres Baldžio Šilas, Pušyno Kelias and Palangos Žvorūnė, Athlete Testing and Rehabilitation Centre, Lithuanian Athlete Training Facility. In addition, the state owns three publishing companies: Mintis, Sveikata magazine and the publisher of the Parliament Valstybės Žinios.

# ENTERPRISES IN DETAIL





### Top management

**Chief Executive Officer:** Stasys Dailydka. **Board members:** Arūnas Štaras (Vice-minister of Transport and Communications, Chairperson of the Board), Tomas Karpavičius (Ministry of Transport and Communications), Paulius Jankauskas (Ministry of Transport and Communications), Rolandas Bražinskas (Ministry of Transport and Communications), Stasys Dailydka.

### General information

AB Lietuvos Geležinkeliai (Lithuanian Railways) provides freight and passenger railway transportation services, administers the railway network, takes care of the maintenance and development of the public railway infrastructure. The company, which was reorganised in 1991, operates in Lithuania and neighbouring countries. The company is the sole provider of railway transportation services in Lithuania. Its competitors are railway companies of the neighbouring countries (Estonia, Latvia) and seaports of countries around Lithuania.

### Business objectives

The company has the following business objectives: to develop freight transportation activities by retaining the existing customers and attracting additional freight flows, ensure the scope and quality of passenger transportation services necessary to meet public needs, ensure the characteristics of the public railway infrastructure and efficiency of operations of the company.

### Operating results

In 2011, Lithuanian Railways transported more than 52 million tonnes of freight, or 9% more than in 2010. Transportation on international routes accounted for 71% of total freight and increased by almost 10% because of the improving economic situation in the neighbouring countries. During the period concerned, the strongest growth was seen in transportation of chemical and mineral fertilisers (19% to 13.9 million tonnes), ferrous metals (40% to 3.4 million tonnes) and mineral products (31% to 4.7 million tonnes). In the period of twelve months, passenger transportation volumes grew by 7% to 4.7 million passengers. This increase mostly relied on the recovering national economy, new rolling stock and marketing tools used

by the company. At the beginning of the year, the company launched the Passenger Loyalty Programme. By the end of the year, about 9,000 passengers were enrolled.

### Financial results

Stronger freight flows and indexed tariffs ensured that the sales revenue of the Lithuanian Railways group increased by 13.4% to LTL 1.6 billion. Revenue in all segments – freight, passenger and other services – rose and the largest share of revenue (88%) was generated by freight transportation and use of railway infrastructure. Moreover, the Lithuanian Railways group earned LTL 6 million in revenue from the sale of property. Costs went up by 8% from LTL 1.3 to 1.4 billion and the steepest increase was shown by payroll, fuel and materials costs. The Lithuanian Railways group reduced its repair costs considerably during the year from LTL 48 million to 8 million. The loss from passenger transportation was also cut from LTL 140 million to 107 million. The profitability of the group was affected negatively by losses incurred by the company because of freezing of its deposit and unpaid interest of almost LTL 15 million at Snoras bank. Nevertheless, the net profit of Lithuanian Railways more than doubled to LTL 150 million.

During the year, assets managed by the group went up by 8.3% or LTL 374 million. Lithuanian Railways received nearly LTL 250 million in subsidies in 2011 and their value on the balance sheet of the company made up more than LTL 1.3 billion at the end of the year.

The return on assets and equity of the Lithuanian Railways group rose from 1.6 to 3.2% and from 2.9 to 5.6% respectively. Lithuanian Railways are expected to pay LTL 122.7 million in dividends to the budget for the year 2011 which is nearly 2.2 times more than in the previous year.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>1,404,243</b>	<b>1,591,833</b>
Cost of goods sold	1,166,978	1,249,975
<b>Gross profit (loss)</b>	<b>237,266</b>	<b>341,858</b>
Operating expenses	151,702	173,607
Profit (loss) from other activities	17,293	25,989
<b>Operating profit (loss)</b>	<b>102,858</b>	<b>194,240</b>
<b>EBITDA</b>	<b>428,122</b>	<b>531,513</b>
Financial and investment activities	-20,779	-13,084
<b>Profit (loss) before taxes</b>	<b>82,079</b>	<b>181,156</b>
Profit tax	13,190	31,091
<b>Net profit (loss)</b>	<b>68,889</b>	<b>150,065</b>
Net profit margin	4.9%	9.4%

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>4,154,389</b>	<b>4,434,800</b>
<b>Current assets</b>	<b>355,934</b>	<b>449,955</b>
Of which cash and cash equivalents	63,916	124,637
<b>Total assets</b>	<b>4,510,323</b>	<b>4,884,755</b>
<b>Total equity</b>	<b>2,619,474</b>	<b>2,719,020</b>
<b>Grants and subsidies</b>	<b>1,082,333</b>	<b>1,319,647</b>
<b>Liabilities</b>	<b>808,515</b>	<b>846,088</b>
Of which financial liabilities	504,402	456,885
<b>Total equity and liabilities</b>	<b>4,510,323</b>	<b>4,884,755</b>

Ratios	2010	2011
ROA	1.6%	3.2%
ROE	2.9%	5.6%
D/E	19.3%	16.8%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	56,429	122,669

Employee information	2010	2011
Number of employees (at period end)	11,932	12,162
Number of executives (at period end)	6	6
Average gross monthly salary of one executive (LTL)	11,378	12,306

### Shareholders



■ The Lithuanian State-100 %



## Top management

**Chief Executive Officer:** Lina Minderienė. **Board members:** Rimvydas Vaštakas (Vice-minister of Transport and Communications, Chairperson of the Board), Paulius Jankauskas (Ministry of Transport and Communications), Janina Laskauskienė (Ministry of Transport and Communications), Tomas Pilukas (Ministry of Transport and Communications), Jurgita Šoblinienė (Ministry of Transport and Communications).

## General information

AB Lietuvos Paštas (Lithuanian Post) was founded in 1992 after postal and electrical communication functions were unbundled during reorganisation. The company provides universal, reserved and other postal, courier, financial and other services. Lithuanian Post has been authorised by the Government to provide universal postal services (UPS) nationwide without competition until 2013 when the postal market will be liberalised. On the courier services market, the company competes against private-capital companies such as Baltic Logistic System Vilnius, DHL Lietuva and TNT Lietuva.

## Business objectives

The mission of Lithuanian Post is to provide quality and professional postal, logistics, financial, intermediation and electronic services. A long-term objective of Lithuanian Post is to be a strong, financially stable and competitive company which provides modern services ideally suited to the needs of customers. Strategic objectives of the company are to boost revenue, improve competence and motivation of employees, increase efficiency of operations.

## Operating results

In 2011, the post provided 211.5 million units of services which is 4.5% more than in 2010. The volume of services grew because of active sales and marketing actions as well as a more favourable macro-economic environment. Postal and courier services account for the largest share of services offered by Lithuanian Post. In 2011, the market share of the company on the postal services market shrank by 4.3 percentage points to 90.2% and on the courier services market by 0.3 percentage points to 6.7%.

## Financial results

In 2011, sales revenue stood at LTL

183.2 million and went up by 5.2% compared to 2010. UPS revenue, which rose by 5.6% to LTL 90.5 million during the year because of the recovering economy in Lithuania, accounted for 49% of sales revenue. The development of internet banking had a negative effect on the volume of financial services of the company which generated LTL 39.2 million in revenue, or 9.5% less than in 2010. Revenue from courier services grew by almost 12% because of the higher number of shipments sent by courier mail and accounted for 5.8% of total revenue. Revenue generated by other services (subscription to periodicals, unaddressed direct mail, etc.) went up by 21% mostly because of the increase in unaddressed direct mail services as well as the growth of retail and commission trade revenue.

As a result of activity optimisation, the company managed to reduce its operating costs by 1.3% to LTL 184.9 million: the number of staff positions was reduced by 7.9%, property repair and maintenance costs were cut by 30% and depreciation costs by 23%. Revenue of the company generated by other activities increased by 65.3% in 2011 to LTL 1.57 million. The bulk of this amount was made up by the profit from the sale of non-current assets.

For the first time in many years, the company became profitable and earned a net profit of LTL 0.7 million. In 2011, the EBITDA margin of the company stood at almost 5.1% and rose from -1% in the previous year. The return on equity also increased from -8.7 to 0.6%.

In 2011, current assets of the company rose by 23% to LTL 52.4 million mostly because of a LTL 4.9 million increase in accrued revenue from international payments as invoices for them are issued only in the year following the publication of financial statements, as well as a LTL 2.4 million growth in amounts receivable from buyers.

Profit and loss statement (LTL '000)	2010	2011
<b>Revenue</b>	<b>176,546</b>	<b>187,191</b>
Sales revenue	174,137	183,209
Revenue from other activities	2,409	3,982
Operating expenses*	187,354	184,922
<b>Operating profit (loss)</b>	<b>-10,808</b>	<b>2,269</b>
<b>EBITDA</b>	<b>-1,511</b>	<b>9,401</b>
Financial and investment activities	-1,293	-1,387
<b>Profit (loss) before taxes</b>	<b>-12,100</b>	<b>883</b>
Profit tax	-1,871	146
<b>Net profit (loss)</b>	<b>-10,230</b>	<b>736</b>
Net profit margin	-5.9%	0.4%

\*Including operating expenses from other activities

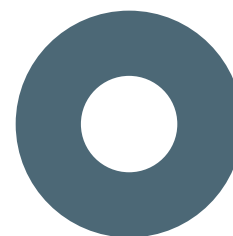
Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>177,260</b>	<b>172,730</b>
<b>Current assets</b>	<b>42,506</b>	<b>52,359</b>
Of which cash and cash equivalents	9,696	11,871
<b>Total assets</b>	<b>219,766</b>	<b>225,090</b>
<b>Total equity</b>	<b>113,074</b>	<b>113,811</b>
Grants and subsidies	0	0
<b>Liabilities</b>	<b>106,691</b>	<b>111,279</b>
Of which financial liabilities	21,972	21,912
<b>Total equity and liabilities</b>	<b>219,766</b>	<b>225,090</b>

Ratios	2010	2011
ROA	-4.5%	0.3%
ROE	-8.7%	0.6%
D/E	19.4%	19.3%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	0	589

Employee information	2010	2011
Number of employees (at period end)	6,870	6,521
Number of executives (at period end)	6	7
Average gross monthly salary of one executive (LTL)	5,541	8,355

## Shareholders



■ The Lithuanian State-100 %



### Top management

**Chief Executive Officer:** Eugenijus Gentvilas. **Board members:** Arūnas Štaras (Vice-minister of Transport and Communications, Chairperson of the Board), Juozas Darulis (Ministry of Transport and Communications), Paulius Jankauskas (Ministry of Transport and Communications), Tomas Karpavičius (Ministry of Transport and Communications), Eugenijus Gentvilas.

### General information

VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija (Klaipėda State Seaport Authority) was set up in 1991. The core activity of the company is the management of the Klaipėda seaport infrastructure: collection of charges for the use of seaport infrastructure, land lease, development and reconstruction work. Major customers of the company are Klaipėda Stevedoring Company, Klaipėdos Nafta, Bega. Its main competitors are the neighbouring seaports in Riga, Ventspils, Tallinn and Kalinigrad. Klaipėda State Seaport Authority is a member of four organisations uniting European and Baltic seaports.

### Business objectives

The main objective of Klaipėda State Seaport Authority is to develop the seaport and increase its competitiveness, thereby improving handling indicators. The company also seeks to integrate into the European transport networks and ensure that the seaport is safe and attractive to customers.

### Operating results

In 2011, Klaipėda seaport handled 36.6 million tonnes of freight which represents a 17% increase from 2010. The market share of the seaport (without handling at the Būtingė terminal) increased by almost 1%. Klaipėda seaport rose from the 4th to the 3rd place by handling (going ahead of Tallinn seaport) among seaports on the east shore of the Baltic Sea. The growing demand for fertilisers on overseas markets contributed to a 34.1% rise in fertiliser handling at the seaport (11.6 million tonnes was handled in 2011, 8.7 million tonnes in 2010). Handling of petroleum products increased by 4.3%, Ro-Ro handling by 14.1% and container handling by 20.4%. This growth mostly relied on the rising demand for con-

sumables and stronger flows of wheeled machinery used in industry and agriculture. Klaipėda seaport is the main export partner in the Baltic region of the largest production plants of Belarus: transit freight from Belarus made up 31.4% (11.5 million tonnes) of total handling volumes of the seaport in 2011. The number of passengers going through the seaport (323,824) went up by 0.9% in 2011 compared to the previous year but the number of passengers on cruise ships fell by 39%.

In 2011, Klaipėda State Seaport Authority made 74% of planned investments in the development of the seaport infrastructure and invested LTL 144 million out of the planned amount of LTL 195 million. Some investments in dredging the water area have not been made because of delays in signing the agreement with the contractor. Investments in the deepening and widening of the navigation channel of the seaport have not been made because of the delayed environmental impact assessment approval and public procurement procedures.

### Financial results

In 2011, revenue of the company stood at LTL 167.5 million and went up by 13% from 2010. Revenue from fees, which rose by 16% as a result of growing freight flows, accounts for the majority of revenue generated by the seaport (87%). Revenue from land lease stood at LTL 20.7 million and increased by a mere 0.5% from 2010. The cost optimisation policy helped the company cut its operating costs by 16% to LTL 72.5 million. Therefore, the net profit increased from LTL 54.5 million to 68.4 million and the return on equity went up from 4.5 to 5.3%. The bankruptcy of Snoras bank had a considerable effect on the net profit of the company as it incurred a LTL 17 million loss from its financial activities.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>148,393</b>	<b>167,558</b>
Operating expenses*	86,256	72,516
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>62,137</b>	<b>95,042</b>
<b>EBITDA</b>	<b>96,126</b>	<b>131,267</b>
Financial and investment activities	-7,670	-26,654
<b>Profit (loss) before taxes</b>	<b>54,468</b>	<b>68,389</b>
Profit tax	0	0
<b>Net profit (loss)</b>	<b>54,468</b>	<b>68,389</b>
Net profit margin	36.7%	40.8%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>55,930</b>	<b>69,856</b>

\* According to the company's financial statements cost of sale is included in operating expenses

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>1,283,255</b>	<b>1,362,880</b>
<b>Current assets</b>	<b>92,987</b>	<b>81,545</b>
Of which cash and cash equivalents	43,015	37,484
<b>Total assets</b>	<b>1,376,242</b>	<b>1,444,425</b>
<b>Total equity</b>	<b>1,216,735</b>	<b>1,287,253</b>
<b>Grants and subsidies</b>	<b>38,921</b>	<b>37,871</b>
<b>Liabilities</b>	<b>120,585</b>	<b>119,300</b>
Of which financial liabilities	108,138	89,507
<b>Total equity and liabilities</b>	<b>1,376,242</b>	<b>1,444,425</b>

Ratios	2010	2011
ROA	4.4%	5.0%
ROE	5.1%	5.6%
D/E	8.9%	7.0%

Return to owner (LTL '000)	2010	2011
Expected profit contribution*	0	34,194
Property tax	1,721	1,727
<b>Total contributions and non-standard taxes to the state</b>	<b>1,721</b>	<b>1,727</b>

\*Payment to be confirmed by the end of the third quarter of 2012

Employee information	2010	2011
Number of employees (at period end)	262	265
Number of executives (at period end)	7	6
Average gross monthly salary of one executive (LTL)	8,005	10,582



LIETUVOS JŪRŲ LAIVININKYSTĖ

www.ljl.lt



### Top management

**Chief Executive Officer:** Arvydas Bogočionkas (until 18 May 2012). **Board members:** Arūnas Štaras (Vice-minister of Transport and Communications, Chairperson of the Board), Jelena Antonevič (Ministry of Transport and Communications), Juozas Darulis (Ministry of Transport and Communications), Rolandas Bražinskas (Ministry of Transport and Communications), Arvydas Bogočionkas.

**Audit Committee:** Jonas Nazarovas (AB DFDS Seaways), Ligita Mikienė (Achema Group), Dana Cemnolonskienė (State Property Fund). **Supervisory board:** Tomas

Karpavičius (Ministry of Transport and Communications), Ona Barauskienė (Ministry of Transport and Communications), Gytis Kaminskas (Baltic Legal Solutions Lietuva), Laimutė Stasytienė Tinglum (UAB Scandinavian Accounting and Consulting), Evaldas Zacharevičius (Lithuanian Maritime Safety Administration).

### General information

AB Lietuvos Jūrų Laivininkystė (LJL) (Lithuanian Shipping Company) was founded in 2001 after the reorganisation of LISCO, which operated since 1969, and incorporation of two new enterprises. LJL offers transportation of bulk and general freight, logging products, containers and other types of freight. At the end of 2011, the company operated 11 dry-bulk vessels with an average age of 16.8 years. The stock of the company is listed on NASDAQ OMX Baltic Secondary List.

### Business objectives

The mission of the company is to provide quality and safe freight transportation by sea and fleet management in order to safeguard property interests of shareholders and partners. Strategic objectives of LJL are growth, impeccable reputation, improvement of operating efficiency, delivering on financial expectations of shareholders and partners.

### Operating results

Seven out of 11 vessels of the company sailed under long-term lease agreements in 2011 and the company itself sourced shipments for the other four vessels (in 2010, the company operated only 1 of its 11 vessels). This decision was taken mostly because of lower tariffs resulting from fierce competition on the long-term lease market and unrealised potential of the company to increase revenue by looking for orders on the free market. In 2011, the BalticDry Index which reflects freight charges of dry-bulk handysize type vessels rose by 2.7%. Currently, the situation on

the dry-bulk vessel market is stable while old vessels are replaced by the new ones as vessels ordered before the global financial crisis are being completed.

### Financial results

Revenue of LJL rose by LTL 16 million (25.7%) to LTL 78.2 million. The main reason behind this growth was the decision of the company to look for orders for some vessels independently. The cost of sale increased by LTL 16.3 million (20.3%) to LTL 96.6 million: commissions and seaport charges, handling, fuel and daily allowance costs went up while payroll costs fell but the main factor contributing to the increase in costs was the reduction of the value of vessels by LTL 9 million. Because of the extended depreciation period, depreciation costs included in the cost shrank by 23% (LTL 8.3 million). The operating costs of the company soared by 29.1% to LTL 5.9 million because of impairment of amounts receivable as the company did not receive the freight of LTL 1.1 million for the services of motorboat Venta. Financial activities were more successful because of smaller negative changes in the exchange rate and generated a loss of LTL -3.4 million (down from LTL -8.4 million in 2010). Therefore, the net profit margin of the company improved from -62.9% in 2010 to -35.3% in 2011 and the return on equity changed from -21.4% to -18.5%. In 2011, the company repaid LTL 10.3 million in loans (LTL 3.6 million was repaid in 2010). The outstanding borrowed amount stood at LTL 66.6 million at the end of 2011.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>62,172</b>	<b>78,169</b>
Cost of goods sold	80,258	96,553
<b>Gross profit (loss)</b>	<b>-18,086</b>	<b>-18,384</b>
Operating expenses	4,545	5,869
Profit (loss) from other activities	-8,017	140
<b>Operating profit (loss)</b>	<b>-30,648</b>	<b>-24,113</b>
<b>EBITDA</b>	<b>719</b>	<b>3,210</b>
Financial and investment activities	-8,421	-3,431
<b>Profit (loss) before taxes</b>	<b>-39,069</b>	<b>-27,544</b>
Profit tax	65	66
<b>Net profit (loss)</b>	<b>-39,134</b>	<b>-27,610</b>
Net profit margin	-62.9%	-35.3%

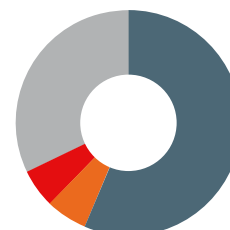
Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>239,318</b>	<b>207,252</b>
<b>Current assets</b>	<b>7,953</b>	<b>6,602</b>
Of which cash and cash equivalents	2,067	1,793
<b>Total assets</b>	<b>247,271</b>	<b>213,854</b>
<b>Total equity</b>	<b>163,050</b>	<b>135,440</b>
<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>84,221</b>	<b>78,414</b>
Of which financial liabilities	76,002	66,603
<b>Total equity and liabilities</b>	<b>247,271</b>	<b>213,854</b>

Ratios	2010	2011
ROA	-14.6%	-12.0%
ROE	-21.4%	-18.5%
D/E	46.6%	49.2%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	0	0

Employee information	2010	2011
Number of employees (at period end)	366	352
Number of executives (at period end)	5	5
Average gross monthly salary of one executive (LTL)	8,178	8,880

### Shareholders



- The Lithuanian State - 56.7 %
- Swedbank AS Estonia - 5.7 %
- DFDS TOR LINE A/S - 5.5 %
- Other shareholders - 32.2 %

## Vilniaus oro uostas

**Top management**

**Chief Executive Officer:** Tomas Vaišvila. **Board members:** Rimvydas Vaštakas (Vice-minister of Transport and Communications, Chairperson of the Board), Mindaugas Zobiela (Ministry of Transport and Communications), Rolandas Bražinskas (Ministry of Transport and Communications), Vilius Veitas (Ministry of Transport and Communications), Tomas Vaišvila.

**General information**

VĮ Tarptautinis Vilniaus Oro Uostas (Vilnius International Airport) was founded in 1991. Aviation activities carried out by the company include airport operation, while non-aviation activities include lease of commercial premises, advertising and other services. The company competes against Kaunas, Riga and Tallinn airports. Its customers offer flights to destinations in Western and Central Europe, Scandinavia, Russia and Ukraine.

**Business objectives**

Vilnius International Airport seeks to become a leading advanced management aviation business company and attract airlines operating under different aviation business models together with the passengers. The strategic objectives of the company are to ensure flight safety and aviation security, increase the volume of aviation and non-aviation services and create favourable business climate for all stakeholders.

**Operating results**

During the year, the airport served 1.7 million passengers, which represents a 25% annual increase. The rise in the number of passengers was supported by the arrival of low-cost carrier Wizz Air and new pricing policies focused on boosting the number of passengers and growth of non-aviation revenue. The number of flights increased by a smaller margin. In 2011, it stood at almost 28,000 and rose by 6% from 2010, which means that the occupancy rate of planes went up. The steepest increase in the number of flights was recorded in October and December (by 54 and 66% respectively). In October, Vilnius International Airport was recognised as the fastest-growing airport in Europe by

Airports Council International. In the summer of 2011, the airport launched direct flights to Rome, Milan, Barcelona, London, Doncaster, Dortmund, Bremen, Eindhoven and Cork. In December, a new destination to Domodedovo in Russia was added to the timetable of the winter season.

The number of goods transported through Vilnius International Airport rose for the second consecutive year. In 2011, 5.8 tonnes of freight were transported (up by 9% compared to the previous year).

**Financial results**

In 2011, revenue from aviation activities of Vilnius International Airport was close to LTL 31 million and fell by 24% compared to the previous year because of changes made to the pricing policies. During the year in question, revenue from non-aviation activities increased from LTL 12.6 million to 17 million. This result was secured by higher lease revenue.

In 2011, the cost of sale fell from LTL 47.7 million to 37 million mostly as a result of a LTL 5.8 million contraction of payroll related costs and a drop of LTL 8.7 million in depreciation and amortisation costs after the adjustment of depreciation ratios. As a result, the net loss of the company made up LTL 2.4 million in 2011 and shrank by almost LTL 7 million compared to the previous year. However, the operating profit before depreciation and amortisation (EBITDA) went down from LTL 15 million to 12.3 million.

In 2011, Vilnius International Airport received grants of LTL 25.5 million for reconstruction of the platform surface and two taxiways. Therefore, the amount of grants issued to the company rose to almost LTL 41 million during the year.

www.vilnius-airport.lt

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>53,745</b>	<b>48,021</b>
Cost of goods sold	47,684	37,048
<b>Gross profit (loss)</b>	<b>6,061</b>	<b>10,973</b>
Operating expenses	13,877	12,652
Profit (loss) from other activities	388	213
<b>Operating profit (loss)</b>	<b>-7,428</b>	<b>-1,466</b>
<b>EBITDA</b>	<b>15,021</b>	<b>12,234</b>
Financial and investment activities	-777	-905
<b>Profit (loss) before taxes</b>	<b>-8,205</b>	<b>-2,371</b>
Profit tax	1,103	0
<b>Net profit (loss)</b>	<b>-9,308</b>	<b>-2,371</b>
Net profit margin	-17.3%	-4.9%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>-8,993</b>	<b>-1,746</b>

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>301,347</b>	<b>317,864</b>
<b>Current assets</b>	<b>16,875</b>	<b>16,443</b>
Of which cash and cash equivalents	5,478	4,912
<b>Total assets</b>	<b>318,222</b>	<b>334,307</b>
<b>Total equity</b>	<b>245,397</b>	<b>243,026</b>
<b>Grants and subsidies</b>	<b>22,177</b>	<b>40,994</b>
<b>Liabilities</b>	<b>50,648</b>	<b>50,287</b>
Of which financial liabilities	43,636	38,182
<b>Total equity and liabilities</b>	<b>318,222</b>	<b>334,307</b>

Ratios	2010	2011
ROA	-2.7%	-0.5%
ROE	-3.6%	-0.7%
D/E	17.8%	15.7%

Return to owner (LTL '000)	2010	2011
Assigned profit contribution	0	0
Property tax	370	735
<b>Total contributions and non-standard taxes to the state</b>	<b>370</b>	<b>735</b>

Employee information	2010	2011
Number of employees (at period end)	329	308
Number of executives (at period end)	6	6
Average gross monthly salary of one executive (LTL)	7,771	7,619





## Top management

**Chief Executive Officer:** Arijandas Šliupas. **Board members:** Rimvydas Vaštakas (Vice-minister of Transport and Communications, Chairperson of the Board), Vilius Veitas (Ministry of Transport and Communications), Rimantas Mikaitis (Ministry of Transport and Communications).

## General information

The main activities of VĮ Kauno Aerouostas (Kaunas Airport) are to provide public services by operating the airport. The company was founded in 1991 and provides aviation and non-aviation services. Its main competitors are Vilnius and Riga airports.

## Business objectives

Kaunas Airport seeks to expand the Lithuanian passenger and freight market, aviation and non-aviation services and airport infrastructure. In addition, the airport seeks to ensure compliance with civil aviation safety requirements.

## Operating results

In 2011, the number of passengers at Kaunas Airport increased by 7.8% to nearly 873,000. A more significant growth of the number of passengers was only seen during the first months of the year (85% on average between January and April). Since May 2011, the flow of passengers began to weaken. The market share of the company on the passenger transportation market shrank by 3 percentage points from 35 to 32%. The main reason behind this contraction was the launch of cheap flights to the same destinations by Vilnius airport. The number of flights increased by almost 5% to 9,000. During the period concerned, Ryanair carried out 65% of all flights, while the remaining ones were operated by postal shipment, freight and other airlines. The facilities opened by Ryanair in May 2010 and successful

development of routes were the main reasons behind the growing number of flights and passengers in 2011.

The weaker potential of the freight market forced the freight operator to stop the additional freight transportation programme. As a result, the volume of freight transport fell by 6% to 4,000 tonnes.

## Financial results

In 2011, aviation revenue of Kaunas Airport went down by 5.5% from LTL 3.6 million to 3.4 million because of lowered charges for passenger and freight airlines in order to ensure that the airport stayed competitive. The drop in aviation revenue was offset by higher charges for postal and other airlines. Non-aviation revenue of Kaunas Airport grew from LTL 4.6 million to 6.3 million. This change was due to an increase in advertising revenue from LTL 274,000 to 996,000 as well as growing revenue from parking lots and lease of premises. Although the operating costs increased by 5.9% to almost LTL 2.8 million, the company was able to cut its net loss from LTL 1.7 million to LTL 626,000 because of higher non-aviation revenue.

Financial liabilities of the company fell from LTL 4.5 million to 3.4 million as the airport repaid part of the loan granted to finance parking lot construction. Moreover, the Kaunas City Municipality paid LTL 1.2 million in grants to the company for the implementation of its competitiveness and attractiveness enhancement programme.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>3,610</b>	<b>3,411</b>
Cost of goods sold	6,288	6,681
<b>Gross profit (loss)</b>	<b>-2,678</b>	<b>-3,270</b>
Operating expenses	2,635	2,791
Profit (loss) from other activities	3,887	5,585
<b>Operating profit (loss)</b>	<b>-1,426</b>	<b>-476</b>
<b>EBITDA</b>	<b>11</b>	<b>984</b>
Financial and investment activities	-281	-150
<b>Profit (loss) before taxes</b>	<b>-1,707</b>	<b>-626</b>
Profit tax	0	0
<b>Net profit (loss)</b>	<b>-1,707</b>	<b>-626</b>
Net profit margin	-47.3%	-18.4%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>-1,298</b>	<b>-217</b>

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>166,875</b>	<b>162,993</b>
<b>Current assets</b>	<b>1,912</b>	<b>2,708</b>
Of which cash and cash equivalents	354	260
<b>Total assets</b>	<b>168,787</b>	<b>165,701</b>
<b>Total equity</b>	<b>36,066</b>	<b>35,441</b>
<b>Grants and subsidies</b>	<b>126,697</b>	<b>121,849</b>
<b>Liabilities</b>	<b>6,024</b>	<b>8,411</b>
Of which financial liabilities	4,527	3,386
<b>Total equity and liabilities</b>	<b>168,787</b>	<b>165,701</b>

Ratios	2010	2011
ROA	-0.8%	-0.1%
ROE	-3.5%	-0.6%
D/E	12.6%	9.6%

Return to owner (LTL '000)	2010	2011
Assigned profit contribution	0	0
Property tax	481	481
<b>Total contributions and non-standard taxes to the state</b>	<b>481</b>	<b>481</b>

Employee information	2010	2011
Number of employees (at period end)	137	134
Number of executives (at period end)	3	2
Average gross monthly salary of one executive (LTL)	5,861	5,833



### Top management

**Director:** Jolanta Jucevičiūtė. **Board members:** Rimvydas Vaštakas (Vice-minister of Transport and Communications, Chairperson of the Board), Rolandas Bražinskas (Ministry of Transport and Communications), Agnė Katkutė (Ministry of Transport and Communications).

### General information

Like other major airports in the country, Palanga International Airport was founded in 1991. The airport infrastructure operated by the company is suitable for medium and small aircraft. The geography of regular direct flights operated by the airport stretches to Denmark, Norway and Latvia, while flights to many other countries are available through Copenhagen, Riga and Oslo airports. The main competitors are Vilnius, Kaunas and Riga airports.

### Business objectives

Palanga International Airport seeks to create convenient and safe conditions for passengers and retain the highest level of aviation safety, ensure environmentally-friendly airport operations, increase non-aviation revenue and facilitate business development at the airport. In addition, the company seeks to boost its passenger and aircraft flows, retain current flight routes and attract airlines operating regular flights on other priority routes for Western Lithuania.

### Operating results

The number of passengers at the airport rose by 8% to 111,000 as a result of new flights to Oslo launched by SAS in recent months and a higher number of seats available on flights to Copenhagen. The number of operated flights fell by 6% to slightly less than 3,000 after airBaltic cut the number of flights to Riga. In 2011, the majority of flights at Palanga airport (77%) were regular flights. The highest number of passengers (54%) and flights (46%) was operated by SAS airlines. Norwegian Air Shuttle and airBaltic carried 20% of the total

number of passengers each. The volumes of freight are negligible at Palanga airport and stood at 25 tonnes in 2011.

In the year concerned, Palanga International Airport received LTL 13.4 million in grants from EU structural funds for modernisation of fuelling facilities and construction of the rescue work building and passenger terminal.

### Financial results

In 2011, aviation revenue stood at nearly LTL 4 million and increased by 58% compared to the previous year. Non-aviation revenue generated by Palanga International Airport grew by 6% to LTL 684,000. This change relied on higher revenue from parking lot charges and operation of advertising displays.

In 2011, costs of Palanga International Airport stood at LTL 4.8 million and went up by 6% from 2010. Costs increased because of rising electricity and fuel prices, higher staff maintenance, airport operation and legal expenses.

As the growth of costs outpaced revenue at Palanga International Airport, the company incurred an operating loss of LTL 247,000 in 2011 which increased by LTL 50,000 from the previous year. However, the net result was positive and the company earned a net profit of LTL 95,000 because the contractor paid a penalty of LTL 272,000 to the airport for delayed fuelling facility modernisation work.

In 2011, the return on equity and return on assets of Palanga International Airport stood at 0.3% and 0.2% respectively. Although both indicators are better than in the previous year, the company still uses its assets inefficiently. The main reason for this is insufficient load of the airport.

www.palanga-airport.lt

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>3,764</b>	<b>3,941</b>
Cost of goods sold	2,743	2,946
<b>Gross profit (loss)</b>	<b>1,021</b>	<b>995</b>
Operating expenses	1,657	1,743
Profit (loss) from other activities	439	501
<b>Operating profit (loss)</b>	<b>-197</b>	<b>-247</b>
<b>EBITDA</b>	<b>650</b>	<b>603</b>
Financial and investment activities	102	342
<b>Profit (loss) before taxes</b>	<b>-95</b>	<b>95</b>
Profit tax	0	0
<b>Net profit (loss)</b>	<b>-95</b>	<b>95</b>
Net profit margin	-2.5%	2.4%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>102</b>	<b>295</b>

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>127,034</b>	<b>137,370</b>
<b>Current assets</b>	<b>3,876</b>	<b>4,677</b>
Of which cash and cash equivalents	868	779
<b>Total assets</b>	<b>130,910</b>	<b>142,047</b>
<b>Total equity</b>	<b>92,547</b>	<b>93,164</b>
<b>Grants and subsidies</b>	<b>36,698</b>	<b>48,501</b>
<b>Liabilities</b>	<b>1,665</b>	<b>382</b>
Of which financial liabilities	0	0
<b>Total equity and liabilities</b>	<b>130,910</b>	<b>142,047</b>

Ratios	2010	2011
ROA	0.1%	0.2%
ROE	0.1%	0.3%
D/E	0.0%	0.0%

Return to owner (LTL '000)	2010	2011
Assigned profit contribution	0	0
Property tax	232	235
<b>Total contributions and non-standard taxes to the state</b>	<b>232</b>	<b>235</b>

Employee information	2010	2011
Number of employees (at period end)	71	71
Number of executives (at period end)	3	3
Average gross monthly salary of one executive (LTL)	6,795	6,333

## Road maintenance enterprises

www.lra.lt

### General information

Roads in Lithuania, measuring around 81,000 km in length, are operated in trust by ten regional road maintenance enterprises and state enterprise Automagistralė. Road maintenance is carried out by state enterprises, while roads are built by private companies.

### Business objectives

Lithuanian road maintenance enterprises pursue the following strategic objectives: to maintain and develop roads of national importance facilitating uninterrupted and safe movement of transport flows, ensure communication by preserving the condition of the road network and retaining the quality of operation, reduce congestion, costs of road users and impact on the environment.

### Operating results

In 2011, Lithuanian road maintenance enterprises focused on the improvement of traffic safety: the number of fatalities on roads contracted from 299 to 297 people, 12 black holes (places with extremely high rate of accidents) were eliminated. Road maintenance enterprises also invested in the improvement of road condition: 230,000 square metres of surface defects and 453,000 square metres of cracks were repaired and 500,000 square metres of road surface were patched in 2011. Gravel roads and roadsides were reinforced, crash barriers renewed and roads were marked. In total, LTL 267 million was spent on road maintenance work. In addition, contracts on projects supported by the EU were signed in 2011 providing for the allocation of LTL 284.5 million of EU financial support for reconstruction of roads.

### Financial results

In 2011, operating revenue of road maintenance enterprises increased by LTL 27.5 million compared to the previous year and stood at LTL 261 million. Revenue of Šiaulių Regiono Keliai and Automagistralė increased by the largest margin, to LTL 6.3 million and 5.7 million respectively. Revenue of these companies grew mostly as a result of higher revenue from contracting activities. The cost of sales of state-owned road maintenance enterprises rose by 9.7% from LTL 219 million to 240 million and operating costs increased by 4.5% from LTL 19.5 million to 20.4 million. During the period concerned, only Vilniaus Regiono Keliai and Marijampolės Regiono Keliai managed to cut their operating costs by 16.5% and 4.3% respectively. After losses incurred in 2009 and 2010, road maintenance enterprises earned a profit of LTL 3.4 million in 2011. The main contributors to the improvement in these results were Panevėžio Regiono Keliai and Vilniaus Regiono Keliai as their net profit rose by LTL 998,000 and LTL 939,000 respectively.

Assets of road maintenance enterprises, net of the value of roads, were worth LTL 444 million in 2011. The majority of assets (LTL 420 million) was financed from equity capital while liabilities of road maintenance enterprises made up LTL 23.5 million. Financial liabilities of enterprises stood at LTL 587,000 and accounted for just a fraction of their balance sheet, while the capital structure remained virtually unchanged.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>233,425</b>	<b>260,959</b>
Cost of goods sold	218,759	239,982
<b>Gross profit (loss)</b>	<b>14,665</b>	<b>20,977</b>
Operating expenses	19,509	20,385
Profit (loss) from other activities	2,887	2,656
<b>Operating profit (loss)</b>	<b>-1,956</b>	<b>3,249</b>
<b>EBITDA</b>	<b>30,034</b>	<b>35,900</b>
Financial and investment activities	743	786
<b>Profit (loss) before taxes</b>	<b>-1,213</b>	<b>4,034</b>
Profit tax	398	659
<b>Net profit (loss)</b>	<b>-1,611</b>	<b>3,375</b>
Net profit margin	-0.7%	1.3%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>5,048</b>	<b>10,026</b>

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>343,837</b>	<b>351,168</b>
<b>Current assets</b>	<b>87,822</b>	<b>92,803</b>
Of which cash and cash equivalents	54,512	22,428
<b>Total assets</b>	<b>431,659</b>	<b>443,971</b>
<b>Total equity</b>	<b>417,847</b>	<b>420,406</b>
<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>13,812</b>	<b>23,565</b>
Of which financial liabilities	1,000	587
<b>Total equity and liabilities</b>	<b>431,659</b>	<b>443,971</b>

Ratios	2010	2011
ROA	1.2%	2.3%
ROE	1.2%	2.4%
D/E	0.2%	0.1%

Return to owner (LTL '000)	2010	2011
Assigned profit contribution	0	1,669
Property tax	7,834	7,825
<b>Total contributions and non-standard taxes to the state</b>	<b>7,834</b>	<b>9,494</b>

Employee information	2010	2011
Number of employees (at period end)	2,872	2,854
Number of executives (at period end)	47	47
Average gross monthly salary of one executive (LTL)	6,885	7,232



### Top management

**Chief Executive Officer:** Rokas Masiulis. **Board members:** Arvydas Darulis (Vice-minister of Energy, Chairperson of the Board), Rytis Ambrazevičius (UAB Omnitel), Mindaugas Jusius (AB Swedbank Life Insurance), Inga Černiuk (Ministry of Energy), Rokas Masiulis. **Audit Committee:** Eimantas Kiudulas (UAB Klaipėdos LEZ), Simonas Rimašauskas (UAB Deloitte Lietuva), Mindaugas Jusius (AB Swedbank Life Insurance). **Supervisory board:** Valentinas Pranas Milaknis (UAB Alna), Kęstutis Škiudas (Office of the Prime Minister), Eimantas Kiudulas (UAB Klaipėdos LEZ).

### General information

AB Klaipėdos Nafta was founded in 1994. Its core activity is export and import of crude oil and petroleum products. The main customer of the company is AB Orlen Lietuva as petroleum products handled for Orlen at the terminal make up more than half of all handling volumes. Klaipėdos Nafta competes against petroleum product handling terminals operating at Baltic seaports and the main rival is the petroleum terminal of Ventspils seaport. Future operating results will be strongly affected by the performance of Ust-Luga freight terminal in Russia which was launched in 2011.

On 21 July 2010, the Government approved that Klaipėdos Nafta should implement the project of the liquefied natural gas terminal which should start operating at the end of 2014.

The stock of the company is traded on NASDAQ OMX Vilnius and is included in the Baltic Secondary List.

### Business objectives

The mission of the company is to be a reliable oil product import and export terminal for Lithuania and neighbouring countries and facilitate the export of products of regional refineries to Western Europe and other markets. The strategy of the company contains the following objectives for 2012–2016: maintaining the high level of oil product handling and profitability, increasing the competitiveness of the terminal and complying with environmental requirements. In addition, the company has to complete the project of the liquefied natural gas terminal by the end of 2014.

### Operating results

Because of a 15% drop in the flows of oil products exported by Orlen Lietuva in 2011, oil product handling by Klaipėdos

Nafta fell by 3% from 2010 to 7.7 million tonnes. These two companies signed a long-term oil product handling contract on 17 November 2011 which will ensure the main flows of fuel oil, petrol and diesel for handling by Klaipėdos Nafta until the end of 2024.

### Financial results

Klaipėdos Nafta achieved record high financial results in 2011. Its sales revenue stood at LTL 141.3 million and rose by 16% compared to 2010. The highest revenue in the company's history was achieved because of contracts developed without intermediaries (cooperation with UAB Naftos Grupė was terminated), more efficient management of oil product remains and sale of oil products collected in treatment installations of the company. In 2011, the cost of sale made up LTL 82.9 million and increased by 8% compared to 2010 because of higher gas prices and the cost of oil products collected in treatment installations included in the accounts. The operating costs plunged by 57% from LTL 17 million to 7.3 million mostly because the company's accounts of 2010 contained an impairment of non-current assets of LTL 8.6 million, while the amount of provisions fell by LTL 1.9 million in 2011. Therefore, the net profit of the company soared by 73% from LTL 26.1 million to 45.3 million and the return on equity increased from 5.8% to 9.5%.

In the period concerned, current assets of the company increased 1.7 times as the company accumulated resources for the construction of the liquefied natural gas terminal (the company put LTL 22 million as additional deposits and invested LTL 47 million in securities). The company will pay almost LTL 57 million in dividends for 2011 and also allocated LTL 55 million to the reserve for redemption of own shares.

Profit and loss statement (LTL '000)	2010	2011
Sales revenue	121,720	141,276
Cost of goods sold	76,453	82,890
<b>Gross profit (loss)</b>	<b>45,267</b>	<b>58,386</b>
Operating expenses	17,002	7,270
Profit (loss) from other activities	39	42
<b>Operating profit (loss)</b>	<b>28,304</b>	<b>51,158</b>
<b>EBITDA</b>	<b>59,202</b>	<b>73,813</b>
Financial and investment activities	1,447	2,086
<b>Profit (loss) before taxes</b>	<b>29,751</b>	<b>53,244</b>
Profit tax	3,654	7,991
<b>Net profit (loss)</b>	<b>26,097</b>	<b>45,253</b>
Net profit margin	21.4%	32.0%

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>396,150</b>	<b>390,151</b>
<b>Current assets</b>	<b>77,756</b>	<b>129,207</b>
Of which cash and cash equivalents	29,501	9,983
<b>Total assets</b>	<b>473,906</b>	<b>519,358</b>
<b>Total equity</b>	<b>455,016</b>	<b>500,269</b>
Grants and subsidies	0	0
<b>Liabilities</b>	<b>18,890</b>	<b>19,089</b>
Of which financial liabilities	0	0
<b>Total equity and liabilities</b>	<b>473,906</b>	<b>519,358</b>

Ratios	2010	2011
ROA	5.5%	9.1%
ROE	5.8%	9.5%
D/E	0.0%	0.0%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	0	56,981

Employee information	2010	2011
Number of employees (at period end)	312	305
Number of executives (at period end)	7	6
Average gross monthly salary of one executive (LTL)	18,579	17,865

### Shareholders



- The Lithuanian State - 70.6 %
- Concern Achema Group - 10 %
- Other shareholders - 19.4 %



### Top management

**Chief Executive Officer:** Arvydas Tarasevičius. **Board members:** Kęstutis Žilėnas (Vice-minister of Energy, Chairperson of the Board), Aloyzas Vitkauskas (Ministry of Finance), Rimantas Vaitkus (UAB Visagino Atominė Elektrinė), Darius Maikštėnas (UAB Omnitel), Arvydas Tarasevičius.

### General information

LESTO, which is the operator of power distribution networks in Lithuania, began operating on 1 January 2011 after the reorganisation of two distribution network companies. The main functions of LESTO are electricity transfer to customers through the distribution network, operation, maintenance, management and development of this network. LESTO also functions as the public supplier of electricity.

The LESTO group includes two subsidiaries: UAB Elektros Tinklo Paslaugos and UAB NT Valdos. LESTO also has two associated companies: UAB Technologijų Ir Inovacijų Centras (Technology and Innovation Centre) and UAB Tetas. LESTO stock is listed on the NASDAQ OMX Vilnius Stock Exchange.

### Business objectives

In 2012–2020, LESTO will seek to improve the efficiency of customer service and its workflows, use modern management methods, reduce losses in the electricity distribution network, ensure the connection of electrical installations of new customers and reliable operation of the network. LESTO also contributes to the implementation of EU initiatives and achievement of objectives laid down in the National Energy Strategy.

### Operating results

In 2011, LESTO provided services to more than 1.5 million private and 62,000 business customers and transmitted 7,851 million kWh of electricity. 53% of transmitted electricity was sold, while the remaining customers received only electricity transfer service from the company.

During the year, LESTO invested LTL 295 million in the development of the electricity network which is 11% more

than in the previous year. The company built more than 1,000 km of underground cable lines, reconstructed transformer substations and distribution stations and built new transformer stations. LESTO attributed LTL 154 million for connection of installations of new customers. In addition, the company continued to buy out networks in gardening associations and bought out networks in 117 associations for LTL 1.9 million during the year.

### Financial results

In 2011, revenue of the LESTO group stood at LTL 2.2 billion and fell by 7.6% compared to 2010. The decrease in revenue was mostly caused by lower price caps for LESTO services fixed by the regulator and liberalisation of the electricity market which entailed the reduction in the number of customers using the public supply service of LESTO. The majority of LESTO revenue (64%) was made up by revenue from electricity transfer and 26% by revenue from public supply.

Compared to 2010, the net loss of LESTO group contracted by LTL 1 million from LTL 62.4 million to 61.4 million. In addition to the above reasons, the loss was caused by a LTL 238 million difference between depreciation costs recognised by the company in its financial statements and depreciation costs fixed by the regulator which are included in the electricity distribution and public supply tariffs.

As investments by the LESTO group were smaller than depreciation costs, the value of non-current assets fell by 3.4% during the year to LTL 5 billion. According to the audit report, the book value of these assets may be higher than the actual value because of the changes in regulation of activities of the company, which may have a negative effect on the profitability ratios of the company.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>2,429,968</b>	<b>2,245,484</b>
Operating expenses*	2,500,451	2,314,779
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>-70,483</b>	<b>-69,295</b>
<b>EBITDA</b>	<b>379,861</b>	<b>362,246</b>
Financial and investment activities	-4,402	-4,277
<b>Profit (loss) before taxes</b>	<b>-74,885</b>	<b>-73,572</b>
Profit tax	-12,511	-12,191
<b>Net profit (loss)</b>	<b>-62,374</b>	<b>-61,381</b>
Net profit margin	-2.6%	-2.7%
Minority interest	980	-6,893

\* According to the company's financial statements cost of sale is included in operating expenses

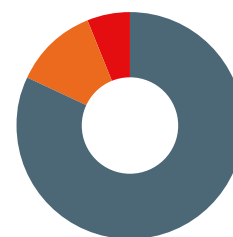
Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>5,169,720</b>	<b>4,996,193</b>
<b>Current assets</b>	<b>391,992</b>	<b>287,352</b>
Of which cash and cash equivalents	139,621	58,708
<b>Total assets</b>	<b>5,561,712</b>	<b>5,283,545</b>
<b>Total equity</b>	<b>3,764,017</b>	<b>3,643,342</b>
Minority shareholder equity	133,601	127,380
<b>Grants and subsidies</b>	<b>50,867</b>	<b>46,370</b>
<b>Liabilities</b>	<b>1,746,828</b>	<b>1,593,833</b>
Of which financial liabilities	539,914	444,728
<b>Total equity and liabilities</b>	<b>5,561,712</b>	<b>5,283,545</b>

Ratios	2010	2011
ROA	-1.1%	-1.1%
ROE	-1.7%	-1.7%
D/E	14.3%	12.2%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	60,998	170,312

Employee information	2010	2011
Number of employees (at period end)	3,691	3,564
Number of executives (at period end)	19	22
Average gross monthly salary of one executive (LTL)	13,985	11,347

### Shareholders



- Visagino Atominė Elektrinė - 82.6 %
- E.ON Ruhrgas International GmbH - 11.8 %
- Other shareholders - 5.6 %



### Top management

**Chief Executive Officer:** Dalius Misiūnas. **Board members:** Kęstutis Žilėnas (Vice-minister of Energy, Chairperson of the Board), Aloyzas Vitkauskas (Ministry of Finance), Rimantas Vaitkus (UAB Visagino Atominė Elektrinė), Sonata Matulevičienė (Baxter), Dalius Misiūnas.

### General information

Reorganised Lietuvos Energija began operating on 1 August 2011 after the merger of two companies: AB Lietuvos Energija and AB Lietuvos Elektrinė (Lithuanian Power Plant). Lietuvos Energija is the largest producer of electricity in Lithuania uniting all state-owned electricity generation capacities: Lithuanian Power Plant, Kruonis Pumped Storage Power Plant and Kaunas Hydropower Plant. Lietuvos Energija also carries out electricity supply, import, export and trading activities.

Since 1 September 2011, Lietuvos Energija stock has been traded on NASDAQ OMX Vilnius and has been included in the Baltic Main List.

### Business objectives

Long-term objectives of Lietuvos Energija are to increase the value of the company, ensure the provision of quality services to customers, diversify production by using local and renewable energy sources, deploy innovation, improve efficiency and develop a new organisational culture. The company also contributes to the implementation of the National Energy Strategy.

### Operating results

In 2011, power plants operated by Lietuvos Energija generated 2 billion kWh of electricity, a drop of more than 30% compared to the previous year. The generation volume depended on the reliability requirements applicable to the Lithuanian energy systems and the volume of other supported generation and different situation on the wholesale electricity market. Because of the increasing market share of eligible customers on the retail electricity market, the sale of electricity to independent suppliers rose by 12% and sale to LESTO fell by 38%.

In 2011, the company invested almost LTL 269 million, including LTL 263 million in the construction of the new combined-cycle power generation unit.

### Financial results

In 2011, revenue of the Lietuvos Energija group stood at LTL 1.4 billion and was 13.4% higher compared to 2010, while costs went up from LTL 1.2 billion to 1.4 billion. These changes were triggered by a change in structure of revenue of the Lietuvos Energija group put in place in August 2010 after the Lithuanian Power Plant became a subsidiary of Lietuvos Energija. Besides, the group included AB Litgrid until 30 November 2010. Therefore, the financial results of 2011 and 2010 are not fully comparable.

Because of changes on the electricity market and lower generation volumes, revenue of Lietuvos Energija fell by 18% from LTL 1.7 billion to 1.4 billion compared to the revenue of Lietuvos Energija and Lithuanian Power Plant from continuous activities in 2010. The result of regulated activities of the company was a net loss of LTL 84 million. The main reasons for the loss was the share of fixed costs (LTL 19 million) not covered by the PSO funding and power reserve revenue by the decision of the NCCPE as well as the revaluation costs of CPA (LTL 63 million) because of the plunge in their market prices. Lietuvos Energija earned a profit of LTL 95 million from unregulated electricity generation and wholesale on the market, while the total profit of the company made up LTL 11 million in 2011 and plummeted by 59% compared to the previous year. The results of the group were affected by financial results of associated companies and elimination of contracts within the corporate group. The net profit of the group stood at a mere LTL 1.5 million in 2011.

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>1,260,817</b>	<b>1,429,507</b>
Operating expenses*	1,180,198	1,416,346
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>80,619</b>	<b>13,161</b>
<b>EBITDA</b>	<b>114,445</b>	<b>73,674</b>
Financial and investment activities	908	-10,886
<b>Profit (loss) before taxes</b>	<b>81,527</b>	<b>2,275</b>
Profit tax	-9,733	749
<b>Net profit (loss)</b>	<b>91,260</b>	<b>1,526</b>
Net profit margin	7.2%	0.1%
Minority interest	106	0

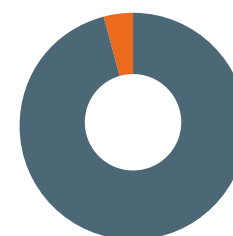
Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>3,145,607</b>	<b>3,316,868</b>
<b>Current assets</b>	<b>440,735</b>	<b>403,573</b>
Of which cash and cash equivalents	86,925	27,907
<b>Total assets</b>	<b>3,586,342</b>	<b>3,720,441</b>
<b>Total equity</b>	<b>1,728,183</b>	<b>1,671,101</b>
Minority shareholder equity	0	39,951
<b>Grants and subsidies</b>	<b>872,957</b>	<b>1,008,569</b>
<b>Liabilities</b>	<b>985,202</b>	<b>1,040,771</b>
Of which financial liabilities	549,888	643,069
<b>Total equity and liabilities</b>	<b>3,586,342</b>	<b>3,720,441</b>

Ratios	2010	2011
ROA	0.0%	0.0%
ROE	0.0%	0.1%
D/E	31.8%	38.5%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	0	0

Employee information	2010	2011
Number of employees (at period end)	945	1,179
Number of executives (at period end)	27	31
Average gross monthly salary of one executive (LTL)	9,276	11,694

### Shareholders



- Visagino Atominė Elektrinė - 96.1 %
- Other shareholders - 3.9 %



www.litgrid.eu



### Top management

**Chief Executive Officer:** Virgilijus Poderys. **Board members:** Arvydas Darulis (Vice-minister of Energy, Chairperson of the Board), Valentinas Pranas Milaknis (UAB Alna), Violeta Greičiuvienė (Ministry of Energy), Viktorija Sankauskaitė (Ministry of Energy), Virgilijus Poderys.

### General information

Litgrid is an electricity transmission system operator which controls electricity flows and maintains stable operation of the national electricity grid. Litgrid is responsible for the infrastructure of the Lithuanian electricity transmission network and its connection to the electricity infrastructure of Nordic countries and Western Europe including strategic projects on electricity links with Sweden and Poland, development of the Lithuanian electricity market and its integration into the single European electricity market as well as the preparation of the national electricity system for synchronous work within the continental European electricity transmission system.

AB Litgrid was founded in November 2010. In December 2010, the stock of the company was listed on NASDAQ OMX Vilnius and is included in the Baltic Secondary List. Litgrid owns a 67% stake in electricity market operator Baltpool and 61% stake in UAB Tetas which specialises in construction, maintenance and repair of electricity installations.

### Business objectives

The objectives of the company are closely related to the objectives laid down in the National Energy Strategy. The company aims to ensure that by 2020 Lithuania becomes a full member of the European electricity system and electricity system management complies with European standards.

Implementing the Baltic electricity market integration plan, Litgrid signed an agreement with Nord Pool Spot on the beginning of its operations in Lithuania in March 2012. Together with Latvian and Estonian transmission system operators, the company will seek to participate in the share capital and management of this exchange.

### Operating results

Last year, Litgrid transmitted 9.28 billion kWh of electricity in its high-voltage network. The amount transmitted to distribution network operator LESTO made up 8.16 billion kWh and contracted by 0.4% compared to 2010. Transmission to other customers amounted to 1.12 million kWh and rose by 5.2% compared to the previous year.

In 2011, Litgrid invested LTL 160 million into the electricity transmission infrastructure. The largest share of investment (59%) was used for the implementation of strategic projects.

### Financial results

In 2011, revenue of the Litgrid group reached LTL 435 million, of which electricity transmission revenue made up 47%, balancing electricity revenue 20% and power reserve revenue 12.8%. The costs of purchase of electricity and related services made up the bulk of costs of the group (LTL 201 million). Depreciation and amortisation costs stood at LTL 134 million and accounted for 29% of total costs of the Litgrid group. However, depreciation costs included in Litgrid tariffs were only LTL 54 million. This difference meant that the operating result of the Litgrid group was negative as the operating loss was slightly more than LTL 24 million and net loss made up almost LTL 17 million. The results of the group cannot be compared with the previous year because Litgrid was founded in November 2010 only.

In 2011, assets of the group were worth LTL 2.5 billion but the value of assets specified in financial statements of Litgrid may be substantially higher than the actual value of assets because of the amendments made to the legal acts regulating the activities of electricity enterprises in 2009. This has had a negative effect on the profitability ratios of Litgrid which therefore do not reflect the actual performance of the company.

Profit and loss statement (LTL '000)	2010*	2011
<b>Sales revenue</b>	<b>49,789</b>	<b>434,806</b>
Operating expenses**	56,569	459,195
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>-6,780</b>	<b>-24,389</b>
<b>EBITDA</b>	<b>4,227</b>	<b>109,223</b>
Financial and investment activities	-114	4,675
<b>Profit (loss) before taxes</b>	<b>-6,894</b>	<b>-19,714</b>
Profit tax	580	-2,935
<b>Net profit (loss)</b>	<b>-7,474</b>	<b>-16,779</b>
Net profit margin	-15.0%	-3.9%
Minority interest	7	542

\*Data of 2010 stands for one-month results as current activity of Litgrid is recorded in the financial statements since December 2010

\*\* According to the company's financial statements cost of sale is included in operating expenses

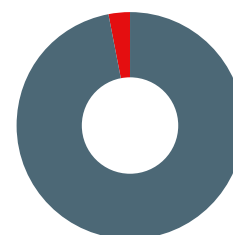
Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>2,088,299</b>	<b>2,101,160</b>
<b>Current assets</b>	<b>273,094</b>	<b>401,558</b>
Of which cash and cash equivalents	74,004	65,185
<b>Total assets</b>	<b>2,361,393</b>	<b>2,502,718</b>
<b>Total equity</b>	<b>1,917,341</b>	<b>1,899,541</b>
Minority shareholder equity	3,359	4,253
<b>Grants and subsidies</b>	<b>42,349</b>	<b>182,359</b>
<b>Liabilities</b>	<b>401,703</b>	<b>420,818</b>
Of which financial liabilities	0	0
<b>Total equity and liabilities</b>	<b>2,361,393</b>	<b>2,502,718</b>

Ratios	2010	2011
ROA	0.0%	-0.7%
ROE	0.0%	-0.9%
D/E	0.0%	0.0%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total	0	390,857

Employee information	2010	2011
Number of employees (at period end)	627	623
Number of executives (at period end)	17	15
Average gross monthly salary of one executive (LTL)	12,061	13,007

### Shareholders



■ Visagino Atominė Elektrinė - 97.5 %  
■ Other shareholders - 2.5 %



### Top management

**Chief Executive Officer:** Rimantas Vaitkus. **Board members:** Arvydas Darulis (Vice-minister of Energy, Chairperson of the Board), Kęstutis Škiudas (Office of the Prime Minister), Aloyzas Vitkauskas (Ministry of Finance), Mantas Zalatorius (Swedish Trade Council), Rimantas Vaitkus. **Audit Committee:** Lina Šmočiukienė, Marius Garuckas, Danielius Merkinas, Vygantas Reifonas.

### General information

UAB Visagino Atominė Elektrinė (VAE) was founded in August 2008 for the development of the new Visaginas Nuclear Power Plant construction project. In 2010, during the implementation of the Lithuanian energy sector reorganisation plan, shares of AB VST and AB Rytų Skirstomieji Tinklai (AB LESTO since 1 January 2011), AB Lietuvos Energija and AB Lietuvos Elektrinė were transferred to VAE. This created a state-owned group of energy companies (VAE group).

In accordance with the EU's Third Energy Package and in order to separate the electricity transmission function from electricity generation and distribution, electricity transmission system operator Litgrid will be separated from the VAE group.

### Business objectives

Strategic fields of activity of the VAE group: integration into the European energy systems and markets, ensuring electricity generation and supply for Lithuania, ensuring the reliability and quality of services, innovation and constant improvement of operations of the companies. VAE also seeks to improve the efficiency of the corporate group and create a modern, effective and dynamic organisation.

### Operating results

In 2011, Hitachi (Japan) was selected as the strategic investor of the Visaginas NPP. The preparatory work for the Concession Agreement on the Visaginas NPP has been completed successfully. In order to ensure that the leading engineering solutions will be used during the project, a cooperation agreement was signed with Exelon, the largest US-based electricity infrastructure company. In May 2012, the Government approved

the draft Visaginas NPP Concession Agreement and submitted the document to the Parliament for approval. After Hitachi was chosen as the strategic investor, the new power plant will have an advanced boiling water reactor of around 1,300 MW. This technology is currently the only one in the world that meets the new-generation increased safety level requirements.

### Financial results

In 2011, sales revenue of the VAE group fell by 10% to LTL 2,673 million. The fall in revenue was caused by a drop in the amount of generated electricity, lower number of customers using the public supply services and lower price caps on tariffs. The operating costs of the company, net of depreciation, amortisation, property revaluation and impairment costs, decreased by 14% compared to the previous year and stood at LTL 481 million. However, the operating loss of the group went up from LTL 44.1 million to 124.4 million because of the CPA revaluation costs of LTL 63 million incurred by Lietuvos Energija, while the net loss was around LTL 109 million.

An increase in current assets of the company mostly relied on the growing amount receivables because of LTL 96 million in receivable PSO funding to offset the difference between actual gas prices and those included in electricity tariffs and an increase (from LTL 53.6 million to 352.9 million) in current investments and term deposits.

In 2011, the VAE received LTL 1.2 billion in grants, up by LTL 272.4 million from 2010. PSO funds and funding for the construction of the Nordbalt link and 9th unit of the Lithuanian Power Plant from EU structural funds accounted for the largest share of grants (LTL 209.8 million).

Profit and loss statement (LTL '000)	2010	2011
Sales revenue	2,966,388	2,673,146
Cost of goods sold	1,729,339	1,571,178
Gross profit (loss)	1,237,049	1,101,968
Operating expenses	1,281,102	1,226,347
Profit (loss) from other activities	0	0
Operating profit (loss)	-44,053	-124,379
EBITDA	602,224	513,695
Financial and investment activities	-5,109	-5,750
Profit (loss) before taxes	-49,162	-130,129
Profit tax	-10,257	-21,165
Net profit (loss)	-38,905	-108,964
Net profit margin	-1.3%	-4.1%
Minority interest	-59	-10,832

Balance sheet (LTL '000)	31.12.2010	31.12.2011
Non-current assets	10,569,945	10,561,355
Current assets	859,914	1,049,475
Of which cash and cash equivalents	343,000	161,944
Total assets	11,429,859	11,610,830
Total equity	7,719,157	7,630,430
Mažumai tenkanti nuosavo kapitalo dalis	789,805	792,426
Grants and subsidies	942,542	1,214,937
Liabilities	2,768,160	2,765,463
Of which financial liabilities	1,089,802	1,087,797
Total equity and liabilities	11,429,859	11,610,830

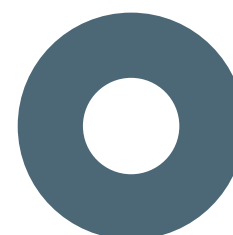
Ratios	2010	2011
ROA	-0.3%	-0.9%
ROE	-0.5%	-1.4%
D/E	14.1%	14.3%

Return to shareholders (LTL '000)	2010	2011
Assigned dividends in total*	0	275,000

\*To be paid at the end of the second quarter of 2012

Employee information	2010	2011
Number of employees (at period end)	5,654	5,413
Number of executives (at period end)	75	72
Average gross monthly salary of one executive (LTL)	10,082	12,338

### Shareholders



■ The Lithuanian State - 100 %





## Management

**Director General of Forests:** Benjaminas Sakalauskas.  
**Deputies:** Gintaras Visalga, Petras Kanapienis.

## General information

Generalinė Miškų Urėdija (Directorate General of State Forests, DGSF) is a budgetary institution coordinating the activities of all forest enterprises. Through these enterprises the DGSF organises forest replanting, maintenance and protection and controls the use of forest resources. There are 42 forest enterprises operating in Lithuania. They maintain forests, carry out logging and sell round timber. The total area of forests managed by forest enterprises is about 1 million hectares, or almost one half of all forests in Lithuania.

## Business objectives

The main objectives of the DGSF are organisation and coordination of reforestation, forest maintenance and protection of state forests designated to forest enterprises as well as the use of forest resources, forest replanting in non-forest areas in order to manage these forests according to the principles of a sustainable and balanced forest system, efficient use of state property entrusted to forest enterprises and profitable activities of forest enterprises.

## Operating results

In 2011, forest enterprises sold 3.6 million cubic metres of round timber (up by 5.9% from the previous year) and the average price of round timber went up from LTL 110.2 to LTL 139.6 per cubic metre sold.

From 1 April 2011, every forest enterprise has its own management board. In September 2011, the DGSF developed the electronic trading system for round timber produced by state forests. The first trade using this system took place at the beginning of 2012.

## Financial results

In 2011, sales revenue of forest enterprises stood at LTL 545.5 million and rose by 31.5% from the previous year. The increase was triggered by the growing volumes of round timber sold and a 26.7% rise in the price of timber.

During the period concerned, the cost of sale went up by 21.5% to LTL 186.2 million. The cost of sale of round timber alone jumped by 26% to LTL 147 million, i.e. from 34.7 to 41.2 LTL/m<sup>3</sup> (up by 19%). The operating costs soared by 47% to LTL 324.6 million as a result of doubling of raw material taxes (up to LTL 75.3 million). The increase in costs was also affected by the write-off of LTL 29.9 million in bad debts in the aftermath of Snoras bankruptcy and an increase of LTL 28.5 million in reforestation and forest replanting, protection and maintenance costs because of larger scale of work. The remaining operating costs went up by 16.1% to LTL 54.6 million, i.e. from LTL 12,300 to 13,500 per employee (up by 9.2%).

Although the actual net profit of forest enterprises shrank to LTL 28.3 million in 2011, the net result, excluding non-standard taxes, stood at LTL 97.2 million and was 28.3% higher than in the previous year. After the elimination of non-standard taxes, the return on equity was 2.7% (up from 2.1% in 2010).

The value of assets of forest enterprises (including the value of forests) rose by 5.5% to LTL 3,808.7 million. The main reason behind this growth was the increase in the value of forests because of rising timber prices. According to the assessment of commercial forests of forest enterprises carried out by the Ministry of Economy, the value increased by 4.9% at the end of 2011 from LTL 3,100 million to 3,253 million.

www.gmu.lt

Profit and loss statement (LTL '000)	2010	2011
<b>Sales revenue</b>	<b>414,977</b>	<b>545,529</b>
Cost of goods sold	153,317	186,224
<b>Gross profit (loss)</b>	<b>261,660</b>	<b>359,305</b>
Operating expenses	220,873	324,602
Profit (loss) from other activities	2,561	2,168
<b>Operating profit (loss)</b>	<b>43,348</b>	<b>36,870</b>
<b>EBITDA</b>	<b>73,457</b>	<b>69,462</b>
Financial and investment activities	3,147	2,127
<b>Profit (loss) before taxes</b>	<b>46,495</b>	<b>38,998</b>
Profit tax	6,892	10,725
<b>Net profit (loss)</b>	<b>39,603</b>	<b>28,273</b>
Net profit margin	9.5%	5.2%
<b>Net profit (loss) excluding non-standard taxes to the state</b>	<b>75,728</b>	<b>97,157</b>

Balance sheet (LTL '000)*	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>3,377,288</b>	<b>3,568,921</b>
<b>Current assets</b>	<b>231,446</b>	<b>239,764</b>
Of which cash and cash equivalents	54,364	90,129
<b>Total assets</b>	<b>3,608,734</b>	<b>3,808,685</b>
<b>Total equity</b>	<b>3,549,097</b>	<b>3,733,891</b>
<b>Grants and subsidies</b>	<b>17,509</b>	<b>27,756</b>
<b>Liabilities</b>	<b>42,128</b>	<b>47,039</b>
Of which financial liabilities	4,803	3,060
<b>Total equity and liabilities</b>	<b>3,608,734</b>	<b>3,808,685</b>

\*The book value of non-current assets and total equity of forest enterprises also includes the value of commercial forests estimated using the cash flow method

Ratios	2010	2011
ROA	2.1%	2.6%
ROE	2.1%	2.7%
D/E	0.1%	0.1%

Return to owner (LTL '000)	2010	2011
Assigned profit contribution	0	21,076
Property tax	4,919	5,764
Raw material tax	37,580	75,276
<b>Total contributions and non-standard taxes to the state</b>	<b>42,499</b>	<b>102,116</b>

Employee information	2010	2011
Number of employees (at period end)	3,561	3,669
Number of executives (at period end)	125	123
Average gross monthly salary of one executive (LTL)	5,123	5,912



### Top management

**Chief Executive Officer:** Gediminas Stirbys. **Board members:** Rimvydas Vaštakas (Vice-minister of Transport and Communications, Chairperson of the Board), Paulius Jankauskas (Ministry of Transport and Communications), Vidas Armanavičius (Ministry of Transport and Communications), Mindaugas Zobiela (Ministry of Transport and Communications), Janina Laskauskienė (Ministry of Transport and Communications).

### General information

The Lithuanian Radio and Television Centre began operating in 1926. In 1997, the legal form of the company was changed to the public limited liability company. The LRTC provides radio and television broadcast services, hosts the equipment of broadcasters and telecommunication operators at its sites, provides telephony, wireless internet Erdvės, 4G mobile internet MEZON, data transmission and other services. The main competitors of the company are TEO LT, Omnitel, Bitė Lietuva, Tele 2 and Balticum TV. The main customers of the company are national broadcasters such as Lithuanian National Radio and Television, LNK, Tele3, Baltijos TV, M-1, Radiocentras, etc.

### Business objectives

The LRTC seeks to be the leading provider of communication services and largest provider of mobile internet services in Lithuania. The main objectives of the company for 2012 are to continue the expansion of the mobile 4G WiMAX network in Lithuania, launch new digital network services as soon as possible and maintain the coverage of wireless broadband fixed-line internet access in all regions across Lithuania.

### Operating results

The analogue terrestrial television signal will be switched off on 29 October 2012. Therefore, the LRTC has increased the capacity of digital terrestrial television stations (more powerful transmitters were built in Vilnius and Druskininkai). On 31 December 2011, the company broadcast the first Lithuanian HD programme via the digital terrestrial network.

According to the data by the Communications Regulatory Authority (CRA),

the electronic communication market shrank by 7% in 2011 by revenue but the LRTC increased its market share by 0.4% to 2.3%. The LRTC position on the internet services market strengthened as the number of internet service subscribers of the company rose by 23% even though the increase in the total number of subscribers nationwide was weaker (12%). The LRTC market share by the number of subscribers went up from 5.3 to 5.8%.

### Financial results

In 2011, sales revenue of the LRTC increased by 8.7% to LTL 73.4 million. The cost of sale rose by 3.4% to LTL 50.7 million. Compared to 2010, operating costs leaped by 21.3% to LTL 20.5 million. The costs grew mostly because of the development of mobile 4G internet MEZON services and digital television network which added to the increase in advertising, telecommunication, staff maintenance and equipment depreciation costs. In 2011, the company earned a profit of LTL 2 million which was 75% higher than a year ago. The net profit margin improved from 1.7% in 2010 to 2.8% in 2011 and the return on equity rose from 1.2% to 2%. In 2011, the LRTC invested LTL 9.2 million into the development of telecommunication networks. The company plans to invest LTL 15.5 million in 2012, including LTL 8 million in borrowed funds. A significant portion of assets of the LRTC is made up of the debt of Lithuanian National Radio and Television which rose by LTL 1.75 million to LTL 10.5 million in 2011. Since the beginning of the year, the LRTC has cut its financial liabilities by LTL 15 million, so the debt to equity ratio fell from 54% to 38%.

Profit and loss statement (LTL '000)	2010	2011
Sales revenue	67,544	73,425
Cost of goods sold	48,995	50,657
<b>Gross profit (loss)</b>	<b>18,549</b>	<b>22,768</b>
Operating expenses	16,907	20,500
Profit (loss) from other activities	852	828
<b>Operating profit (loss)</b>	<b>2,493</b>	<b>3,095</b>
<b>EBITDA</b>	<b>21,870</b>	<b>22,714</b>
Financial and investment activities	-1,166	-692
<b>Profit (loss) before taxes</b>	<b>1,328</b>	<b>2,403</b>
Profit tax	167	376
<b>Net profit (loss)</b>	<b>1,161</b>	<b>2,027</b>
Net profit margin	1.7%	2.8%

Balance sheet (LTL '000)	31.12.2010	31.12.2011
<b>Non-current assets</b>	<b>133,897</b>	<b>123,293</b>
<b>Current assets</b>	<b>23,978</b>	<b>21,845</b>
Of which cash and cash equivalents	3,090	983
<b>Total assets</b>	<b>157,874</b>	<b>145,138</b>
<b>Total equity</b>	<b>98,884</b>	<b>100,911</b>
<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>58,990</b>	<b>44,227</b>
Of which financial liabilities	52,941	37,915
<b>Total equity and liabilities</b>	<b>157,874</b>	<b>145,138</b>

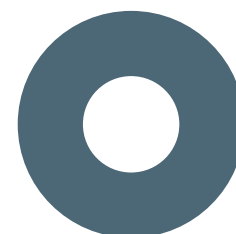
Ratios	2010	2011
ROA	0.7%	1.3%
ROE	1.2%	2.0%
D/E	53.5%	37.6%

Return to shareholders (LTL '000)	2010	2011
Expected dividends	0	2,550

\* Payment to be confirmed by the end of the third quarter of 2012

Employee information	2010	2011
Number of employees (at period end)	390	400
Number of executives (at period end)	5	5
Average gross monthly salary of one executive (LTL)	6,267	9,038

### Shareholders



■ The Lithuanian State - 100 %

# OVERVIEW OF THE PORTFOLIO OF MUNICIPALLY-OWNED ENTERPRISES



The summary overview of municipally-owned enterprises (MOE) in 2009–2011, covers 262 (out of 299) enterprises run by municipalities. The remaining 37 enterprises have not been reviewed since they have not submitted their financial data to the Centre of Registers. The analysis covered 58 of 60 municipalities. Because of insufficient data, enterprises controlled by the Alytus District Municipality and Pagėgiai Municipality have not been included into the portfolio. The Vilnius MOE portfolio excludes 8 of 16 enterprises that accounted for 15% of total assets of the Vilnius MOE portfolio in 2010 and 31% of revenue of this portfolio. Assets and revenue of Vilniaus Troleibusai

and Vilniaus Autobusai made up the largest share of excluded assets and revenue. These enterprises were not included into the portfolio because both of them underwent reorganisation at the end of 2011 merging into the private limited liability company Vilniaus Viešasis Transportas. In addition, the analysis excluded 5 of 14 enterprises of the Klaipėda Municipality because of insufficient data. In 2010, their assets and revenue accounted for less than 2% of the total Klaipėda MOE portfolio. In total, assets of excluded enterprises made up around 6% of assets of the total MOE portfolio and revenue 8.4% of total revenue of the MOE portfolio in 2010.

Profit and loss statement (LTL '000)	2009	2010	2011
<b>Sales revenue</b>	<b>2,310,492</b>	<b>2,324,158</b>	<b>2,384,629</b>
Cost of goods sold	1,913,573	2,014,981	2,103,819
<b>Gross profit (loss)</b>	<b>396,920</b>	<b>309,177</b>	<b>280,809</b>
Operating expenses	294,263	284,243	289,304
Profit (loss) from other activities	30,396	26,112	31,937
<b>Operating profit (loss)</b>	<b>133,052</b>	<b>51,046</b>	<b>23,442</b>
<i>Operating profit margin</i>	<i>5.8%</i>	<i>2.2%</i>	<i>1.0%</i>
Financial and investment activities	-25,637	-13,080	-22,899
Extraordinary gains	83	70	49
Extraordinary losses	219	278	21
<b>Profit (loss) before taxes</b>	<b>107,279</b>	<b>37,758</b>	<b>571</b>
Profit tax	13,969	8,179	1,405
<b>Net profit</b>	<b>93,310</b>	<b>29,579</b>	<b>-833</b>
<i>Net profit margin</i>	<i>4.0%</i>	<i>1.3%</i>	<i>0.0%</i>
Minority interest	25,136	7,698	3,177

Balance sheet (LTL '000)	31.12.2009	31.12.2010	31.12.2011
Intangible assets	35,005	27,084	24,733
Tangible assets	6,051,707	6,637,772	7,216,888
Financial assets	98,372	110,076	130,920
Other non-current assets	15,509	21,987	28,853
<b>Non-current assets</b>	<b>6,200,592</b>	<b>6,796,919</b>	<b>7,401,394</b>
Inventories, prepayments and contracts in progress	118,003	146,408	183,804
Amounts receivable within one year	736,194	688,870	732,727
Other current assets	78,193	113,409	56,768
Cash and cash equivalents	136,492	215,698	153,645
<b>Current assets</b>	<b>1,068,882</b>	<b>1,164,385</b>	<b>1,126,944</b>
<b>Total assets</b>	<b>7,269,474</b>	<b>7,961,304</b>	<b>8,528,338</b>
<b>Total equity</b>	<b>3,783,815</b>	<b>3,890,545</b>	<b>3,908,864</b>
Minority shareholder equity	148,538	159,258	161,052
<b>Grants and subsidies</b>	<b>1,958,011</b>	<b>2,599,603</b>	<b>3,063,601</b>
Non-current liabilities	666,313	660,842	689,741
Current liabilities	861,336	810,313	866,132
<b>Liabilities</b>	<b>1,527,648</b>	<b>1,471,155</b>	<b>1,555,873</b>
Of which financial liabilities	631,641	645,347	702,369
<b>Total equity and liabilities</b>	<b>7,269,474</b>	<b>7,961,304</b>	<b>8,528,338</b>

Other information	2009	2010	2011
Number of employees (at period end)	20,428	19,756	19,778

Ratios	2009	2010	2011
ROA	1.4%	0.4%	0.0%
ROE	2.6%	0.8%	0.0%
D/E	16.7%	16.6%	18.0%

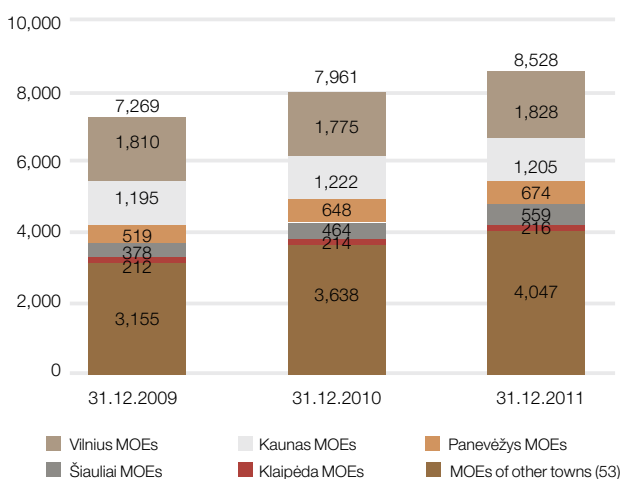
  

<b>Number of enterprises in the portfolio</b>	<b>262</b>
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## Assets

The book value of assets of the total MOE portfolio rose by 9.5% in 2010 and went up by 7.1% in 2011 to LTL 8.5 billion. The main reasons of changes in asset value of the overall portfolio in 2011 were the higher asset value of Šiauliai (20.5% to LTL 559 million), Vilnius (2.9% to LTL 1.8 billion), Alytus (18.9% to LTL 178 million) MOEs and the lower value of Kaunas MOE assets (1.4% to LTL 1.2 billion). The book value of assets increased in 46 municipally-owned enterprises and decreased in 12 enterprises.

### Assets (LTL million)



The entire MOE portfolio was mainly affected by changes in assets of enterprises controlled by the Vilnius Municipality with the largest property holdings: assets of Vilniaus Vandens and Susisiekimo Paslaugos grew by 6.4% to LTL 798.8 million and by 15.6% to LTL 198.8 million respectively, while assets of Šiaurės Miestelis and Vilniaus Šilumos Tinklai decreased by LTL 35.1% to LTL 25.4 million and by 4% to LTL 476.2 million respectively.

In 2010, the Panevėžys MOE portfolio grew by 24.8% because of the revaluation of water supply networks of Aukštaitijos Vandens and reconstruction of Panevėžys and Zarasai regional boiler houses and modernisation of the Pasvalys heat supply system by Panevėžio Energija. In 2011, the portfolio of Panevėžys increased by a further 4%. Key changes in 2011: the value of assets of Aukštaitijos Vandens rose by 5.7% to LTL 320.2 million, assets of Panevėžio Energija went up by 3.6% to LTL 312.1 million as a result of modernisation of regional boiler houses, regional heat supply pipelines and heat supply network.

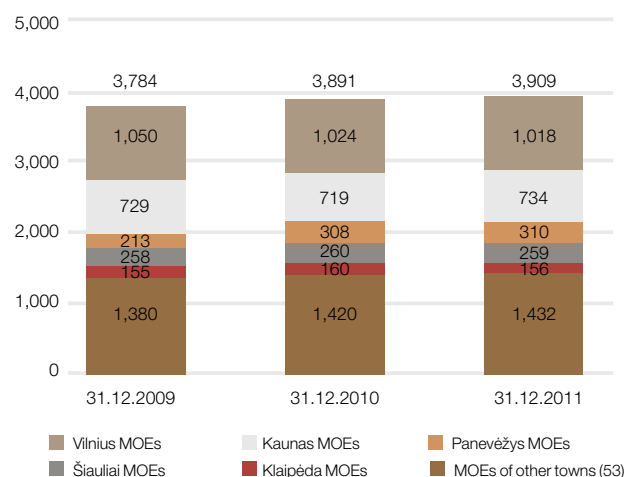
Out of five largest MOE portfolios, the portfolio of Šiauliai MOE increased by the biggest margin in 2011: 20.5% to LTL 559 million. The most significant factor was the increase in assets of Šiaulių Energija by 38% to LTL 231.2 million as a result of investments in the combined heat and power plant. The book value of Šiaulių Vandens assets rose by 12.6% in 2011 to LTL 299.8 million because of investments in sludge treatment installations and development of water supply and wastewater network.

## Equity

The value of equity of the MOE portfolio, which increased by 2.8% in 2010, rose by just 0.5% in 2011 to LTL 3.9 billion. In 2010, changes in equity of the entire MOE portfolio mostly relied on a 45% increase (LTL 95 million) in equity of the Panevėžys MOE portfolio. The increase resulted from the revaluation of the water supply network of Aukštaitijos Vandens (LTL 82.5 million) and a net profit of LTL 9.3 million earned by Panevėžio Energija. Other major changes in 2010: the Prienai Municipality handed over the water supply system and wastewater network worth LTL 6.6 million to Prienų Vandens which increased the share capital of the company; equity of Radviliškio Šiluma rose by 35% because of much higher profit earned; equity of Raseinių Butų Ūkis grew by LTL 4 million because of municipal property handed over to the company. In addition, assets of the company were revaluated during reorganisation of Skuodo Šiluma from the municipal enterprise into a private limited liability company which resulted in a LTL 7 million increase in the share capital. In 2010, the strongest effect on the value of equity of the Kaunas MOE portfolio was made by a LTL 12 million decrease in equity of Kauno Vandens due to the transfer of construction in progress (Marvelė street and reinforcement of Nemunas embankment) to the municipality.

In 2011, changes in the value of equity of the entire MOE portfolio depended mostly on a LTL 13.5 million increase in the value of equity of Kaunas Energija managed by the Kaunas City Municipality (mainly because of a LTL 9.3 million increase in the net profit of the reference year). The growth of the net profit of the company was supported by the fine paid by the Kaunas thermal power plant for the breach of investment agreements. Equity value of Trakų Vandens grew by LTL 3.7 million to LTL 12.9 million. The change in equity of Vilniaus Vandens reduced equity value of the entire MOE portfolio by LTL 6.3 million. Equity value of Naujasis Turgus managed by the Klaipėda City Municipality plunged by 43% to LTL 5.5 million because of the loss of LTL 4.5 million during the bankruptcy of Snoras.

### Equity (LTL million)

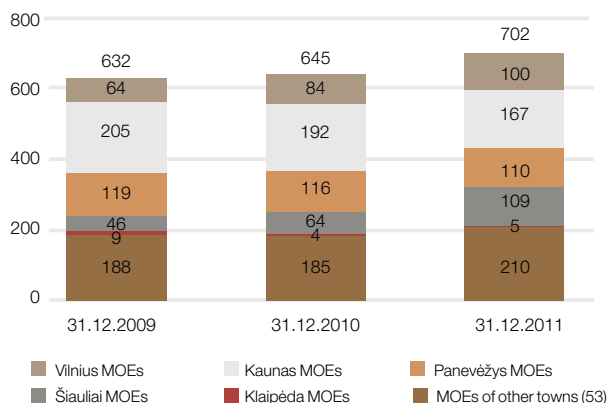


### Financial liabilities

The financial debt of the MOE portfolio, which rose by 2.2% in 2010, further increased by 8.8% in 2011 to LTL 702 million. It should be noted that as many as 160 of 262 MOE analysed had no financial liabilities.

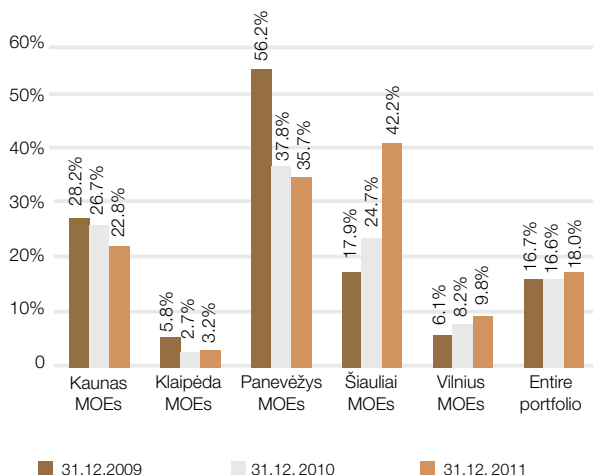
In 2011, financial liabilities of Vilnius and Šiauliai MOE portfolios rose by the largest margin and had the strongest effect on the entire MOE portfolio. Liabilities of the Šiauliai portfolio increased by LTL 45.4 million because loans of Šiaulių Energija for the construction of a thermal power plant went up by LTL 43.8 million, while the financial debt of Vilnius MOE rose by LTL 16.2 million because of the growing debts of Vilniaus Vandenys (LTL 12.9 million) and Grinda (LTL 4.6 million). The financial debt of the Kaunas MOE portfolio fell by LTL 25.4 million in 2011 to LTL 167 million after Kauno Energija covered LTL 9.5 million of debt and Kauno Vandenys repaid LTL 6.2 million.

Financial liabilities (LTL million)



In 2011, the debt to equity ratio (financial leverage) of the MOE portfolio was almost 18%. During the period of three reference years, changes in the financial leverage were marginal but the ratio was lower and stood at 16.6% in 2010 and 16.7% in 2009.

### Debt to equity ratio

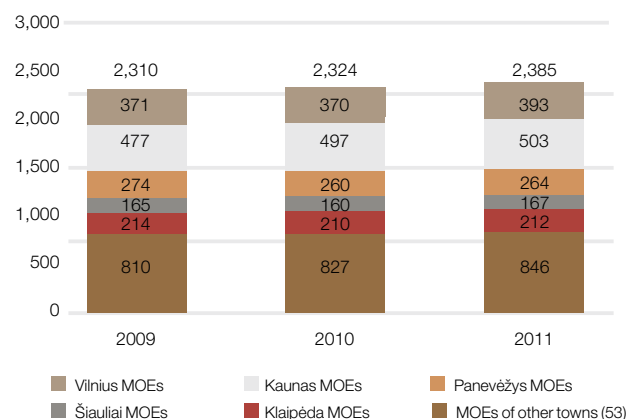


Among the largest cities, the financial leverage of the Šiauliai MOE portfolio was the highest in 2011 and stood at 42.2% (up from 24.7% in 2010 and 17.9% in 2009). Changes in the indicator were caused by the growing debt of Šiaulių Energija. The debt to equity ratio of the Panevėžys MOE portfolio fell from 56.2% in 2009 to 35.7% in 2011 mostly because of the revaluation of assets of Aukštaitijos Vandenys and lower financial liabilities of the company in 2010.

### Sales revenue

Sales revenue of the MOE portfolio grew for the second year in a row. It stood at LTL 2.3 billion in 2010 and increased by 0.6% from 2009, while sales revenue went up by 2.6% in 2011 to LTL 2.4 billion.

Sales revenue (LTL million)



In 2011, sales revenue of the Vilnius MOE portfolio went up by 6.3% from 2010. Revenue of Grinda soared by 50.8% to LTL 42.6 million and sales revenue of Vilniaus Gatvių Apšvietimo Elektros Tinklai jumped by 34.9% to LTL 13.3 million. Revenue of Vilniaus Vandenys grew by LTL 3.4 million to LTL 96.5 million.

In 2010, revenue of the Panevėžys MOE portfolio slid down by 5%. Although the sales revenue of Aukštaitijos Vandenys grew by 26.6% to LTL 27.9 million because of changes in service prices during the period concerned, the overall result of the town's portfolio was mostly affected by a 9.3% drop in revenue of Panevėžio Energija to LTL 185.2 million. Revenue of the latter company decreased for two reasons. First, the company failed to sell any carbon pollution allowances (CPA) in 2010 while their sales in 2009 generated LTL 10 million. Second, the volume of sale of electricity shrank by about 7% and the electricity tariff declined by a quarter. In 2011, revenue of the Panevėžys MOE portfolio grew by 1.3% to LTL 263.6 million because of an 11.8% increase (to LTL 21.6 million) in the sales revenue of Panevėžio Autobusų Parkas (shuttle minibuses withdrew from the passenger transportation market) and a 48.4% jump (to LTL 6.8 million) in the sales revenue of Panevėžio Gatvės (revenue grew as funding for the repair of streets increased by LTL 1.5 million before the basketball championship).

In 2011, revenue of the Klaipėda MOE portfolio changed marginally, with the exception of Klaipėdos Autobusų Parkas

as its sales revenue increased by 11% to LTL 25.7 million after ticket prices were raised.

In 2010, sales revenue of the Šiauliai MOE portfolio shrank by 3.5% to LTL 159.6 million. However, revenue increased by 4.6% in 2011 to LTL 167 million as revenue of Šiauliai airport reached the level of 2009 (due to growing sales of jet fuel and revenue from flights).

### Operating profit

Total operating costs of municipally-owned enterprises, which contracted by 3.4% in 2010 to LTL 284.3 million,

went up by 1.8% in 2011 to LTL 289.3 million. The operating profit of municipally-owned enterprises went down in the last two years. In 2010, the operating profit of all MOEs plunged by 61.6% to LTL 51 million. In 2011, the operating profit of the portfolio dropped by a further 54.1% to LTL 23.4 million. All MOEs, with the exception of those in Vilnius, saw their profitability ratios deteriorate. The operating results of the Vilnius MOE portfolio improved as the operating result was positive in 2011 for the first time in the last three years. The steepest decline was in the operating profits of Klaipėda, Šiauliai and Panevėžys MOE portfolios.

MOE operating profit (LTL million)	2009	2010	2011
Kaunas City Municipality	18.6	15.6	11.9
Change		-16.1%	-23.5%
Klaipėda City Municipality	26.7	11.1	7.7
Change		-58.6%	-30.2%
Šiauliai City Municipality	18.3	4.1	2.3
Change		-77.8%	-42.8%
Panevėžys City Municipality	54	13.4	1
Change		-75.2%	-92.3%
Vilnius City Municipality	-10.9	-4.8	0.8
Change		-	-
<b>All municipalities</b>	<b>133</b>	<b>51</b>	<b>23.4</b>
<b>Change</b>		<b>-61.6%</b>	<b>-54.1%</b>

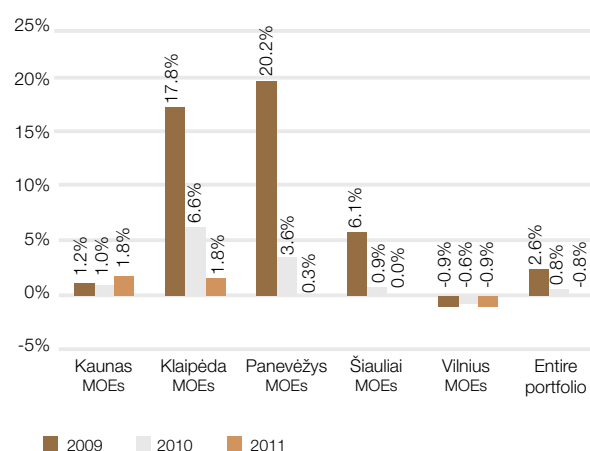
Among five largest municipalities, the operating profit of the Kaunas MOE portfolio was the largest, even though it contracted for the second year in a row. In 2011, the result of the Kaunas portfolio was affected negatively by worsening results of Kauno Švara and Kauno Vandenyys as their operating profit stood at LTL 1.5 million (down by LTL 1.6 million than in 2010) and LTL 1 million (down by LTL 1.3 million than in 2010) respectively. In 2010 and 2011, the operating profit of the Klaipėda MOE portfolio suffered from declining operating results of Klaipėdos Energija as the operating profit went down by LTL 15.4 million in 2010 and decreased by a further LTL 4 million in 2011. In 2010, the operating profit of the Šiauliai MOE portfolio shrank because of a LTL 16.7 million decrease in the operating profit of Šiaulių Energija despite a positive impact of Šiaulių Vandenyys on the portfolio result as the company's operating profit increased by LTL 3.4 million. In 2011, the results of the portfolio were dragged down mostly because of a decrease in the operating profit of Šiaulių Energija and Busturas by LTL 0.9 million and 1.1 million respectively. The decrease of operating profit of the Panevėžys MOE portfolio was the largest in nominal terms as the operating profit fell from LTL 54 million in 2009 to just LTL 1 million in 2011. The result of the portfolio was affected by the LTL 42.4 million drop in the operating profit of Panevėžio Energija in 2010 and its further fall by LTL 12.2 million in 2011. Vilnius MOEs incurred losses in both 2009 and 2010 but managed to earn an operating profit of LTL 0.8 million in 2011. In 2010, the loss was smaller because of better operating results of Vilniaus Vandenyys and Susisiekimo Paslaugos as both companies saw their earnings increase by LTL 2.9 million and 3 million respectively compared to 2009.

The operating profit of 2011 was supported by better operating results of Vilniaus Vandenyys (a LTL 4.7 million increase in the operating profit), Vilniaus Šilumos Tinklai (a LTL 2.4 million increase in the operating profit) and Vilniaus Miesto Būstas (a LTL 2.2 million increase in the operating profit).

### Profitability

The return on equity of the MOE portfolio deteriorated for the second year in a row. It stood at 2.6% in 2009, declined to 0.8% in 2010 and became negative in 2011.

#### Return on equity



In 2011, the return on equity of the MOE portfolios of major cities was around zero. Between 2009 and 2011, the return on equity of Kaunas MOEs grew marginally from 1.2% to 1.8%. The return on equity of the Klaipėda MOE

portfolio shrank from 17.8% to 1.8% in the period of three years. This change resulted from the decrease of the net profit of Klaipėdos Energija from LTL 23.7 million in 2009 to LTL 7.3 million in 2011 and a net loss of LTL 4.7 million incurred by Naujasis Turgus in 2011. The return on equity of the Panevėžys MOE portfolio dropped from 20.2% in 2009 to 0.3% in 2011 because the net profit of Panevėžio Energija plummeted from LTL 40.4 million in 2009 to LTL 0.7 million in 2011. As a result of the decline in the net profit of Šiaulių Energija from LTL 17.4 million in 2009 to LTL 0.4 million in 2011, the return on equity of the Šiauliai MOE portfolio dropped from 6.1% to 0%. A loss of LTL 1.4 million incurred by Busturas also had a negative effect on the result of this MOE portfolio in 2011. During the entire period concerned, the return on equity of the Vilnius MOE portfolio was negative and stood at -0.9% on 2011. The

highest return on equity was achieved by Birštonas (9.5%), Šiauliai district (5.3%) and Varėna district (5.1%) MOEs.

## Employees

During the period concerned, the total number of the employees of the MOE portfolio did not change significantly. In 2010, the steepest fall in the number of employees (258 people) was among Kaunas MOEs. A fifth of workforce (128 employees) was made redundant by Autrolis and 49 employees were laid off by Kauno Autobusai. In 2011, the largest changes in the number of employees were seen in Druskininkai and Molėtai districts as the number of employees in both municipalities went up by around 13%. The number of employees of Druskininkų Vandentiekis and Molėtų Švara rose by 30.2% (29 employees) and 29.5% (28 employees) respectively.

Number of MOE employees	2009	2010	2011
Kaunas City Municipality	3,305	3,047	3,055
Panevėžys City Municipality	1,800	1,732	1,743
Vilnius City Municipality	1,631	1,582	1,597
Šiauliai City Municipality	1,146	1,097	1,075
Klaipėda City Municipality	925	883	867
<b>All municipalities</b>	<b>20,428</b>	<b>19,756</b>	<b>19,778</b>

## Summary of the MOE portfolio overview

In the last two years, the return on equity of the MOE portfolio went down and was negative in 2011 (-0.02%). The turnover of assets of the portfolio also deteriorated as it stood at 0.32 in 2009, fell to 0.29 in 2010 and dropped to 0.28 in 2011. It should also be noted that 61% of the portfolio enterprises had no financial debts and the financial leverage of the entire MOE portfolio was relatively low and stood at 18%. All these indicators show that assets of municipally-owned enterprises are not managed efficiently which has resulted in an insufficient return to owners or shareholders of enterprises on capital invested by them.

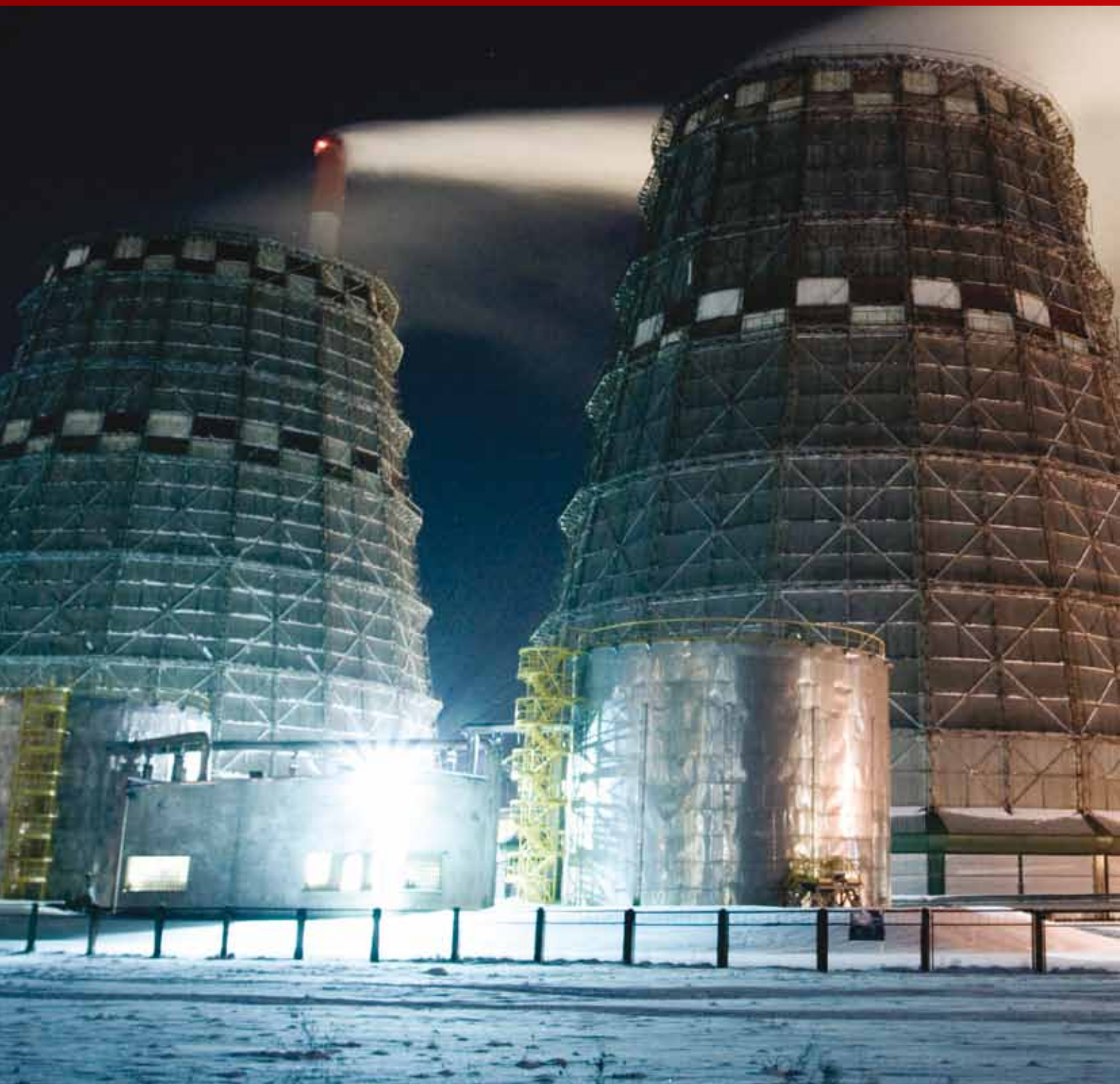
The potential causes of inefficient operations of MOEs and low returns to shareholders are the lack of clear objectives and strategies of MOEs, lack of professional management of

companies and insufficient control of accountability of these enterprises. The insufficient transparency and accountability of enterprises is further evidenced by the fact that as many as 12% of all MOEs were excluded from the portfolio because the Register of Legal Entities had not received the relevant financial data on time.

Therefore, if municipalities want to manage their enterprises more efficiently, they must ensure their transparency, set clear shareholder objectives and set up professional boards. The Transparency Guidelines, Strategic Management and Strategic Planning Guidelines as well as the Ownership Guidelines could serve as a basis for municipalities to ensure that the activities of their subordinate enterprises are more transparent and efficient.



# HEAT



The heat sector has a significant direct impact on the Lithuanian economy as heat consumption costs around LTL 2,4 billion annually for Lithuania which makes up about 2.3% of the gross domestic product of the country.

The heat supply was delegated to municipalities after the re-organisation of special-purpose public company Lietuvos Energija in 1997. Because of the lack of competence in managing district heating supply (DHS) companies as well as inefficient and loss-making activities of enterprises, some municipalities entered into long-term lease agreements transferring the management of DHS companies to such private-capital businesses as Dalkia, E-energija and Fortum Heat. As a result, Lithuania has two models of corporate management in the heat sector: some companies remained subordinate to municipalities while the infrastructure of others was leased to private operators.

### Heat sector regulation

In 2003, the Law on Heat Sector entered into force facilitating more intensive investment into DHS infrastructure and creating profit opportunities for both operators of leased infrastructures and enterprises controlled by municipalities. The permissible rate of profit is determined by the National Control Commission for Prices and Energy (NCCPE).

After the amendment of the Law on Energy in 2011, the responsibility for the methodology and principles for setting price caps in the energy sector was transferred to the Ministry of Energy, while the NCCPE remained responsible for setting specific price caps and controlling service providers.

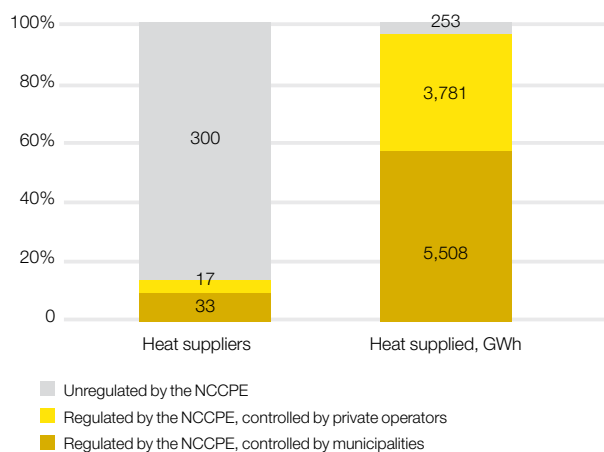
According to the Law on Heat Sector, the NCCPE, taking

into account the comments of the municipality on the draft basic price of heat proposed by the heat supplier, sets the basic price of heat for every heat supplier which sells more than 10 GWh of heat per year. Basic heat prices for heat suppliers selling less than 10 GWh of heat per year are fixed by municipal councils in accordance with the Heat Pricing Methodology.

The profit rates of DHS companies for heat generation-transmission and sale are calculated according to different methodologies. The profit rate for heat generation and transmission is calculated on the basis of the value of assets used for licensed activities of the company and the value of mandatory backup fuel reserves, while the profit rate for heat sale is calculated on the basis of established indispensable heat sale costs. The profit rate is affected by the average weighted price of capital which depends on the equity to debt ratio of the company and the cost of borrowed and equity capital. The cost of equity is calculated and published by the NCCPE every year. The calculated cost of equity was 6.87% in 2011. Companies are free to set their capital structure and control their profitability.

According to the NCCPE, there are about 350 heat suppliers in Lithuania and operations of 50 of them are regulated by the NCCPE. 33 of these 50 heat suppliers are controlled by municipalities and 17 companies have leased their heat supply infrastructure to private operators. Heat suppliers may generate heat themselves or purchase it from independent heat producers. There are 18 such producers in Lithuania and prices of heat sold by 9 of them are regulated by the NCCPE.

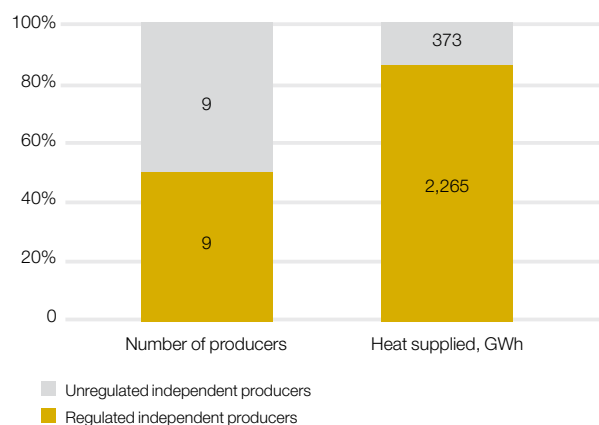
**Heat suppliers regulated and unregulated by the NCCPE (controlled by municipalities and private operators) and heat supplied by them in 2011 (GWh)**



Source: NCCPE

According to the data of 2011, heat suppliers regulated by the NCCPE provided 97.3% of the total amount of heat supplied to the network in the country and served 680,800

**Independent heat producers regulated and unregulated by the NCCPE and heat supplied by them in 2011 (GWh)**



Source: NCCPE

customers, which represents a 2.3% increase from 665,400 in 2010.

## Overview of the portfolio of DHS companies controlled by municipalities

The aggregate portfolio of DHS companies controlled by municipalities includes 36 of 39 companies. Three companies (Birštono Šiluma, Skuodo Šiluma and Dainavos Energetika) were excluded from the portfolio because of the lack of

financial data for 2011.

Ten largest DHS companies controlled by municipalities by assets in 2011 are listed in the following table.

Enterprise	Leased assets	Municipal interest	Assets at the end of 2011, LTL '000	Revenue in 2011, LTL '000	Net profit in 2011, LTL '000	ROE in 2011
AB Vilniaus Šilumos Tinklai	Yes	99.4%	476,224	59,898	2,042	0.5%
AB Kauno Energija	No	92.8%	412,255	309,345	13,540	4.0%
AB Panevėžio Energija	No	59.5%	312,096	184,334	673	0.3%
AB Šiaulių Energija	No	95.3%	231,238	103,944	351	0.2%
AB Klaipėdos Energija	No	75.2%	189,093	179,297	7,256	4.4%
UAB Utenos Šilumos Tinklai	No	99.6%	60,432	24,063	1,883	3.9%
UAB Mažeikių Šilumos Tinklai	No	99.9%	48,854	25,952	329	0.9%
UAB Alytaus Šilumos Tinklai	Yes	98.6%	40,075	2,092	109	0.3%
AB Jonavos Šilumos Tinklai	No	100%	39,587	29,656	-1,459	-4.8%
UAB Šilutės Šilumos Tinklai	No	99.9%	25,123	15,005	473	2.3%

All ten enterprises are controlled by municipalities (the controlling interest is held by the municipalities of cities). The stock of Kauno Energija is traded on NASDAQ OMX Vilnius and is included in the Baltic Secondary List. Panevėžio Energija, which supplies heat on the regional scale, is controlled by several municipalities (Panevėžys city, Kėdainiai, Rokiškis, Kupiškis, Pasvalys, Zarasai and Panevėžys districts) but the controlling interest of 59.5% is held by the Panevėžys City Municipality. Seeking to gain experience from foreign

consultants and improve management of the company, Klaipėdos Energija raised foreign capital and a 19.6% stake of the company is now held by Fortum Heat Lietuva. The entire infrastructure of Vilniaus Šilumos Tinklai has been leased to private operator Dalkia. Assets and revenue of ten largest DHS companies make up 21.5% of assets and 39.2% of revenue of the entire DHS portfolio.

The following section provides an overview of the financial results of 36 DHS companies controlled by municipalities.

Profit and loss statement (LTL '000)	2009	2010	2011
<b>Sales revenue</b>	<b>1,054,727</b>	<b>1,062,203</b>	<b>1,059,746</b>
Cost of goods sold	883,072	974,161	1,005,450
<b>Gross profit (loss)</b>	<b>171,654</b>	<b>88,041</b>	<b>54,296</b>
Operating expenses	51,956	47,619	44,911
Profit (loss) from other activities	22,603	9,887	14,327
<b>Operating profit (loss)</b>	<b>142,302</b>	<b>50,310</b>	<b>23,712</b>
<i>Operating profit margin</i>	<i>13.50%</i>	<i>4.70%</i>	<i>2.20%</i>
Financial and investment activities	-12,731	-4,989	527
Extraordinary gains	33	10	0
Extraordinary losses	203	274	17
<b>Profit (loss) before taxes</b>	<b>129,401</b>	<b>45,057</b>	<b>24,222</b>
Profit tax	14,740	6,530	140
<b>Net profit</b>	<b>114,661</b>	<b>38,527</b>	<b>24,082</b>
<i>Net profit margin</i>	<i>10.90%</i>	<i>3.60%</i>	<i>2.30%</i>
Minority interest	24,526	7,115	2,919

Balance sheet (LTL '000)	31.12.2009	31.12.2010	31.12.2011
Intangible assets	8,557	3,437	3,762
Tangible assets	1,583,891	1,619,618	1,757,147
Financial assets	14,884	18,439	30,672
Other non-current assets	7,834	12,853	11,336
<b>Non-current assets</b>	<b>1,615,165</b>	<b>1,654,348</b>	<b>1,802,917</b>
Inventories, prepayments and contracts in progress	49,841	54,775	65,363
Amounts receivable within one year	225,469	278,584	246,990
Other current assets	26,805	26,250	9,758
Cash and cash equivalents	56,986	37,498	44,096
<b>Current assets</b>	<b>359,101</b>	<b>397,107</b>	<b>366,207</b>
<b>Total assets</b>	<b>1,974,266</b>	<b>2,051,455</b>	<b>2,169,125</b>
<b>Total equity</b>	<b>1,271,516</b>	<b>1,312,238</b>	<b>1,330,138</b>
Minority shareholder equity	110,457	116,185	117,736
<b>Grants and subsidies</b>	<b>133,054</b>	<b>153,006</b>	<b>213,203</b>
Non-current liabilities	272,917	252,229	295,333
Current liabilities	296,779	333,981	330,450
<b>Liabilities</b>	<b>569,696</b>	<b>586,210</b>	<b>625,783</b>
Of which financial liabilities	255,433	275,971	315,328
<b>Total equity and liabilities</b>	<b>1,974,266</b>	<b>2,051,455</b>	<b>2,169,125</b>

Other information	2009	2010	2011
Number of employees (at period end)	3,099	3,099	3,134

Ratios			
ROA	6.1%	1.9%	1.1%
ROE	10.0%	3.0%	1.8%
D/E	20.1%	21.0%	23.7%

The book value of assets of the DHS portfolio, which rose by 3.9% in 2010, went up by 5.7% in 2011 to LTL 2.2 billion. Because of the ongoing project of Šiauliai thermal power plant, the steepest increase was in the assets of Šiaulių Energija in 2011 (by LTL 63.7 million to 231.2 million). The largest decline was in the book value of assets of Vilniaus Šilumos Tinklai (by LTL 20.1 million to 476.2 million). The value of equity of the heat sector, which increased by 3.2% in 2010, rose by just 1.4% in 2011 to LTL 1.3 billion. Changes in the value of equity were strongly affected in 2011 by the value of equity of Kauno Energija which went up because of the net profit of LTL 13.5 million. Financial debt of DHS companies, which made up LTL 276 million in 2010 (8% higher than in 2009), rose by 14.3% in 2011 to LTL 315.3 million. The sharpest increase was in financial liabilities of Šiaulių Energija because of its ongoing thermal power plant project (by LTL 43.8 million to LTL 94.4 million), while Kauno Energija reduced its debt by LTL 9.5 million. The financial leverage (debt to equity ratio) of DHS companies increased from 20.1% in 2009 to 23.7% in 2011.

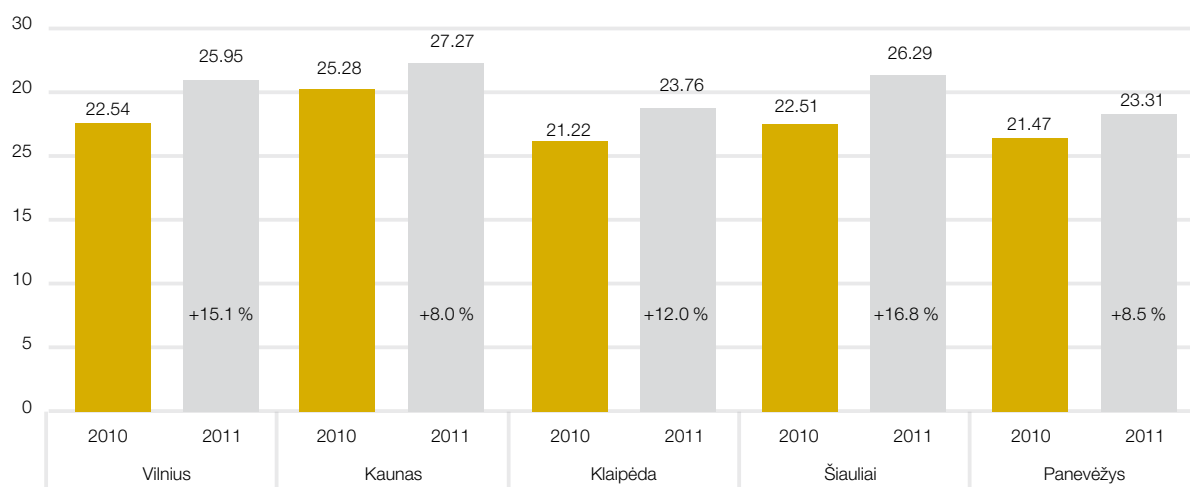
The total turnover of the DHS portfolio changed fractionally in 2009–2011. Having grown by 0.7% in 2010, it fell by 0.2% in 2011 to LTL 1.1 billion. The operating costs, which shrank by 8.3% in 2010, further decreased by 5.7% in 2011 to LTL 44.9 million. The operating profit of the portfolio dropped from LTL 142.3 million in 2009 to LTL 23.7 million in 2011. The change in the operating profit of the portfolio was triggered by higher cost of sale of Panevėžio Energija, Klaipėdos Energija and Jonavos Šilumos Tinklai. The return on equity of DHS companies fell from 10% in 2009 to 1.8% in 2011.

DHS companies controlled by municipalities that are included into the portfolio employed 3,099 people in 2009–2010. The headcount of the sector rose by 1.1% in 2011 to 3,134.

### Heat prices and efficiency of DHS operations

In 2011, the average annual heat prices grew by 12.1% on average in major cities. The following diagram shows the movement of prices in major cities. The largest increase in prices was in Vilnius and Šiauliai (15.1% and 16.8%) and the smallest one in Kaunas (8%).

## Average annual heat prices in major cities incl. VAT in 2010–2011 (ct/kWh)

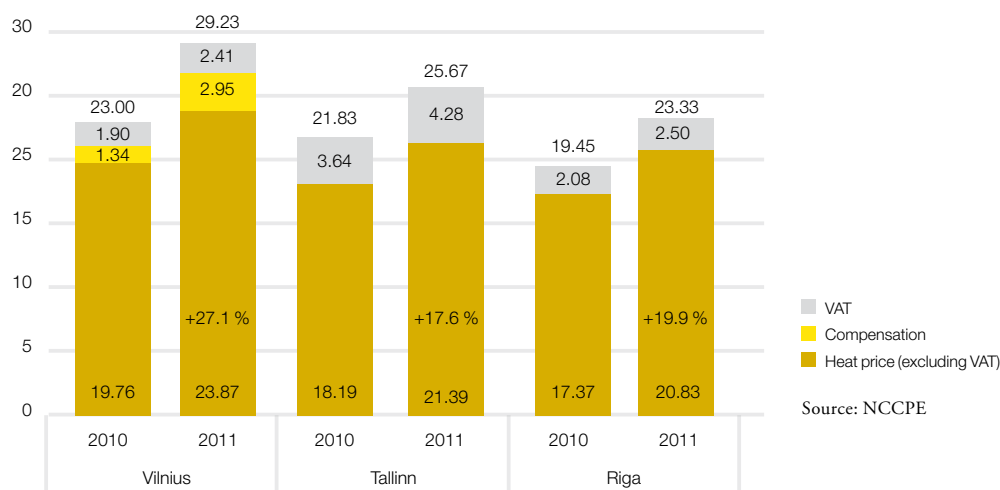


Source: NCCPE

In 2010–2011, the highest prices of heat were in Kaunas (25.28 ct/kWh in 2010 and 27.27 ct/kWh in 2011) and the lowest in Klaipėda (21.22 ct/kWh in 2010 and 23.76 ct/kWh in 2011) and Panevėžys (21.47 ct/kWh in 2010 and 23.31 ct/kWh in 2011). According to the data of January 2012, the lowest price of heat among the capitals of Lithuania, Latvia and Estonia was in

Riga (23.33 ct/kWh incl. VAT) and the highest in Vilnius (29.23 ct/kWh incl. VAT). Compared to the prices of January 2011, the largest increase in the price was in Vilnius (27.1%) and the smallest in Tallinn (17.6%). The price of heat in Vilnius in January 2012 included a component of 2.95 ct/kWh (1.34 ct/kWh in January 2011) to cover outstanding costs from 2008–2010.

## Heat price in Vilnius, Tallinn and Riga in January 2011 and 2012 (ct/kWh)



Source: NCCPE

The efficiency of operations is reflected by the production costs included in the heat price net of fuel costs. The largest portion of the operating costs of heat supply (excluding fuel and purchased heat costs) are made up of wages (19.9 to 28.9%) and depreciation costs (12.8% to 21.2%). In Klaipėda and Vilnius DHS enterprises wages accounted for the largest share of operating costs (excluding fuel and purchased heat costs) and made up 29% and 20% of total costs respectively. The largest portion of costs of Panevėžio Energija was made up by depreciation costs (21.2%), while they accounted for the smallest portion in the operating costs of Klaipėdos Energija (12.8%). The largest portion of repair costs was at Vilniaus Energija (0.66 ct/kWh).

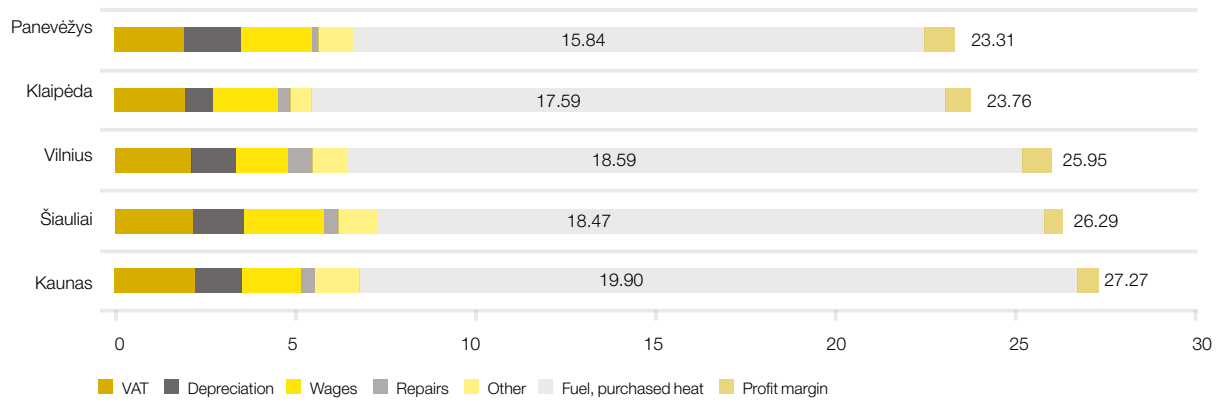
Among the DHS companies in five major Lithuanian cities, Panevėžio Energija had the lowest fuel costs and heat price in 2011 because the company is least dependent on fossil fuel and biofuel accounts for 23% of its fuel balance. Fuel costs and purchased heat costs of the company amount to 15.84 ct/kWh and make up 68% of the heat price, while this percentage is higher by 10–25% in other cities. Biofuel accounts for 11% of fuel consumption of Vilniaus Energija, while only 2% of biofuel are used for heat generation in Kaunas. DHS in both cities have the highest fuel costs.

Profit accounted for the largest portion of price in Vilnius and Panevėžys (0.86 ct/kWh or 3.1% and 0.80 ct/kWh or 3.7%).

The operating costs (excluding fuel costs) rose by 3.7% on average in major cities in 2011, with the exception of Kaunas. The largest increase was in Vilnius (16.4%) and the smallest in Klaipėda (2.9%), while Kaunas saw a decrease of 6.9%.

In the structure of these costs, expenditure on wages grew by the largest margin (3.1%). The fuel costs and purchased heat costs of DHS companies in major cities went up by 25.5% on average and triggered a general increase in heat prices in 2011.

#### Structure of average heat prices in major cities in 2011 (ct/kWh)



Source: NCCPE

#### Heat generation and consumption

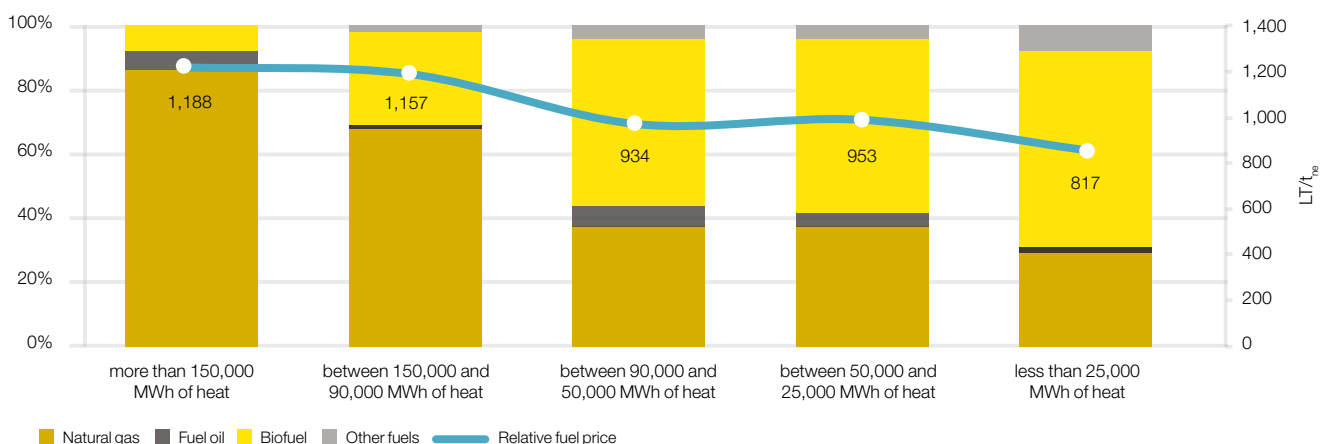
In 1990, the volume of heat generated in Lithuania was almost 30 TWh. It was declining until 2000 and made up around 13 TWh per year. Since 2000, there was little change in heat generation and the volume stood at 13.6 TWh in 2010. Nearly half of heat is generated by thermal power stations, a third by boiler houses and the remaining portion by other installations.

In 2011, heat suppliers controlled by municipalities supplied heat to 59.3% of customers (57.9% in 2010), Dalkia, which is the largest heat supplier in Lithuania and controls Vilniaus Ener-

gija and eight Litesko branches, served 38.3% of customers and the remaining ones were served by other suppliers. The largest heat suppliers controlled by municipalities were Kauno Energija which sold around 17% of the total amount of heat in 2011, Klaipėdos Energija (around 11%), Panevėžio Energija (around 9%) and Šiaulių Energija (around 6%).

The comparative analysis of heat suppliers carried out by the NCCPE in 2010 grouped heat suppliers according to the amount of heat sold annually as shown in the following diagram.

#### Fuel balance structure in groups of heat suppliers according to the amount of heat supplied and relative fuel price (LTL/t<sub>ne</sub>) in 2010



Source: NCCPE

The comparative analysis has shown that companies which sell the largest amounts (150,000 MWh and more) of heat (Vilniaus Energija, Kauno Energija, Klaipėdos Energija, Panevėžio Energija, Šiaulių Energija, Litesko branch Alytaus Energija) are highly dependent on natural gas since heat generation from natural gas accounts for more than 80% of the fuel balance structure. The highest percentage of biofuel (around 60%) is consumed by companies which supply the smallest amount of heat because they needed smaller investments in production modernisation due to the smaller scope of their operations. Weaker dependence of heat suppliers on natural gas results in a lower average relative price of fuel. The relative price of fuel of the smallest suppliers was LTL 817 per tonne of oil equivalent (tne). In contrast, the generation of heat is the most expensive for the largest suppliers: in 2010, the price of one tne of their relative fuel was LTL 1,188. These data suggest that the best way to reduce energy dependence is to focus more on modernisation of the largest heat suppliers and diversification of their fuel balance using alternative energy sources.

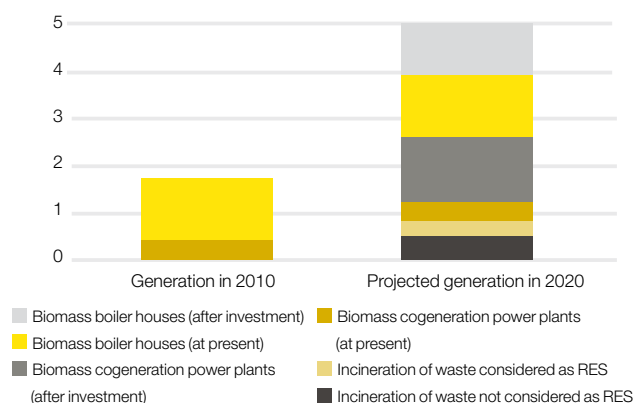
### Future priorities of the heat sector

Currently, the heat sector is highly dependent on a single source of energy. The majority of heat is generated by using fossil fuel (70% of which is natural gas). The National Energy Strategy outlines the objective to increase the country's energy independence and initiate heat saving, promote and support the use of renewable energy sources (RES) in the heating sector, strengthen competition and liberalise the heat market.

One of the most serious problems in heat sector is inefficient use of heat (average consumption in buildings in Lithuania is 220 kWh/sq. m, while the same indicator in the Nordic countries is lower and stands at 128 kWh/sq. m on average). The National Energy Strategy sets priority for the renovation of the majority of apartment and public buildings. Therefore, heat savings should reach 2-3 TWh by 2020. This initiative will help reduce annual heating costs per household by LTL 500 on average and will reduce air pollution. Reno-

vation of apartment and public buildings will require about LTL 5–8 billion (from the national budget, EU funds and households) and the payback period of these investments is expected to be 10 years.

### RES development until 2020 (TWh)



Source: National Energy Strategy

It is expected that RES will account for around 60% in the district heating sector by 2020. The government will promote investments into the development of biomass cogeneration power plants which will ensure generation of 1.4 TWh of heat and construction of biomass boiler houses which will additionally generate 1.1 TWh of heat. Moreover, waste incineration stations will be built in or near major cities and will generate about 0.8 TWh of heat per year. The use of solar collectors for the preparation of hot water will also be promoted. If the planned initiatives are implemented, the demand for centrally supplied heat would decrease by 3.5 TWh in 2030 (to 6.5 TWh) and would be fully met by renewable energy generation in 2050.

The National Energy Strategy also provides for the promotion of competition among producers by gradually introducing free market principles. The objective is to ensure that the connection of new heat producers to the networks is transparent and efficient.

# EVALUATION METHODOLOGY





## Evaluation methodology

The analysis of indicators of SOE and MOE portfolios was based on aggregate financial data disclosed in audited annual financial statements of enterprises due to the absence of consolidated or joint financial statements of all SOEs and MOEs drawn up according to the International Financial Reporting Standards. Transactions between companies have not been eliminated because of lack of data. The value of assets within the SOE portfolio does not include the value of state-owned real estate which is not managed by SOEs and is not on their balance sheets.

The results of the SOE portfolio include the consolidated financial results of VAE group (energy sector), Lithuanian Railways (transport sector) and forest enterprises controlled by the Directorate General of State Forests.

The results of Lietuvos Dujos, in which the state has an interest of less than 50%, were aggregated using the equity method. According to this method, the state-owned portion of equity of the company was included in financial assets and equity of the portfolio, while dividends received from the company were added to financial revenue of the portfolio.

The following assumptions were used to estimate the SOE market value:

- the value of listed companies is based on the price of their stock quoted on the stock exchange at the end of the period (31 December);
- the value of companies not listed on the stock exchange was estimated according to the book value of equity (on the assumption that the book value of assets specified in the balance sheets corresponds to their market value);
- the value of forests estimated using the discounted cash flow method was added to the book value of equity of forest enterprises. In 2011, the value of forests was adjusted to reflect a change in market conditions. It was estimated that the value of forests rose by 4.9% from LTL 3.1 billion to 3.253 billion because of rising prices of wood;
- the book value of roads (LTL 7 billion) was deducted from the book values of assets and equity of regional road maintenance enterprises. The book value of roads indicates the amount of invested budget resources but the market value

of roads as the public good is equal to zero because roads do not generate cash flows for road maintenance enterprises;

- the market value of SOEs was calculated taking into account the state's interest in these companies only (i.e. after the deduction of the minority interest).

The earnings before interest, tax, depreciation and amortisation (EBITDA) were calculated by adding depreciation and amortisation costs to the operating profit or loss (which includes the result of all activities). EBITDA calculated in this way has been indicated in financial overviews of the portfolio and individual companies and may differ from EBITDA specified in financial statements or annual reports of companies.

Non-standard taxes referred to in the Report represent the tax paid by state enterprises for the use of the entrusted state property (property tax) and mandatory deductions from the revenue for sale of raw wood and uncut forest paid by forest enterprises (raw material tax). These tax liabilities ensure additional contributions to the national budget and apply to the above-mentioned companies only. Therefore, non-standard taxes should be deducted from operating costs when the profitability and financial return of these companies are calculated. For this reason, the Report indicates separately the net profit of the SOE portfolio and individual state enterprises after elimination of non-standard taxes which is calculated by adding the amount of non-standard taxes to the net profit and deducting the amount of profit tax (15%). This adjustment is provided for information only and its effect on book values is not specified in the Report.

The return on equity (ROE) and return on assets (ROA) were calculated by dividing the profit of the reference year by the average equity or asset values at the beginning and end of the reference year. In other words, the return on equity as of 31 December 2011 is calculated on the basis of profit earned by the company between 1 January 2011 and 31 December 2011 (the profit is calculated by deducting the property tax and raw material tax from the operating costs of the state enterprise). Accordingly, the equity or asset average values are calculated on the basis of book values of equity or total assets on 1 January 2011 and 31 December 2011.

This Annual Report has been prepared by the Ministry of Economy of the Republic of Lithuania in accordance with the requirements and provisions of Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 approving the guidelines aimed at ensuring the transparency of operations of state-owned enterprises and appointing the coordinating body; Resolution No 1731 of 1 December 2010 approving the framework of measures aimed at higher efficiency of state-owned enterprises and Resolution No 172 of 9 February 2011 approving the Reform Programme of State-Owned Enterprises in 2011–2012.

During the preparation of this Annual Report, a number of external information sources were consulted including corporate public information, annual financial statements and annual reports of enterprises, information and data of the Centre of Registers, Statistics Lithuania, Lithuanian Forest Inventory and Management Institute, National Control Commission for Prices and Energy, Communications Regulatory Authority, Nasdaq OMX Vilnius Stock Exchange and individual ministries. The Report has not been audited by independent auditors and the authors have not carried out any independent verification of information presented in the report including calculations or forecasts. Any person should make her or his personal judgement before taking any decision involving the information provided in this publication. The authors of this Report, the Government or any public authority or any other entity under their control is not and will not be under any circumstances liable for third-party decisions based on information, statements and opinions presented in this Report. Past results of enterprises do not guarantee and cannot be attributable to their future performance. This Annual Report is not intended as an offer or solicitation for the purchase or sale of any securities or any other assets and will not be part of any investment decision or any decision to complete any transaction.

## List of SOEs

No	Enterprise	State interest*	Accountability	Sector	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
1	UAB Visagino Atominė Elektrinė	100.0%	Ministry of Energy	Energy	2,673,146	11,610,830
2	AB Lietuvos Energija	96.1%	UAB Visagino Atominė Elektrinė	Energy	1,429,507	3,720,441
3	AB LESTO	82.6%	UAB Visagino Atominė Elektrinė	Energy	2,245,484	5,283,545
4	AB LITGRID	97.5%	UAB Visagino Atominė Elektrinė	Energy	434,806	2,502,718
5	AB Klaipėdos Nafta	70.6%	Ministry of Energy	Energy	141,276	519,358
6	AB Lietuvos Dujos <sup>1</sup>	17.7%	Ministry of Energy	Energy	1,840,012	2,698,631
7	UAB Visagino Energetikos Remontas <sup>2</sup>	100.0%	Ministry of Energy	Energy	N/A	N/A
8	VĮ Energetikos Agentūra	-	Ministry of Energy	Energy	0	3,365
9	VĮ Ignalinos Atominė Elektrinė <sup>3</sup>	-	Ministry of Energy	Energy	1,099	1,770,691
10	VĮ Radioaktyviųjų Atliekų Tvarkymo Agentūra	-	Ministry of Energy	Energy	45	1,832
11	VĮ Visagino Energija	-	Ministry of Economy	Energy	63,199	207,997
12	UAB Geoterma	76.6%	State Property Fund	Energy	13,396	49,408
13	AB Lietuvos Geležinkeliai	100.0%	Ministry of Transport and Communications	Transport	1,591,833	4,884,755
14	AB Lietuvos Jūrų Laivininkystė	56.7%	Ministry of Transport and Communications	Transport	78,169	213,854
15	AB Lietuvos Paštas	100.0%	Ministry of Transport and Communications	Transport	183,209	225,090
16	AB Smiltynės Perkėla	99.0%	Ministry of Transport and Communications	Transport	13,906	40,864
17	VĮ Automagistralė	-	Ministry of Transport and Communications	Transport	33,054	1,061,140
18	VĮ Alytaus Regiono Keliai	-	Ministry of Transport and Communications	Transport	14,775	391,640
19	VĮ Kauno Regiono Keliai	-	Ministry of Transport and Communications	Transport	30,632	909,292
20	VĮ Klaipėdos Regiono Keliai	-	Ministry of Transport and Communications	Transport	19,438	590,089
21	VĮ Marijampolės Regiono Keliai	-	Ministry of Transport and Communications	Transport	14,515	525,868
22	VĮ Panevėžio Regiono Keliai	-	Ministry of Transport and Communications	Transport	26,993	455,013
23	VĮ Šiaulių Regiono Keliai	-	Ministry of Transport and Communications	Transport	42,191	849,789
24	VĮ Tauragės Regiono Keliai	-	Ministry of Transport and Communications	Transport	14,061	277,119
25	VĮ Telšių Regiono Keliai	-	Ministry of Transport and Communications	Transport	14,953	353,468
26	VĮ Utenos Regiono Keliai	-	Ministry of Transport and Communications	Transport	22,189	590,739
27	VĮ Vilniaus Regiono Keliai	-	Ministry of Transport and Communications	Transport	28,158	962,366
28	VĮ Kauno Aerouostas	-	Ministry of Transport and Communications	Transport	3,411	165,701
29	VĮ Oro Navigacija	-	Ministry of Transport and Communications	Transport	77,250	167,647
30	VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija	-	Ministry of Transport and Communications	Transport	167,558	1,444,425
31	VĮ Tarptautinis Palangos Oro Uostas	-	Ministry of Transport and Communications	Transport	3,941	142,047
32	VĮ Tarptautinis Vilniaus Oro Uostas	-	Ministry of Transport and Communications	Transport	48,021	334,307
33	VĮ Transporto Ir Kelių Tyrimo Institutas	-	Ministry of Transport and Communications	Transport	8,499	15,185
34	VĮ Vidaus Vandens Kelių Direkcija	-	Ministry of Transport and Communications	Transport	7,682	80,653
35	AB Autoūkis	87.4%	State Property Fund	Transport	5,027	7,975
36	UAB Eismo Sauga	100.0%	State Property Fund	Transport	2,074	2,132
37	VĮ Valstybinis Miškotvarkos Institutas	-	Ministry of Environment	Forestry	6,957	4,888
38	VĮ Alytaus Miškų Urėdija	-	Directorate General of State Forests	Forestry	8,314	10,508

No	Enterprise	State interest*	Accountability	Sector	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
39	VĮ Anykščių Miškų Urėdija	-	Directorate General of State Forests	Forestry	10,301	13,171
40	VĮ Biržų Miškų Urėdija	-	Directorate General of State Forests	Forestry	14,280	11,670
41	VĮ Druskininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	7,660	8,272
42	VĮ Dubravos Eksperimentinė-Mokomoji Miškų Urėdija	-	Directorate General of State Forests	Forestry	19,022	20,330
43	VĮ Ignalinos Miškų Urėdija	-	Directorate General of State Forests	Forestry	9,236	7,964
44	VĮ Jonavos Miškų Urėdija	-	Directorate General of State Forests	Forestry	11,066	9,841
45	VĮ Joniškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	9,551	9,569
46	VĮ Jurbarko Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,467	21,937
47	VĮ Kaišiadorių Miškų Urėdija	-	Directorate General of State Forests	Forestry	16,412	15,410
48	VĮ Kauno Miškų Urėdija	-	Directorate General of State Forests	Forestry	9,921	12,544
49	VĮ Kazlų Rūdos Mokomoji Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,074	12,085
50	VĮ Kėdainių Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,344	21,109
51	VĮ Kretingos Miškų Urėdija	-	Directorate General of State Forests	Forestry	17,731	25,931
52	VĮ Kupiškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	5,774	4,728
53	VĮ Kuršėnų Miškų Urėdija	-	Directorate General of State Forests	Forestry	10,898	16,801
54	VĮ Marijampolės Miškų Urėdija	-	Directorate General of State Forests	Forestry	10,395	7,310
55	VĮ Mažeikių Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,278	9,971
56	VĮ Nemenčinės Miškų Urėdija	-	Directorate General of State Forests	Forestry	12,944	9,249
57	VĮ Pakruojo Miškų Urėdija	-	Directorate General of State Forests	Forestry	10,606	7,128
58	VĮ Panevėžio Miškų Urėdija	-	Directorate General of State Forests	Forestry	21,983	23,545
59	VĮ Prienų Miškų Urėdija	-	Directorate General of State Forests	Forestry	14,647	14,964
60	VĮ Radviliškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	12,216	13,509
61	VĮ Raseinių Miškų Urėdija	-	Directorate General of State Forests	Forestry	9,706	9,695
62	VĮ Rietavo Miškų Urėdija	-	Directorate General of State Forests	Forestry	10,930	9,234
63	VĮ Rokiškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	11,051	7,593
64	VĮ Šakių Miškų Urėdija	-	Directorate General of State Forests	Forestry	12,831	11,795
65	VĮ Šalčininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	11,892	15,064
66	VĮ Šiaulių Miškų Urėdija	-	Directorate General of State Forests	Forestry	14,178	13,053
67	VĮ Šilutės Miškų Urėdija	-	Directorate General of State Forests	Forestry	14,025	14,280
68	VĮ Švenčionėlių Miškų Urėdija	-	Directorate General of State Forests	Forestry	16,981	16,243
69	VĮ Tauragės Miškų Urėdija	-	Directorate General of State Forests	Forestry	19,266	23,202
70	VĮ Telšių Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,136	15,599
71	VĮ Tytuvėnų Miškų Urėdija	-	Directorate General of State Forests	Forestry	7,428	7,758
72	VĮ Trakų Miškų Urėdija	-	Directorate General of State Forests	Forestry	18,976	17,569

## LIST OF SOES

No	Enterprise	State interest*	Accountability	Sector	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
73	VĮ Ukmergės Miškų Urėdija	-	Directorate General of State Forests	Forestry	20,238	19,409
74	VĮ Utenos Miškų Urėdija	-	Directorate General of State Forests	Forestry	6,336	5,358
75	VĮ Valkininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	12,948	14,426
76	VĮ Varėnos Miškų Urėdija	-	Directorate General of State Forests	Forestry	18,372	14,422
77	VĮ Veisiejų Miškų Urėdija	-	Directorate General of State Forests	Forestry	8,713	8,997
78	VĮ Vilniaus Miškų Urėdija	-	Directorate General of State Forests	Forestry	15,916	18,833
79	VĮ Zarasų Miškų Urėdija	-	Directorate General of State Forests	Forestry	6,484	5,604
80	UAB Projektų Ekspertizė	100.0%	Ministry of Environment	Other	1,841	3,794
81	VĮ Statybos Produkcijos Sertifikavimo Centras	-	Ministry of Environment	Other	3,330	3,474
82	VĮ Lietuvos Naftos Produktų Agentūra	-	Ministry of Energy	Other	50,392**	392,112
83	UAB Būsto Paskolų Draudimas	100.0%	Ministry of Finance	Other	10,060	141,046
84	VĮ Indėlių Ir Investicijų Draudimas	-	Ministry of Finance	Other	929	1,519,694
85	VĮ Lietuvos Prabavimo Rūmai	-	Ministry of Finance	Other	1,553	12,137
86	VĮ Turto Bankas	-	Ministry of Finance	Other	6,398	328,480
87	VĮ Prie Alytaus Pataisos Namų	-	Department of Prisons	Other	5,438	4,846
88	VĮ Prie Marijampolės Pataisos Namų	-	Department of Prisons	Other	5,953	13,624
89	VĮ Prie Pravieniškių 1-Ūjų Pataisos Namų	-	Department of Prisons	Other	17,058	14,282
90	UAB Lietuvos Kinas	100.0%	Ministry of Culture	Other	710	3,950
91	VĮ Vilniaus Pilių Direkcija	-	Ministry of Culture	Other	124	250,021
92	VĮ Lietuvos Paminklai	-	Department of Cultural Heritage	Other	36,200	3,797
93	UAB Respublikinė Mokomoji Sportinė Bazė	100.0%	Department of Physical Education and Sports	Other	267	574
94	UAB Sportininkų Testavimo Ir Reabilitacijos Centras	100.0%	Department of Physical Education and Sports	Other	314	1,590
95	UAB Lietuvos Monetų Kalykla	100.0%	Bank of Lithuania	Other	20,759	22,801
96	VĮ Valstybės Turto Fondas	-	Government of the Republic of Lithuania	Other	3,469	11,878
97	AB Informacinio Verslo Paslaugų Įmonė	51.7%	Statistics Lithuania	Other	2,617	4,885
98	VĮ Distancinių Tyrimų Ir Geoinformatikos Centras Gis-Centras	-	National Land Service	Other	1,063	7,808
99	UAB Baldžio Šilas	70.6%	Department for the Affairs of the Disabled	Other	2,554	8,073
100	VĮ Seimo Leidykla Valstybės Žinios	-	Office of the Parliament	Other	4,239	6,796
101	UAB Kauno Petrašiūnų Darbo Rinkos Mokymo Centras	54.2%	Ministry of Education and Science	Other	1,589	2,993
102	AB Detonas	100.0%	Ministry of Transport and Communications	Other	8,564	15,202
103	AB Geležinkelio Apsaugos Želdiniai	100.0%	Ministry of Transport and Communications	Other	2,458	5,258
104	AB Problematika	100.0%	Ministry of Transport and Communications	Other	13,289	25,723
105	AB Lietuvos Radijo Ir Televizijos Centras	100.0%	Ministry of Transport and Communications	Other	73,425	145,138
106	UAB Universiteto Vaistinė	100.0%	Ministry of Health	Other	10,527	4,757
107	AB Mintis	80.7%	Ministry of Education and Science	Other	588	2,191
108	UAB Lietuvos Tyrimų Centras	100.0%	Ministry of Education and Science (70.51%), Ministry of Economy (29.49%)	Other	0	18,504
109	VĮ Registrų Centras	-	Ministry of Justice	Other	88,043	76,128
110	AB Giraitės Ginkluotės Gamykla	100.0%	Ministry of Economy	Other	13,173	61,535
111	UAB Investicijų Ir Verslo Garantijos	100.0%	Ministry of Economy	Other	6,405	44,956

No	Enterprise	State interest*	Accountability	Sector	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
112	UAB Toksika	92.5%	Ministry of Economy	Other	4,309	136,246
113	UAB Lietuvos Parodų Ir Kongresų Centras LITEXPO	98.8%	Ministry of Economy	Other	14,103	49,268
114	VĮ Pajūrio Vėtrungė	-	Ministry of Economy	Other	608	4,068
115	VĮ Visagino Statybininkai <sup>4</sup>	-	Ministry of Economy	Other	2,011	10,102
116	VĮ Poilsio Namai Baltija	-	Ministry of Economy	Other	5,867	10,585
117	UAB Vilniaus Veterinarijos Klinikinė Ligoninė	100.0%	State Food and Veterinary Service	Other	64	22
118	AB Klaipėdos Metrologijos Centras	100.0%	State Metrology Service	Other	1,489	2,874
119	AB Šiaulių Metrologijos Centras	100.0%	State Metrology Service	Other	1,235	1,640
120	AB Vilniaus Metrologijos Centras	100.0%	State Metrology Service	Other	5,451	10,279
121	VĮ Kauno Metrologijos Centras	-	State Metrology Service	Other	2,626	3,440
122	VĮ Panevėžio Metrologijos Centras	-	State Metrology Service	Other	1,204	1,320
123	UAB Palangos Žvorūnė	100.0%	State Social Insurance Fund Board	Other	1,347	14,655
124	UAB Senevita	100.0%	State Social Insurance Fund Board	Other	3,992	3,426
125	UAB Sanatorija Pušyno Kelias	100.0%	State Social Insurance Fund Board	Other	5,801	7,807
126	VĮ Infostruktūra	-	Ministry of the Interior	Other	20,533	22,781
127	VĮ Regitra	-	Ministry of the Interior	Other	77,753	47,124
128	UAB Žurnalas Sveikata <sup>2</sup>	100.0%	Vilnius Regional Patient Fund	Other	136	405
129	UAB Kauno Naujamiesčio Darbo Rinkos Mokyimo Centras	99.7%	State Property Fund	Other	743	672
130	AB Jonavos Grūdai	70.1%	Ministry of Agriculture	Other	21,631	19,434
131	AB Lietuvos Veislininkystė <sup>5</sup>	97.3%	Ministry of Agriculture	Other	N/A	N/A
131a	AB Marijampolės Regiono Veislininkystė	88.5%	Ministry of Agriculture	Other	875**	2,220
131b	AB Šiaulių Regiono Veislininkystė	100.0%	Ministry of Agriculture	Other	2,389**	5,363
132	UAB Gyvulių Produktivumo Kontrolė	100.0%	Ministry of Agriculture	Other	10,807**	3,588
133	UAB Panevėžio Veislininkystė	97.0%	Ministry of Agriculture	Other	86**	803
134	UAB Šeduvos Avininkystė	100.0%	Ministry of Agriculture	Other	179	1,677
135	UAB Šilutės Polderiai	81.0%	Ministry of Agriculture	Other	7,862	5,309
136	UAB Šilutės Veislininkystė	96.5%	Ministry of Agriculture	Other	881**	2,895
137	UAB Valstybinė Projektų Ir Sąmatų Ekspertizė	100.0%	Ministry of Agriculture	Other	545	637
138	UAB Aerogeodezijos Institutas	99.8%	Ministry of Agriculture	Other	4,075	8,952
139	UAB Dotnavos Eksperimentinis Ūkis	100.0%	Ministry of Agriculture	Other	5,428**	5,760
140	UAB Klaipėdos Žuvininkystės Produktų Aukcionas	100.0%	Ministry of Agriculture	Other	719	3,819
141	UAB Nemuno Žirgynas <sup>4</sup>	90.1%	Ministry of Agriculture	Other	1,932**	5,293
142	UAB Sartų Žirgynas <sup>4</sup>	85.3%	Ministry of Agriculture	Other	289**	1,755
143	UAB Upytės Eksperimentinis Ūkis	100.0%	Ministry of Agriculture	Other	5,569**	7,446
144	UAB Vilniaus Žirgynas <sup>4</sup>	87.6%	Ministry of Agriculture	Other	739**	2,175
145	UAB Žemės Ūkio Paskolų Garantijų Fondas	100.0%	Ministry of Agriculture	Other	3,396	168,576
146	VĮ Pieno Tyrimai	-	Ministry of Agriculture	Other	14,070	21,048
147	VĮ Lietuvos Žemės Ūkio Ir Maisto Produktų Rinkos Reguliavimo Agentūra	-	Ministry of Agriculture	Other	22,622	37,681
148	VĮ Valstybės Žemės Fondas	-	Ministry of Agriculture	Other	17,180	12,152
149	VĮ Žemės Ūkio Informacijos Ir Kaimo Verslo Centras	-	Ministry of Agriculture	Other	2,639	12,466

\* Directly and indirectly. State enterprises (VĮ) are 100 percent owned by the state.

\*\* Grants received by enterprises in relation to revenue have been added to sales revenue of enterprises.

<sup>1</sup> Revenue and assets of Lietuvos Dujos have been disclosed for information purposes only. However, the portfolio of state-owned enterprises includes only the state's interest and dividends received from this enterprise.

<sup>2</sup> Enterprises undergoing liquidation and bankruptcy.

<sup>3</sup> The Ignalina Nuclear Power Plant is in the process of decommissioning; its last reactor was shut down on 31 December 2009.

<sup>4</sup> Enterprises undergoing restructuring and reorganisation.

<sup>5</sup> AB Lietuvos Veislininkystė was founded on 2 January 2012 by merger in the process of reorganisation of AB Marijampolės Regiono Veislininkystė and AB Šiaulių Regiono Veislininkystė. These enterprises have been listed in this Report as separate business entities.

## List of MOEs

No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
1	SĮ Ekologinė Laboratorija	-	Akmenė District	Other	82	56
2	UAB Akmenės Profilaktinė Dezinfekcija	100.0%	Akmenė District	Other	151	31
3	UAB Akmenės Vandenys	100.0%	Akmenė District	Water	2,948	64,263
4	UAB Naujosios Akmenės Komunalininkas	100.0%	Akmenė District	Other	1,774	2,123
5	UAB Naujosios Akmenės Autobusų Parkas	100.0%	Akmenė District	Transport	1,716	565
6	SĮ Alytaus Telekinas	-	Alytus	Other	210	274
7	UAB Alytaus Butų Ūkis	100.0%	Alytus	Other	2,006	1,493
8	UAB Alytaus Šilumos Tinklai	98.6%	Alytus	Heating network	2,092	40,075
9	UAB Dzūkijos Vandenys	99.9%	Alytus	Water	11,981	136,902
10	SĮ Simno Komunalininkas	-	Alytus District	Other	N/A	N/A
11	UAB Anykščių Šiluma	98.2%	Anykščiai District	Heating network	10,797	22,603
12	UAB Anykščių Vandenys	100.0%	Anykščiai District	Other	2,951	50,165
13	UAB Anykščių Komunalinis Ūkis	100.0%	Anykščiai District	Other	3,810	2,214
14	AB Birštono Sanatorija Versmė	83.5%	Birštonas	Other	10,762	24,310
15	UAB Birštono Šiluma	99.9%	Birštonas	Heating network	N/A	N/A
16	UAB Birštono Vandentiekis	100.0%	Birštonas	Water	1,467	9,072
17	SĮ Biržų Agrolaboratorija	-	Biržai District	Other	N/A	N/A
18	UAB Biržų Šilumos Tinklai	100.0%	Biržai District	Heating network	709	9,259
19	UAB Biržų Vandenys	93.0%	Biržai District	Water	2,328	55,710
20	UAB Biržų Autobusų Parkas	100.0%	Biržai District	Transport	3,735	1,316
21	AB Druskininkų Butų Ūkis	100.0%	Druskininkai	Other	1,737	1,828
22	AB Druskininkų Šilumos Tinklai	97.6%	Druskininkai	Heating network	1,331	10,843
23	UAB Druskininkų Pramogų Parkas	100.0%	Druskininkai	Other	0	672
24	UAB Druskininkų Vandenys	100.0%	Druskininkai	Water	4,442	45,954
25	UAB Druskininkų Vandentiekis	100.0%	Druskininkai	Other	12,656	16,174
26	SĮ Elektrėnų Vaistinė	-	Elektrėnai	Other	1,024	830
27	UAB Elektrėnų Komunalinis Ūkis	100.0%	Elektrėnai	Other	18,105	50,781
28	UAB Gelvita	100.0%	Elektrėnai	Other	4,700	22,749
29	UAB Elektrėnų Knygų Centras	100.0%	Elektrėnai	Other	N/A	N/A
30	UAB Didžiasalio Komunalinės Paslaugos	100.0%	Ignalina District	Other	2,150	7,866
31	UAB Ignalinos Šilumos Tinklai	99.5%	Ignalina District	Heating network	5,206	24,700
32	UAB Ignalinos Vanduo	99.6%	Ignalina District	Water	1,549	27,244
33	UAB Kompata	100.0%	Ignalina District	Other	1,332	883
34	UAB Ignalinos Autobusų Parkas	100.0%	Ignalina District	Transport	1,006	831
35	UAB Ignalinos Butų Ūkis	100.0%	Ignalina District	Other	463	1,980
36	AB Jonavos Šilumos Tinklai	100.0%	Jonava District	Heating network	29,656	39,587
37	UAB Jonavos Autobusai	100.0%	Jonava District	Transport	5,676	3,875
38	UAB Jonavos Knyga	100.0%	Jonava District	Other	772	327
39	UAB Jonavos Paslaugos	100.0%	Jonava District	Other	10,950	6,252
40	UAB Jonavos Vandenys	100.0%	Jonava District	Water	6,611	52,876
41	UAB Joniškio Autobusų Parkas	98.0%	Joniškis District	Transport	2,013	1,382
42	UAB Joniškio Komunalinis Ūkis	100.0%	Joniškis District	Other	1,153	1,252

No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
43	UAB Jonišio Projektas	100.0%	Joniškis District	Other	241	89
44	UAB Jonišio Vandenys	100.0%	Joniškis District	Water	2,424	58,916
45	UAB Jonišio Butų Ūkis	100.0%	Joniškis District	Other	2,376	3,443
46	SĮ Jurbarko Planas	-	Jurbarkas District	Other	N/A	N/A
47	UAB Jurbarko Komunalininkas	100.0%	Jurbarkas District	Other	4,655	3,074
48	UAB Jurbarko Vandenys	100.0%	Jurbarkas District	Water	3,985	59,396
49	UAB Jurbarko Autobusų Parkas	100.0%	Jurbarkas District	Transport	2,777	3,388
50	SĮ Kaišiadorių Paslaugos	-	Kaišiadorys District	Other	1,933	1,395
51	UAB Kaišiadorių Šiluma	99.9%	Kaišiadorys District	Heating network	8,527	9,207
52	UAB Kaišiadorių Vandenys	100.0%	Kaišiadorys District	Water	4,114	62,447
53	UAB Kalvarijos Komunalininkas	100.0%	Kalvarija	Water	1,248	30,806
54	UAB Kalvarijos Vandenys	100.0%	Kalvarija	Water	N/A	N/A
55	AB Autrolis	100.0%	Kaunas	Transport	32,917	68,509
56	AB Kauno Energija	92.8%	Kaunas	Heating network	309,345	412,255
57	SĮ Kapinių Priežiūra	-	Kaunas	Other	3,257	2,360
58	SĮ Kauno Planas	-	Kaunas	Other	2,359	3,258
59	UAB Būsto Valda	100.0%	Kaunas	Other	5,370	5,436
60	UAB Centrinis Knygynas	100.0%	Kaunas	Other	1,534	865
61	UAB Kauno Aikštelė	70.4%	Kaunas	Other	1,492	562
62	UAB Kauno Autobusai	100.0%	Kaunas	Transport	33,822	39,861
63	UAB Kauno Gatvių Apšvietimas	100.0%	Kaunas	Other	3,823	5,623
64	UAB Kauno Profilaktinės Dezinfekcijos Stotis	100.0%	Kaunas	Other	1,242	600
65	UAB Kauno Švara	100.0%	Kaunas	Other	43,457	40,815
66	UAB Kauno Vandenys	100.0%	Kaunas	Water	60,576	610,592
67	UAB Stoties Turgus	51.0%	Kaunas	Other	1,705	10,943
68	UAB Kauno Komunalinis Ir Butų Ūkis	100.0%	Kaunas	Other	N/A	N/A
69	UAB Kino Teatras Romuva	84.7%	Kaunas	Other	14	722
70	UAB Laboratorinių Bandymų Centras	88.9%	Kaunas	Other	1,799	3,047
71	UAB Dezinfekcinė Pagalba	100.0%	Kaunas District	Other	57	36
72	UAB Giraitės Vandenys	100.0%	Kaunas District	Other	3,886	41,674
73	UAB Komunalinių Paslaugų Centras	100.0%	Kaunas District	Other	5,203	11,345
74	UAB Kazlų Rūdos Komunalininkas	100.0%	Kazlų Rūda	Other	2,195	995
75	UAB Kazlų Rūdos Šilumos Tinklai	100.0%	Kazlų Rūda	Heating network	75	1,453
76	UAB Kėdainių Butai	100.0%	Kėdainiai District	Other	1,801	1,957
77	UAB Kėdainių Profilaktinė Dezinfekcija	100.0%	Kėdainiai District	Other	53	11
78	UAB Kėdainių Vandenys	99.9%	Kėdainiai District	Water	7,914	84,501
79	UAB Kėdubusas	100.0%	Kėdainiai District	Transport	3,924	5,642
80	SĮ Kelmės Knygynas	-	Kelmė District	Other	553	225
81	UAB Kelmės Autobusų Parkas	100.0%	Kelmė District	Transport	3,753	2,473
82	UAB Kelmės Šilumos Tinklai	100.0%	Kelmė District	Heating network	796	5,896
83	UAB Kelmės Vanduo	100.0%	Kelmė District	Water	2,062	44,734
84	UAB Kelmės Vietinis Ūkis	100.0%	Kelmė District	Other	1,987	2,571

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No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
85	AB Klaipėdos Energija	75.2%	Klaipėda	Heating network	179,297	189,093
86	SĮ Debreceno Vaistinė	-	Klaipėda	Other	N/A	N/A
87	SĮ Neringos Vaistinė	-	Klaipėda	Other	368	215
88	SĮ Saulėtoji Vaistinė	-	Klaipėda	Other	N/A	N/A
89	SĮ Senasis Turgus	-	Klaipėda	Other	N/A	N/A
90	SĮ Sportininkų Vaistinė	-	Klaipėda	Other	N/A	N/A
91	SĮ Žardės Vaistinė	-	Klaipėda	Other	33	212
92	SĮ Vaistinė Juodasis Erelis	-	Klaipėda	Other	N/A	N/A
93	UAB Gatvių Apšvietimas	100.0%	Klaipėda	Other	2,889	2,226
94	UAB Klaipėdos Autobusų Parkas	100.0%	Klaipėda	Transport	25,722	12,840
95	UAB Klaipėdos Bendrabutis	70.4%	Klaipėda	Other	706	4,318
96	UAB Naujasis Turgus	100.0%	Klaipėda	Other	2,486	5,744
97	UAB Poilsio Parkas	97.9%	Klaipėda	Other	0	574
98	UAB Vildmina	100.0%	Klaipėda	Other	581	679
99	UAB Gargždų Knygynas	45.7%	Klaipėda District	Other	291	118
100	UAB Gargždų Turgus	90.0%	Klaipėda District	Other	367	431
101	UAB Stotis	51.9%	Klaipėda District	Other	74	86
102	SĮ Knyga	-	Kretinga District	Other	330	140
103	SĮ Kretingos Komunalininkas	-	Kretinga District	Other	4,707	2,567
104	UAB Kretingos Turgus	100.0%	Kretinga District	Other	221	128
105	UAB Kretingos Vandenys	100.0%	Kretinga District	Water	5,611	79,254
106	UAB Kretingos Autobusų Parkas	100.0%	Kretinga District	Transport	2,835	1,839
107	UAB Kretingos Šilumos Tinklai	75.0%	Kretinga District	Heating network	7,910	17,492
108	UAB Kupiškio Autobusų Parkas	100.0%	Kupiškis District	Transport	1,320	590
109	UAB Kupiškio Komunalininkas	100.0%	Kupiškis District	Other	3,841	1,631
110	UAB Kupiškio Vandenys	100.0%	Kupiškis District	Other	2,067	10,490
111	UAB Lazdijų Šiluma	99.9%	Lazdijai District	Water	3,738	11,697
112	UAB Lazdijų Vanduo	99.7%	Lazdijai District	Heating network	1,163	12,220
113	UAB Marijampolės Autobusų Parkas	100.0%	Marijampolė	Transport	3,250	2,286
114	UAB Marijampolės Butų Ūkis	66.0%	Marijampolė	Other	2,346	1,596
115	UAB Marijampolės Gatvių Remontas	66.0%	Marijampolė	Other	6,888	2,479
116	UAB Marijampolės Šilumos Tinklai	99.9%	Marijampolė	Heating network	1,784	19,049
117	UAB Sūduvos Vandenys	100.0%	Marijampolė	Water	10,624	86,396
118	UAB Marijampolės Autobusų Stotis	100.0%	Marijampolė	Transport	1,113	4,073
119	SĮ Židikių Vaistinė	-	Mažeikiai District	Other	N/A	N/A
120	UAB Mažeikių Autobusų Parkas	97.7%	Mažeikiai District	Transport	6,373	5,972
121	UAB Mažeikių Komunalinis Ūkis	91.3%	Mažeikiai District	Other	4,316	4,641
122	UAB Mažeikių šilumos tinklai	99.9%	Mažeikiai District	Heating network	25,952	48,854
123	UAB Mažeikių Vandenys	100.0%	Mažeikiai District	Water	N/A	N/A
124	UAB Tavo Pastogė	78.1%	Mažeikiai District	Other	1,227	751
125	UAB Molėtų Knygynas	100.0%	Molėtai District	Other	N/A	N/A
126	UAB Molėtų Šiluma	100.0%	Molėtai District	Heating network	4,322	13,258
127	UAB Molėtų Švara	74.0%	Molėtai District	Other	3,044	2,373
128	UAB Molėtų Vanduo	100.0%	Molėtai District	Water	1,869	24,833
129	UAB Molėtų Autobusų Parkas	100.0%	Molėtai District	Transport	1,320	1,275



No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
130	SĮ Neringos Savivaldybės Butų Ūkis	-	Neringa	Other	428	4,970
131	UAB Neringos Energija	100.0%	Neringa	Heating network	2,023	4,310
132	UAB Neringos Komunalininkas	97.3%	Neringa	Other	4,944	4,801
133	UAB Neringos Vanduo	100.0%	Neringa	Water	1,717	47,164
134	UAB Pagėgių Komunalinis Ūkis	100.0%	Pagėgiai	Other	N/A	N/A
135	AB Pakruojo Autotransportas	91.0%	Pakruojis District	Transport	816	1,447
136	UAB Knyga Visiems	100.0%	Pakruojis District	Other	386	193
137	UAB Pakruojo Komunalininkas	100.0%	Pakruojis District	Other	1,136	1,478
138	UAB Pakruojo Šiluma	100.0%	Pakruojis District	Heating network	4,451	8,253
139	UAB Pakruojo Vandentiekis	100.0%	Pakruojis District	Water	1,761	35,129
140	UAB Palangos Autobusų Stotis	100.0%	Palanga	Transport	363	586
141	UAB Palangos Klevas	100.0%	Palanga	Other	342	1,049
142	UAB Palangos Komunalinis Ūkis	100.0%	Palanga	Other	8,910	4,146
143	UAB Palangos Šilumos Tinklai	100.0%	Palanga	Heating network	826	11,525
144	UAB Palangos Vandenys	99.7%	Palanga	Water	7,138	87,464
145	AB Panevėžio Butų Ūkis	77.6%	Panevėžys	Other	7,677	10,036
146	AB Panevėžio Specialus Autotransportas	93.6%	Panevėžys	Other	11,813	11,524
147	UAB Aukštaitijos Vandenys	95.0%	Panevėžys	Water	28,162	320,239
148	UAB Grauduva	70.4%	Panevėžys	Other	1,527	629
149	UAB Panevėžio Autobusų Parkas	100.0%	Panevėžys	Transport	21,568	12,390
150	UAB Panevėžio Būstas	100.0%	Panevėžys	Other	1,462	1,466
151	UAB Panevėžio Gatvės	93.7%	Panevėžys	Other	6,847	4,208
152	UAB Panevėžio Pirtis	87.9%	Panevėžys	Other	246	1,052
153	UAB Krekenavos Komunalinis Ūkis	100.0%	Panevėžys District	Other	785	4,246
154	UAB Pasvalio Autobusų Parkas	100.0%	Pasvalys District	Transport	973	1,422
155	UAB Pasvalio Butų Ūkis	100.0%	Pasvalys District	Other	470	412
156	UAB Pasvalio Knygos	100.0%	Pasvalys District	Other	428	284
157	UAB Pasvalio Vandenys	100.0%	Pasvalys District	Water	4,660	36,521
158	SĮ Plungės Būstas	-	Plungė District	Other	633	3,372
159	SĮ Plungės Profilaktinė Dezinfekcija	-	Plungė District	Other	N/A	N/A
160	SĮ Varpo Knygynas	-	Plungė District	Other	570	316
161	UAB Plungės Autobusų Parkas	100.0%	Plungė District	Transport	1,527	2,335
162	UAB Plungės Šilumos Tinklai	100.0%	Plungė District	Heating network	13,196	14,851
163	UAB Plungės Vandenys	100.0%	Plungė District	Water	5,705	81,642
164	AB Prienų Šilumos Tinklai	96.8%	Prienai District	Heating network	933	2,656
165	UAB Prienų Butų Ūkis	100.0%	Prienai District	Other	1,206	842
166	UAB Prienų Vandenys	100.0%	Prienai District	Water	2,407	30,344
167	SĮ Radviliškio Centrinė Vaisinė	-	Radviliškis District	Other	2,176	627
168	UAB Radviliškio Autobusų Parkas	100.0%	Radviliškis District	Transport	110	226
169	UAB Radviliškio Šiluma	99.0%	Radviliškis District	Heating network	10,745	23,582
170	UAB Radviliškio Vanduo	100.0%	Radviliškis District	Other	4,104	53,318
171	SĮ Raseinių Butų Ūkis	-	Raseiniai District	Other	552	4,862
172	UAB Raseinių Autobusų Parkas	100.0%	Raseiniai District	Transport	3,009	4,906

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No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
173	UAB Raseinių Komunalinės Paslaugos	100.0%	Raseiniai District	Other	4,852	3,655
174	UAB Raseinių Šilumos Tinklai	100.0%	Raseiniai District	Heating network	9,193	24,017
175	UAB Raseinių Vandenys	100.0%	Raseiniai District	Water	3,676	57,967
176	UAB Rietavo Komunalinis Ūkis	100.0%	Rietavas	Other	2,602	33,899
177	AB Rokiškio Komunalininkas	81.4%	Rokiškis District	Other	5,022	6,584
178	UAB Rokiškio Autobusų Parkas	100.0%	Rokiškis District	Transport	5,146	2,155
179	UAB Rokiškio Butų Ūkis	70.5%	Rokiškis District	Other	1,397	1,040
180	UAB Rokiškio Vandenys	100.0%	Rokiškis District	Water	3,854	38,734
181	UAB Skuodo Šiluma	100.0%	Skuodas District	Heating network	N/A	N/A
182	UAB Skuodo Vandenys	100.0%	Skuodas District	Water	1,342	19,160
183	UAB Skuodo Autobusų Stotis	100.0%	Skuodas District	Transport	1,839	1,347
184	UAB Šakių Autobusų Parkas	100.0%	Šakiai District	Transport	2,948	1,601
185	UAB Šakių Laidotuvių Namai	100.0%	Šakiai District	Other	1,017	495
186	UAB Šakių Šilumos Tinklai	100.0%	Šakiai District	Heating network	5,366	9,919
187	UAB Šakių Vaistinė	97.4%	Šakiai District	Other	35	650
188	UAB Šakių Vandenys	100.0%	Šakiai District	Water	3,419	53,192
189	UAB Eišiškių Komunalinis Ūkis	100.0%	Šalčininkai District	Other	1,052	613
190	UAB Šalčininkų Autobusų Parkas	100.0%	Šalčininkai District	Transport	5,041	2,497
191	UAB Šalčininkų Šilumos Tinklai	100.0%	Šalčininkai District	Other	8,494	8,106
192	UAB Tvarkyba	100.0%	Šalčininkai District	Other	1,971	1,810
193	UAB Šalčininkų Vaistinė	100.0%	Šalčininkai District	Other	1,076	468
194	AB Šiaulių Energija	95.3%	Šiauliai	Heating network	103,944	231,238
195	SĮ Šiaulių Oro Uostas	-	Šiauliai	Transport	4,850	2,064
196	UAB Bendrabutis	100.0%	Šiauliai	Other	818	649
197	UAB Busturas	100.0%	Šiauliai	Transport	30,849	17,954
198	UAB Šiaulių Gatvių Apšvietimas	100.0%	Šiauliai	Other	3,942	4,686
199	UAB Šiaulių Turgus	100.0%	Šiauliai	Other	143	1,046
200	UAB Šiaulių Vandenys	100.0%	Šiauliai	Water	21,611	299,789
201	UAB Žiburio Knygynas	100.0%	Šiauliai	Other	N/A	N/A
202	UAB Pabalių Turgus	100.0%	Šiauliai	Other	852	1,176
203	UAB Kuršėnų Vandenys	100.0%	Šiauliai District	Water	3,989	50,421
204	UAB Kuršėnų Autobusų Parkas	100.0%	Šiauliai District	Transport	N/A	N/A
205	UAB Kuršėnų Komunalinis Ūkis	100.0%	Šiauliai District	Other	5,048	3,012
206	UAB Gedmina	100.0%	Šilalė District	Other	367	656
207	UAB Šilalės Autobusų Parkas	100.0%	Šilalė District	Transport	N/A	N/A
208	UAB Šilalės Knygynas	100.0%	Šilalė District	Other	222	148
209	UAB Šilalės Šilumos Tinklai	100.0%	Šilalė District	Heating network	4,651	14,334
210	UAB Šilalės Vandenys	100.0%	Šilalė District	Water	2,133	50,397
211	UAB Šilutės Autobusų Parkas	100.0%	Šilutė District	Transport	2,870	2,875
212	UAB Šilutės Šilumos Tinklai	99.9%	Šilutė District	Heating network	15,005	25,123
213	UAB Šilutės Vandenys	100.0%	Šilutė District	Water	5,471	65,588
214	UAB Širvintų Šiluma	97.0%	Širvintos District	Other	4,757	15,899
215	UAB Širvintų Vandenys	100.0%	Širvintos District	Heating network	1,662	15,886

No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
216	UAB Širvintų Autobusų Parkas	100.0%	Širvintos District	Transport	1,662	871
217	UAB Širvintų Knygynas	100.0%	Širvintos District	Other	314	220
218	UAB Širvintų Komunalinis Ūkis	100.0%	Širvintos District	Other	955	810
219	UAB Širvintų Vaistinė	100.0%	Širvintos District	Other	680	204
220	SĮ Švenčionių Planas	-	Švenčionys District	Other	N/A	N/A
221	UAB Pabradės Komunalinis Ūkis	100.0%	Švenčionys District	Other	5,919	2,126
222	UAB Švenčionių Švara	100.0%	Švenčionys District	Other	3,258	2,016
223	UAB Švenčionių Knygynas	100.0%	Švenčionys District	Other	164	80
224	UAB Dunokai	56.1%	Tauragė District	Other	4,679	3,503
225	UAB Tauragės Vandenys	100.0%	Tauragė District	Water	5,571	98,761
226	UAB Tauragės Autobusų Parkas	100.0%	Tauragė District	Transport	3,557	3,441
227	UAB Tauragės Butų Ūkis	100.0%	Tauragė District	Other	1,992	3,072
228	UAB Tauragės Šilumos Tinklai	100.0%	Tauragė District	Heating network	12,270	23,301
229	SĮ Telšių Butų Ūkis	-	Telšiai District	Other	N/A	N/A
230	UAB Telšių Šilumos Tinklai	99.8%	Telšiai District	Heating network	1,184	7,498
231	UAB Telšių Vandenys	100.0%	Telšiai District	Water	8,817	89,900
232	UAB Telšių Autobusų Parkas	100.0%	Telšiai District	Transport	3,553	2,445
233	UAB Trakų Autobusai	100.0%	Trakai District	Transport	2,214	939
234	UAB Trakų Paslaugos	100.0%	Trakai District	Other	1,584	3,819
235	UAB Trakų Vandenys	100.0%	Trakai District	Water	4,024	72,562
236	UAB Trakų Šilumos Tinklai	99.8%	Trakai District	Heating network	1,676	8,404
237	UAB Dainavos Energetika	78.0%	Ukmergė District	Heating network	N/A	N/A
238	UAB Ukmergės Autobusų Parkas	100.0%	Ukmergė District	Transport	3,030	3,728
239	UAB Ukmergės Butų Ūkis	100.0%	Ukmergė District	Other	3,236	3,407
240	UAB Ukmergės Šiluma	99.0%	Ukmergė District	Heating network	14,640	11,299
241	UAB Ukmergės Vandenys	100.0%	Ukmergė District	Water	5,159	47,493
242	UAB Ukmergės Knygynas	100.0%	Ukmergė District	Other	6	19
243	UAB Utenos Autobusų Parkas	100.0%	Utena District	Transport	2,495	3,185
244	UAB Utenos Butų Ūkis	100.0%	Utena District	Other	2,887	1,960
245	UAB Utenos Komunalininkas	100.0%	Utena District	Other	6,653	5,495
246	UAB Utenos Šilumos Tinklai	99.6%	Utena District	Heating network	24,063	60,432
247	UAB Utenos Vandenys	100.0%	Utena District	Water	11,233	103,389
248	UAB Varėnos Autobusų Parkas	100.0%	Varėna District	Transport	1,389	929
249	UAB Varėnos Knyga	100.0%	Varėna District	Other	518	438
250	UAB Varėnos Komunalinis Ūkis	100.0%	Varėna District	Other	704	389
251	UAB Varėnos Šiluma	99.4%	Varėna District	Other	8,462	15,567
252	UAB Varėnos Vandenys	100.0%	Varėna District	Other	2,911	15,029
253	UAB Kybartų Darna	100.0%	Vilkaviškis District	Other	N/A	N/A
254	UAB Vilkaviškio Autobusų Stotis	100.0%	Vilkaviškis District	Transport	41	205
255	UAB Vilkaviškio Komunalinis Ūkis	100.0%	Vilkaviškis District	Other	1,700	1,889
256	UAB Vilkaviškio Šilumos Tinklai	99.8%	Vilkaviškis District	Heating network	723	8,333
257	UAB Vilkaviškio Vandenys	95.8%	Vilkaviškis District	Water	3,727	4,462

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No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
258	UAB Vilkaviškio Architektūros Biuras	100.0%	Vilkaviškis District	Other	499	148
259	AB Vilniaus Šilumos Tinklai	99.4%	Vilnius	Heating network	59,898	476,224
260	SĮ Susisiekimo Paslaugos	-	Vilnius	Transport	173,025	198,807
261	SĮ Vilniaus Miesto Būstas	-	Vilnius	Other	3,199	182,392
262	SĮ Vilniaus Planas	-	Vilnius	Other	N/A	N/A
263	SĮ Gydomoji Gamyba	-	Vilnius	Other	N/A	N/A
264	UAB Grinda	100.0%	Vilnius	Other	42,609	135,402
265	UAB Lazdynų Laisvalaikio Centras	100.0%	Vilnius	Other	N/A	N/A
266	UAB Naujininkų Ūkis	100.0%	Vilnius	Other	N/A	N/A
267	UAB Pylimo Pirtis	100.0%	Vilnius	Other	N/A	N/A
268	UAB Šiaurės Miestelis	100.0%	Vilnius	Other	3,704	25,368
269	UAB Vilniaus Centrinis Knygynas	100.0%	Vilnius	Other	843	2,219
270	UAB Vilniaus Gatvių Apšvietimo Elektros Tinklai	100.0%	Vilnius	Other	13,319	8,461
271	UAB Vilniaus Parkai	100.0%	Vilnius	Other	N/A	N/A
272	UAB Vilniaus Vandenys	95.3%	Vilnius	Water	96,476	798,844
273	UAB Vilniaus Vystymo Kompanija	100.0%	Vilnius	Other	N/A	N/A
274	UAB Vilniaus Viešasis Transportas1	100.0%	Vilnius	Transport	N/A	N/A
275	SĮ Nemenčinės Vaistinė	-	Vilnius District	Other	686	175
276	SĮ Vilniaus Rajono Planas	-	Vilnius District	Other	N/A	N/A
277	SĮ Vilniaus Rajono Autobusų Parkas	-	Vilnius District	Transport	N/A	N/A
278	UAB Marega	100.0%	Vilnius District	Other	83	81
279	UAB Nemenčinės Komunalininkas	100.0%	Vilnius District	Other	10,359	30,372
280	UAB Nemėžio Komunalininkas	100.0%	Vilnius District	Other	13,807	40,741
281	UAB Vilniaus Rajono Profilaktinė Dezinfekcijos Stotis	100.0%	Vilnius District	Other	90	21
282	AB Visagino Mechanizacija	100.0%	Visaginas	Other	1,125	3,582
283	UAB Sedulinos Vaistinė	100.0%	Visaginas	Other	302	387
284	UAB Visagino Būstas	100.0%	Visaginas	Other	7,613	11,430
285	SĮ Dusetų Komunalinis Ūkis	-	Zarasai District	Other	361	510
286	SĮ Profilaktinė Dezinfekcija	-	Zarasai District	Other	40	26
287	UAB Zarasų Autobusai	100.0%	Zarasai District	Transport	N/A	N/A
288	UAB Zarasų Būstas	100.0%	Zarasai District	Other	572	733
289	UAB Zarasų Vandenys	100.0%	Zarasai District	Water	1,942	14,127

## Enterprises controlled by several municipalities

No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
290	AB Klaipėdos Vanduo	92.9%	Klaipėda	Water	42,386	421,748
		6.0%	Klaipėda District			
		1.1%	Neringa			
291	AB Panevėžio Energija	59.5%	Panevėžys	Heating network	184,334	312,096
		13.2%	Kėdainiai District			
		6.8%	Rokiškis District			
		5.9%	Kupiškis District			
		5.7%	Pasvalys District			
		4.8%	Zarasai District			
		2.2%	Panevėžys District			
292	UAB Alytaus Regiono Atliekų Tvarkymo Centras	31.0%	Alytus	Other	8,995	56,108
		15.0%	Prienai District			
		14.0%	Alytus District			
		14.0%	Varėna District			
		12.0%	Druskininkai			
		12.0%	Lazdijai District			
		2.0%	Birštonas			
293	UAB Klaipėdos Regiono Atliekų Tvarkymo Centras	88.2%	Klaipėda	Other	18,076	71,596
		4.3%	Other 5 municipalities in Klaipėda region			
		3.0%	Palanga			
		0.5%	Klaipėda District			
294	UAB Marijampolės Apskritis Atliekų Tvarkymo Centras	36.7%	Marijampolė	Other	12,847	92,433
		26.7%	Vilkaviškis District			
		20.0%	Šakiai District			
		8.3%	Kazlų Rūda			
		8.3%	Kalvarija			
295	UAB Panevėžio Regiono Atliekų Tvarkymo Centras	39.8%	Panevėžys	Other	3,930	59,140
		14.7%	Panevėžys District			
		14.0%	Rokiškis District			
		11.8%	Biržai District			
		11.6%	Pasvalys District			
		8.2%	Kupiškis District			
296	UAB Tauragės Regiono Atliekų Tvarkymo Centras	39.0%	Tauragė District	Other	1,836	33,657
		28.0%	Jurbarkas District			
		24.0%	Šilalė District			
		9.0%	Pagėgiai			

## LIST OF MOES

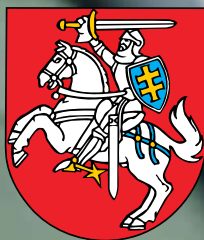
No	Enterprise	Municipal interest*	Municipality	Sector**	Sales revenue in 2011, LTL '000	Assets as of 31.12.2011, LTL '000
297	UAB Telšių regiono atliekų tvarkymo centras	37.0%	Mažeikiai District	Other	8,561	26,036
		32.0%	Telšiai District			
		25.0%	Plungė District			
		6.0%	Rietavas			
298	UAB Utenos regiono atliekų tvarkymo centras	27.0%	Utena District	Other	1,915	49,321
		18.9%	Anykščiai District			
		15.9%	Visaginas			
		13.7%	Molėtai District			
		12.4%	Ignalina District			
		12.3%	Zarasai District			
299	UAB „VAATC“	74.9%	Vilnius	Other	N/A	N/A
		7.3%	Vilnius District			
		4.3%	Ukmergė District			
		3.1%	Šalčininkai District			
		3.1%	Švenčionys District			
		3.1%	Trakai District			
		2.5%	Elektrėnai			
		1.8%	Širvintos District			

\* Municipal enterprises (SJ) are 100 percent owned by municipalities.

\*\* The other sector includes enterprises operating in areas other than water supply services, heat supply or transport sectors as well as enterprises operating in several of these sectors.

<sup>1</sup> UAB Vilniaus Viešasis Transportas was founded at the end of 2011 and the enterprise has not drawn up annual financial statements for 2011.

<b>AB</b>	Public limited liability company
<b>CPA</b>	Carbon pollution allowances
<b>CRA</b>	Communications Regulatory Authority
<b>DGSF</b>	Directorate General of State Forests under the Ministry of Environment
<b>DHS</b>	District heating supply
<b>D/E</b>	Debt to equity ratio
<b>EBITDA</b>	Operating profit before depreciation and amortisation. The indicator is derived by adding depreciation and amortisation costs to the operating profit or loss (including the result of operating and other activities).
<b>EBITDA margin</b>	Indicator derived by dividing the EBITDA (operating profit before depreciation and amortisation) by net turnover of the enterprise
<b>EU</b>	European Union
<b>Freight</b>	Payment to the vehicle owner for transportation of goods or passengers
<b>LE</b>	Lietuvos Energija
<b>LJL</b>	Lietuvos Jūrų Laivininkystė (Lithuanian Shipping Company)
<b>M</b>	Million
<b>MOE</b>	Enterprise owned by a municipality (a municipal enterprise, public or private limited liability company engaged in commercial and economic activities in which one or more municipalities hold shares which entitle them to more than 1/2 of all votes at the general meeting of shareholders of the company)
<b>NCCPE</b>	National Control Commission for Prices and Energy
<b>Net profit margin</b>	Indicator derived by dividing the net profit by net turnover
<b>Non-standard taxes</b>	Property tax and raw material tax
<b>Operating profit margin</b>	Indicator derived by dividing the operating profit by net turnover
<b>Ownership Guidelines</b>	Procedure for exercising property and non-property rights of the state at state-owned enterprises approved by Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012
<b>Property tax</b>	Tax paid by state enterprises for the use of entrusted state property
<b>PSO</b>	Public service obligations
<b>Raw material tax</b>	Mandatory deductions from the revenue for sale of raw wood and uncut forest paid by forest enterprises
<b>RES</b>	Renewable energy sources
<b>ROA</b>	Return on assets. It is a financial indicator showing the efficiency of use of corporate assets. The indicator is calculated by dividing the net profit by the average value of total assets at the beginning and end of the period
<b>ROE</b>	Return on equity. It is a financial indicator showing the efficiency of use of capital invested by shareholders. The indicator is calculated by dividing the net profit by the average value of total equity at the beginning and end of the period
<b>SĮ (ME)</b>	Municipal enterprise
<b>SOE</b>	State-owned enterprise (a state enterprise, public or private limited liability company engaged in commercial and economic activities in which the state holds shares which entitle it to more than 1/2 of all votes at the general meeting of shareholders of the company)
<b>Special obligation</b>	Function exercised by a SOE which is not commercially viable but is necessary for the state to achieve its strategic objectives, economic security, quality infrastructure, social and political objectives
<b>Transparency Guidelines</b>	Procedures for ensuring transparent operations of state-owned enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania 14 July 2010
<b>UAB</b>	Private limited liability company
<b>UPS</b>	Universal postal services
<b>VAE</b>	UAB Visagino atominė elektrinė (Visaginas Nuclear Power Plant)
<b>Wh</b>	Energy measurement unit used to measure electricity used or generated by electrical devices (kilowatt-hour = 10 <sup>3</sup> Wh, terawatt-hour = 10 <sup>12</sup> Wh)
<b>VĮ (SE)</b>	State enterprise



Annual Report. Lithuanian State-Owned Enterprises in 2011.

For further information please contact:

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[www.vvi.ukmin.lt](http://www.vvi.ukmin.lt)