

# State-Owned Enterprises in Lithuania

## Annual Report 2012

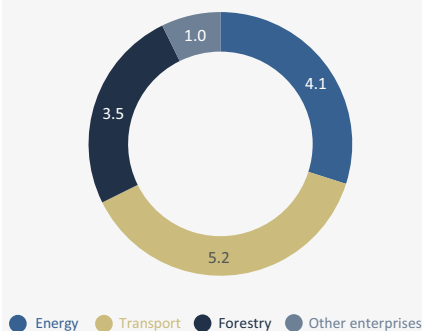


# SOE portfolio: Brief Overview

## SOE portfolio value

31 December 2012	13.8	+2.2%
31 December 2011	13.5	

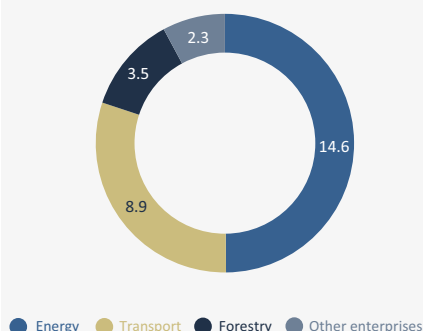
LTL billion



## SOE portfolio book value of assets

31 December 2012	29.3	-2.2%
31 December 2011	30.0	

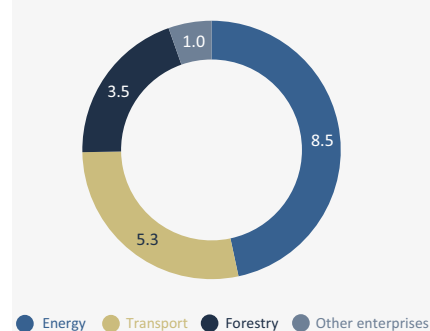
LTL billion



## SOE portfolio equity value

31 December 2012	18.3	-2.7%
31 December 2011	18.8	

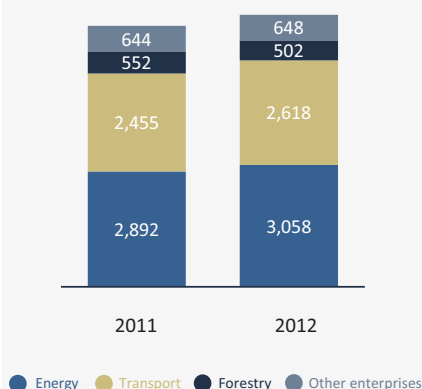
LTL billion



## SOE portfolio sales revenue

2012	6,827	+4.3%
2011	6,544	

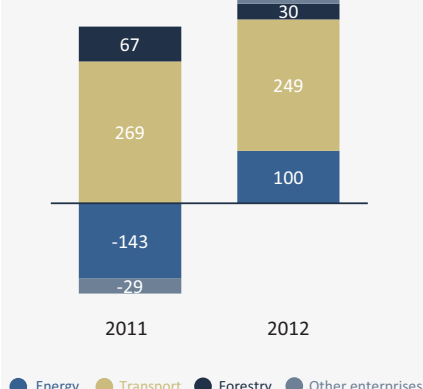
m LTL



## SOE portfolio operating profit

2012	419	+155.8%
2011	164	

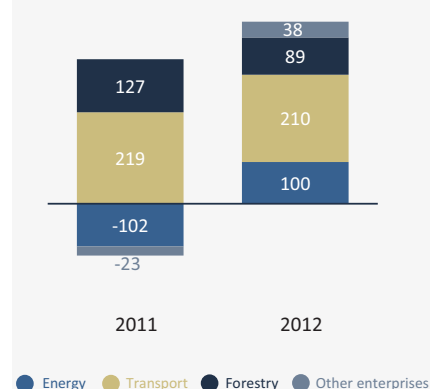
m LTL



## SOE portfolio net profit

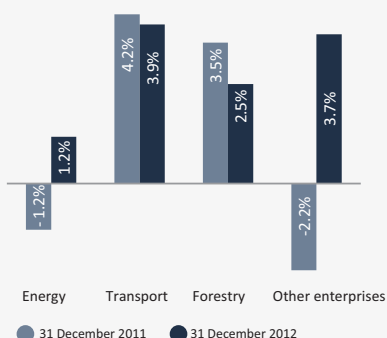
2012	437	+96.6%
2011	222	

m LTL, normalised profit is provided



## SOE portfolio ROE

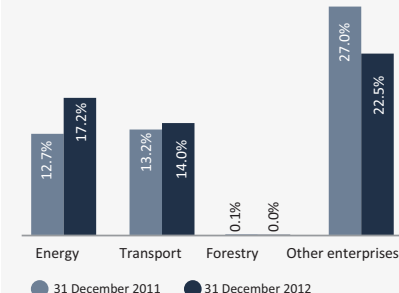
31 December 2012	2.4%
31 December 2011	1.2%



## SOE portfolio financial leverage

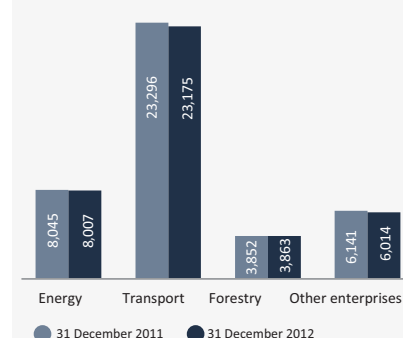
31 December 2012	13.3%
31 December 2011	11.1%

Excluding the interest-free loan to Deposit and Investment Insurance



## SOE employees

31 December 2012	41,059	-0.7%
31 December 2011	41,334	



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**The Report is available online at [vkc.vtf.lt](http://vkc.vtf.lt)**

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# State-Owned Enterprises Around Us



On average,  
**20** vessels

entered the Klaipėda  
port on a daily  
basis in 2012

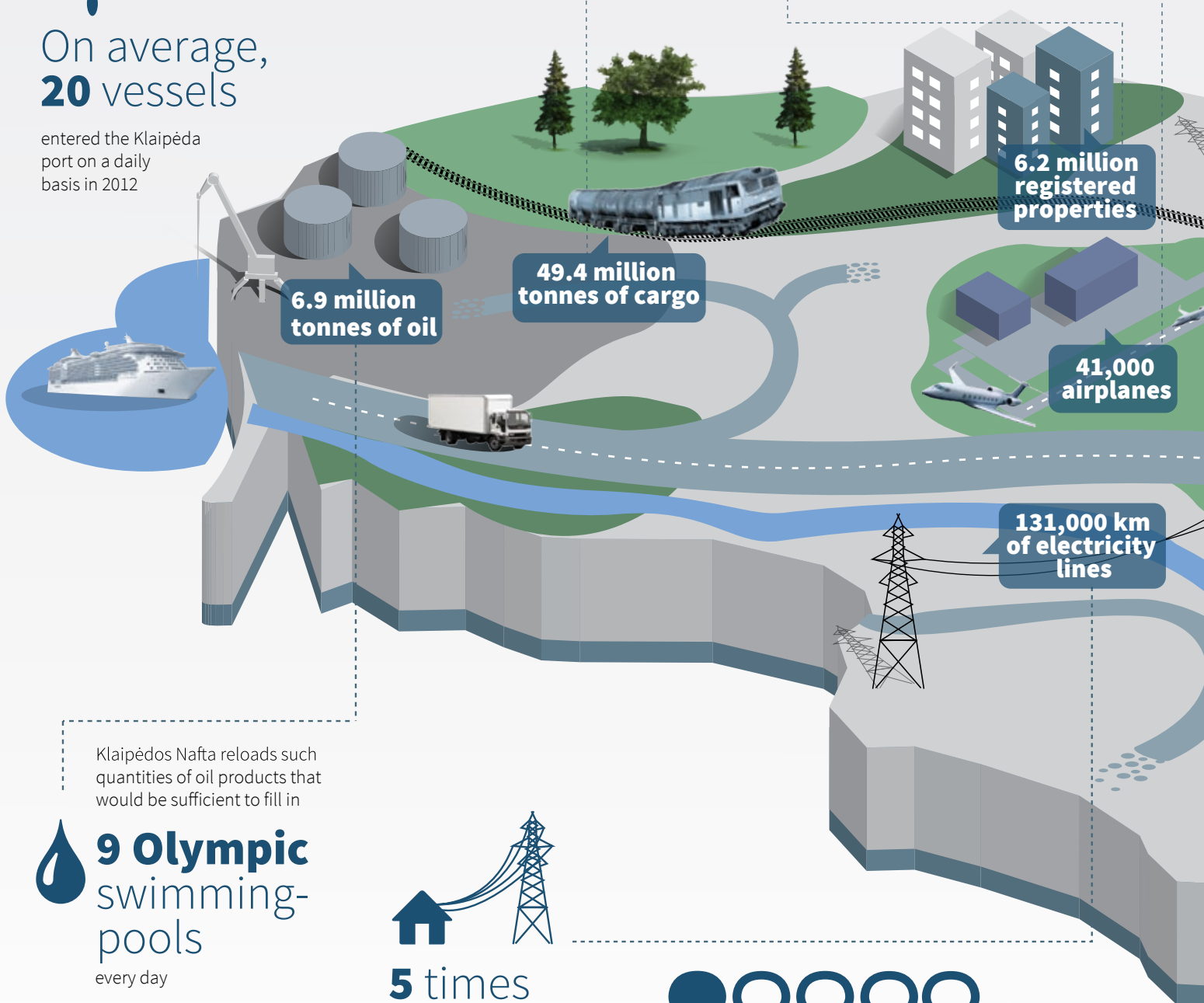


**8** Egypt  
pyramids

weigh as much as the total cargo  
transported by Lithuanian  
Railways in 2012

In 2012, the Center of Registers  
registered, on average,

**30 real estate  
properties**  
per hour



Klaipėdos Nafta reloads such  
quantities of oil products that  
would be sufficient to fill in

**9 Olympic  
swimming-  
pools**

every day



**5 times**

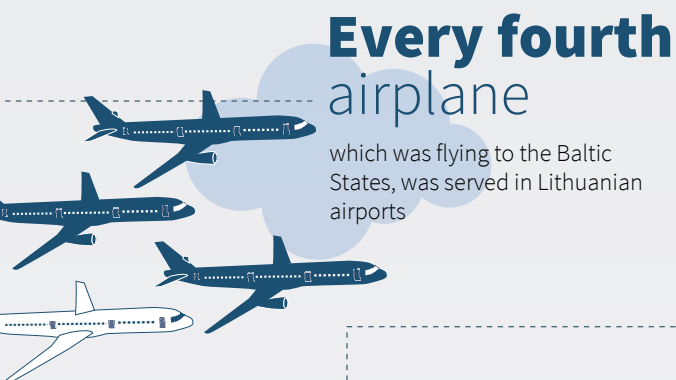
could the territory of Lithuania  
be covered by the electricity  
lines operated by LESTO and  
Litgrid



**1 out of 5** electric bulbs

in Lithuanian households uses electricity  
generated by Lietuvos Energija

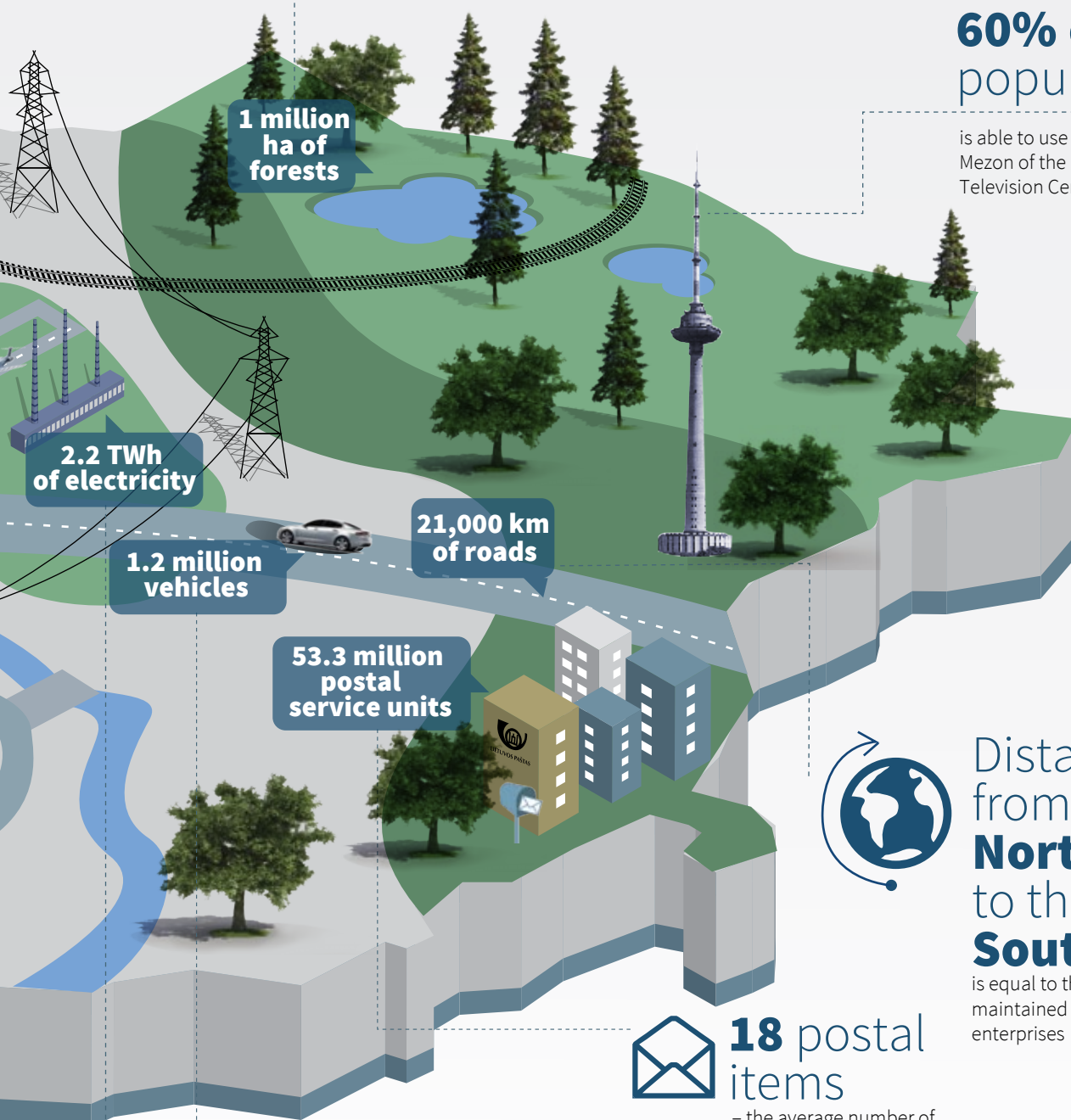




– forest enterprises manage this much forest area per each Lithuanian citizen



is able to use 4G mobile Internet  
Mezon of the Lithuanian Radio and Television Centre



Distance from the **North Pole** to the **South Pole**

is equal to the network of roads maintained by state-owned enterprises



**18 postal items**

– the average number of postal items sent per year per capita in Lithuania



Based on the Regitra data,  
**2 out of 5 residents**  
own a motor vehicle in Lithuania

## Dear employees, clients, partners and shareholders of state-owned enterprises,



I am pleased to be able to present the fourth Annual Report on the activity of state-owned enterprises, the objective of which is to inform readers on the assets value, operating results and changes in the efficiency of activity of 137 state-owned enterprises.

State-owned enterprises are primarily one of the major national employers: Lithuanian Railways alone employs over 12,000 employees, and all state-owned enterprises employ over 40,000 people. Secondly, these enterprises provide the public with the services of vital importance – energy enterprises supply electricity, airports

ensure communication with the world. In the end, state-owned enterprises are the spine and engine of our economic development. Although state-owned enterprises created the added value amounting to LTL 3.6 billion in 2012, their total contribution to the country's economy taking into account the indirect effect was, without any doubts, much greater.

For all aforementioned reasons, it is especially important that state-owned enterprises and their management are accountable to the public, information on their activity is always available and the publicity motivates to gather up and seek better and better results. I believe that these reports serve as a useful tool enabling to achieve said objectives.

When implementing the principles of good governance of state-owned enterprises, we gather experience from well-developed states, which have gone a longer way in this field. Lithuania is an active participant in the working group of the Organisation for Economic Cooperation and Development regarding governance of the state-owned enterprises and privatisation practice; it also follows the recommendations of this organisation with respect to transparency, shareholder's objectives and principles of corporate governance. I believe that the enhancement of governance efficiency of state-owned enterprises and implementation of good practice will enable us to be closer to the membership in the Organisation for Economic Cooperation and Development, which is the so-called club of developed countries.

I am excited that in 2012 the state-owned enterprises continued to improve the operating results in a consistent manner. Revenue of the enterprises grew, the operating profit almost tripled and stood at over LTL 400 million. The significant tax contribution to the budget is also worth mentioning as it comprised LTL 264 million in 2012.

Nevertheless, it is important to move forward as the road to the transparent and efficient governance of state-owned enterprises is still challenging. One of the challenges is unbundling of commercial and non-commercial functions which will enable to objectively evaluate the price of special commitments attributed to the enterprises and set economically reasonable objectives. If we better understand enterprises and functions attributed to them we can set aims associated with the profit and dividends which will be compatible with the commitments of enterprises as to carrying out essential social functions and implementing strategic national projects. Moreover, it is important to further enhance the corporate governance in order to ensure that management bodies are comprised of competent and motivated persons only, and management processes are unbundled from political influence. We realize the huge significance of state-owned enterprises, therefore we have to work together so that our enterprises become not only national, but also regional leaders, and their employees may be proud of being a part of such enterprises.

*Yours sincerely,  
Algirdas Butkevicius  
Prime Minister*

**Dear all,**

In 2012, important decisions regarding the improvement of management of state-owned enterprises were adopted by the Government: principles of corporate governance were established, indicators to be achieved by the state-owned enterprises were determined, the Management Coordination Centre responsible for supervision of state-owned enterprises was launched. As international experience shows, these changes ensure a stable basis for improvement of governance of state-owned enterprises and efficiency enhancement.

The operating results of state-owned enterprises were consistently increasing last year as both revenue and profit of the enterprises were growing. The Report also reflects the contribution of state-owned enterprises to the national economy. It has been estimated that the total added value created by the enterprises stood at LTL 3.6 billion in 2012, which stands for nearly 3% of the country's gross domestic product.

It is worth noticing that the principles of accounting of non-commercial functions of the state-owned enterprises have not been approved yet, thus their profitability indicators cannot be yet compared with the results of the enterprises operating in the private sector. It is expected that the Government will approve the amendment of the Transparency Guidelines already this year, supplementing them with the requirement for state-owned enterprises to separately account for financial results of commercial and non-commercial functions. This will result in a higher level of transparency and enable to objectively assess the inefficiency of activities, determine indicators to be achieved and ensure the quality of services provided by the enterprises to the public of Lithuania.

Objectives named by the Government and determined indicators, participation of independent members of the board in the management of state-owned enterprises and supervision of the quality of strategic plans carried out by the Management Coordination Centre were useful: the return on equity of state-owned enterprises is intended to grow in 2013, the quality of strategic plans has notably increased. The analysis conducted by the Governance Coordination Centre revealed that setting of specific objectives and determination of indicators remain a challenging field in terms of strategic planning, thus the ministries which own shares should continue enhancing the boards of state-owned enterprises by attracting more experts in the fields of strategic planning and finance.

Currently, out of 514 members' seats of the boards of state-owned enterprises, 12 independent members of the board have been assigned. This is still a very low indicator: according to the recommendation of the Organisation for Economic Cooperation and Development (OECD), independent members should comprise the majority of the members of the board. Assigning independent members of the board ensures that the boards possess all required competences and potential conflicts of interest are prevented, which may arise for representatives of the state institutions when implementing the functions of the sector regulation and enterprises' ownership. Taking into account the experience of the OECD countries, it is essential to ensure the transparent process of the selection of independent members of the board and hand over this function to the Governance Coordination Centre.

The achievement of the objectives that the governance of an enterprise is in charge for is the integral part of the strategic management of enterprises. Therefore it is important to attract competent managers to state-owned enterprises, and competitive salaries must be associated with the implementation of indicators to be achieved, thus ensuring that the manager will always seek the benefit for the shareholder – a Lithuanian citizen.

Upon the implementation of submitted proposals on the basis of the OECD recommendations and good governance practice widely applied in developed countries, the essential objectives of the state will be achieved: state-owned enterprises will be more efficient, social services will be of a higher quality, a sustainable contribution of state-owned enterprises to the growth of the Lithuanian economy will be ensured.

*Yours sincerely,*

*Members of the working group of advisers of the state-owned enterprises  
Arūnas Šikšta, Antanas Anskaitis, Rolandas Barysas, Viktoras Butkus  
Nerijus Mačiulis, Jaunius Pusvaškis, Arminta Saladžienė*

# Overview of the Governance Practice of State-Owned Enterprises

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*The following three SOE governance models prevailing in the OECD countries could be distinguished: decentralised, dual and centralised.*

The experience of many countries which have already implemented or had commenced the reform of the sector of state-owned enterprises (SOEs) has been assessed in the documents of the Organisation for Economic Cooperation and Development (OECD). Namely these countries stand for the most essential sources which help make decisions regarding trends and principles of the SOE reform in Lithuania. The OECD distinguishes six key principles which the states should follow:

- » SOE legal framework and regulatory environment should ensure uniform market conditions for both SOEs and private equity enterprises.
- » The state should adhere to a clear and consistent ownership policy so that the governance of state-owned enterprises is performed in a transparent, responsible, professional and effective manner.
- » The state and SOEs should equally acknowledge the rights of all shareholders and ensure their equality and access to information about the enterprise in compliance with the OECD Principles of Corporate Governance.
- » The ownership policy of the state should not violate the rights of other parties related to SOEs which are ensured by legal acts or contractual commitments.
- » SOEs should follow stringent transparency standards and adhere to the OECD Principles of Corporate Governance.
- » The Boards of SOEs should possess all required authorisations and competences in order to carry out functions of strategic planning and company governance supervision. They should act in good faith and assume responsibility for their actions.

The aforementioned principles have been in force in Lithuania since 2009 taking into account the significance of SOEs to Lithuanian economy, standard corporate governance practice and changes required in this field. The SOE reform and practice of good governance has been accumulated significantly earlier worldwide, thus this Report briefly reviews the experience of foreign countries in implementation of the most important aspects of the good corporate governance, i.e. the state's ownership legal framework implementation model, formation of boards and accountability of SOEs.

## State as a Shareholder: Three Models

The procedure for exercising the rights of the state as a shareholder or owner varies in different countries due to different public management and administration systems, inconsistent significance of SOE sectors for economy and recent reforms carried out in several countries. However, three dominating corporate governance models may be distinguished: decentralised, dual and centralised.

When applying the decentralised model, the enterprises are managed by ministries which make policy of relevant sectors. This model has been prevailing in many countries where SOEs constituted a significant part of economy until privatisation “waves” which took place from 1970 to 1990. The advantage of the model is an opportunity to implement the sector policy more efficiently, for instance, when specific industrial branches are developed or strategic projects are implemented through enterprises. However, the most essential drawback of the system is insufficient unbundling of the functions of the ministry as a sector regulator, policy maker and shareholder's representative, which may result in conflicts of interest. Moreover, the application of the decentralised model is challenging in terms of determining the limits of responsibility of the ministry and board due to the dominating attitude that the ministry is in charge for implementation of strategic objectives and daily activity of the enterprise rather than the board of the enterprise. Due to aforementioned drawbacks and shrunk efficiency of this governance model, many countries

have chosen more centralised systems during the last thirty years. In the countries where enterprises are still managed in a decentralised manner, the coordination of the implementation of the state as a shareholder has commenced by establishing special supervisory institutions or assigning a coordinating role to one of the ministries. Such system is operated, for example, in Germany.

Most of the OECD countries use the dual model, when the rights of the state as a shareholder are exercised by two ministries: the line ministry and the ministry that coordinates corporate governance. This model helps ensure the implementation of a uniform policy of corporate governance and reduces the risk of failure to unbundle the functions, which is characteristic to the first model. Such model is operated in Italy, Greece, Turkey, and New Zealand. In some countries (e.g. in France, Australia) the dual model has been chosen as an intermediate step for switching from a sectoral governance of the enterprises to a centralised one.

The centralised model is considered the most advanced model: SOEs are managed by one institution, for instance, a specialised agency or one of the ministries which is less associated with the sectoral policy (e.g. the Ministry of Finance). This model ensures a greater efficiency of the corporate governance and a clear unbundling of governance functions from the implementation of the sectoral policy. In Denmark, Norway, Sweden, Finland, the Netherlands, and Poland SOEs are managed in a centralized manner; the United Kingdom and France are also switching to this model.

## Corporate Boards

Generally, SOEs are subject to the same governance bodies as the enterprises operating in the private sector: with respect to the legislation effective in a specific country, the two-level (when a supervisory board is comprised of the shareholders' representatives, and the board consists of the enterprise's managers) or one-level (when only shareholders' representatives sit on the board) governance system may be formed. The number of members on the board greatly differs in various countries and ranges from at least two (e.g. in New Zealand, Switzerland) to as many as 15 (in Mexico) members. The essential difference between the boards of the state-owned enterprises and private sector is the participation of public servants on the boards. In most OECD countries (for example, Finland, Sweden, Germany, Great Britain, Italy) the number of representatives of the institution exercising the shareholder's rights stands at two members at most. In some countries the number of public servants on the board is determined proportionally to the number of state-owned shares (for example, in Austria, the Czech Republic, Slovakia), or a specific proportion is chosen (for example, one third in France, and in Mexico at least 50% of the board members must be the representatives of the authorities). In some countries, for example, Denmark, Norway and the Netherlands, the representatives of institutions do not sit on the boards; the boards are only formed from professional and independent members.

The OECD Guidelines state that the most important factor which determines the efficiency of work of the boards is their autonomy in terms of decision-making and independence from the political influence. More and more countries acknowledge that corporate boards should include as many independent members as possible rather than representatives of authorities (ministries). In some countries specific requirements are applied as to how many board members should be independent: for example, in France the number of independent members should comprise one third, in Greece at least two independent members should sit on the board, in Slovakia the majority of the board should be represented by independent members. In Austria, Germany, Australia and New Zealand the independent members who are paid for the work performed constitute the majority of the board.

SOE controlling bodies are typically responsible for nomination of the members to the board, and the procedure for appointing members of the board is determined by the model of exercising the ownership rights. In the decentralised system, the members of the board are generally appointed by the line ministry; the institution or body that controls enterprises assigns the members in the centralised system, and

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*Countries increasingly recognise that SOE boards of directors should include as many independent members as possible rather than representatives of the government (ministries).*



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*In most of the OECD countries, SOEs publish their financial statements and activity reports on a semi-annual basis, whereas in Sweden, Turkey and New Zealand, they are published on a quarterly basis.*

when the dual system is operated, the greater influence when appointing members to the board is frequently handed over to the coordinating (non-sectoral) ministry or institution.

Still few countries have comprehensive, transparent and competence-oriented systems for nomination of the members to the board. Such countries are Sweden, New Zealand, Australia and Finland. In some countries, for instance, the United Kingdom, Denmark and Norway, the special Nomination Committees or special agencies have been established that are consulted by the institutions when selecting the members of the board.

## Transparency Policy

Transparency is of a high importance to state-owned enterprises as the results of their activity are significant not only to a small group of shareholders, but also to the Government and the public. Publicly available summary reports serve as a tool which enables to control how SOEs implement their objectives and encourages the boards of state-owned enterprises and the governance to act in a more efficient manner.

Three phases of corporate accountability are distinguished in the OECD countries. Firstly, SOEs must clearly declare the objectives of their activity. Usually, such objectives are set in legal acts governing the state's ownership policy, and SOEs must provide the Government or ministry in charge (most often the Ministry of Finance) with strategic plans which envisage the way for achieving said objectives.

The second phase is the submission of SOE summary reports. Usually, in foreign countries SOEs must submit reports following the same requirements as public companies listed on the securities exchange. In most OECD countries SOEs publish financial and summary reports every six months, while in Sweden, Turkey and New Zealand such reports are published on a quarterly basis.

The third phase of the corporate accountability is drafting of summary reports on SOEs. Summary reports are prepared in Denmark, Canada, Finland, Italy, Poland, the Netherlands, United Kingdom and other countries. The Reports are submitted to the Parliament or Government of the country; the report or shortened versions thereof are made publicly available. The aim of these reports is to assess SOEs as general results of the state-owned investment portfolio, monitor SOE activity on a continuous basis and make relevant decisions regarding corporate governance or changes in strategy in accordance with the relevant information.

In general, the same corporate governance practice trends to prevail in more and more OECD countries: the centralised corporate governance model is chosen more frequently, the process of the board formation is improved and made more transparent by setting explicit selection criteria and attracting independent members, transparency is ensured by publishing SOE activity objectives and implementation results. Despite economic, political, social or cultural differences between various states, more countries tend to acknowledge the benefit of application of general of the OECD. On the basis of the accumulated experience, it is possible to summarize that the consistent state policy vis-à-vis SOEs based on the OECD recommendations, assurance of competitive market conditions, professional corporate governance and supervision help achieve more effective use of resources both at the enterprise's level and national level, which results in better SOE results and a greater benefit for the entire national economy.



# SOE Good Corporate Governance Index

For the first time this Report has presented the assessment of the corporate governance practice which is to show the success of SOEs in terms of implementation of the key OECD recommendations, provisions of the Ownership Guidelines and Transparency Guidelines. Three key criteria have been selected for constituting the good corporate governance practice index: transparency, quality of governance and strategies and implementation. These aspects of corporate governance are monitored by the Governance Coordination Centre on a continuous basis which annually provides the Government with the reports on the quality of strategic plans, composition of the boards and publishes interim and annual summary reports on the SOE activity.

The good governance practice index has been designed on the basis of the questionnaires filled out by SOEs and (or) institutions exercising the rights of the owner or a shareholder of SOEs; the questionnaires were filled out during the period from 16 April 2013 to 1 June 2013. Moreover, the index included the results of the corporate strategy quality assessment conducted by the Governance Coordination Centre at the end of 2012 (the report on the corporate strategy assessment results was submitted to the Government in February 2013). Taking into account the provisions of the Ownership Guidelines, the SOE profitability was selected as one of the index criteria which was assessed by the indicators of the return on equity in 2012.

When designing the index the size, legal framework and activity objectives of the enterprises were taken into consideration (commercial enterprises were subject to higher profitability requirements than enterprises engaged in non-commercial activities).

The data collected from all SOEs other than the non-operating Lithuanian Research Centre and Geležinkelio Apsaugos Želdiniai that became a subsidiary of Lithuanian Railways in 2013 were used to design the index.

## Transparency

The transparency of the SOEs has been assessed by means of the following criteria:

- » Comprehensiveness of the SOE Summary Reports (annual reports) with respect to the requirements of the Transparency Guidelines;
- » Opinion of auditors provided in the audit conclusions (non-conditional or modified) regarding the SOE financial statements;
- » Application of the International Accounting Standards when forming the financial accountability as recommended in the Transparency Guidelines;
- » SOE social responsibility reports.

The SOE survey has revealed that the majority of the enterprises prepare sufficiently comprehensive summary reports or annual reports. The comprehensiveness and publicity (they are published on the websites of the enterprises and Governance Coordination Centre) of the reports are ensured by the requirements laid down in the Transparency Guidelines. However, it must be noted that the SOE summary reports do not discuss risk factors to a sufficient extent. Most of SOEs merely list risk factors, but their effect on future results is not analysed and risk mitigation measures are not indicated. A lack of information on risk factors in the summary reports precludes a shareholder from taking a reasonable position regarding the perspectives of the SOE activity, as well as notifies potential problems subject to corporate strategic planning and risk management. It should be also noted that only several SOEs implement the provision of the Transparency Guidelines in the summary reports (annual reports) with regard to the submission of information on dividend policy. Although amounts of SOE dividends or profit contributions are determined in compliance with legal acts, the position of the enterprise management made publicly available and objectives regarding the dividends would increase transparency, help shareholders assess the financial situation of SOEs as well as the ability to pay dividends.

The assessment of the quality of SOE financial statements is accompanied by opinions provided in the conclusions of independent auditors that performed the finan-

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*The SOE index shows how they manage to comply with the OECD key recommendations and the provisions of the Ownership Guidelines and the Transparency Guidelines.*

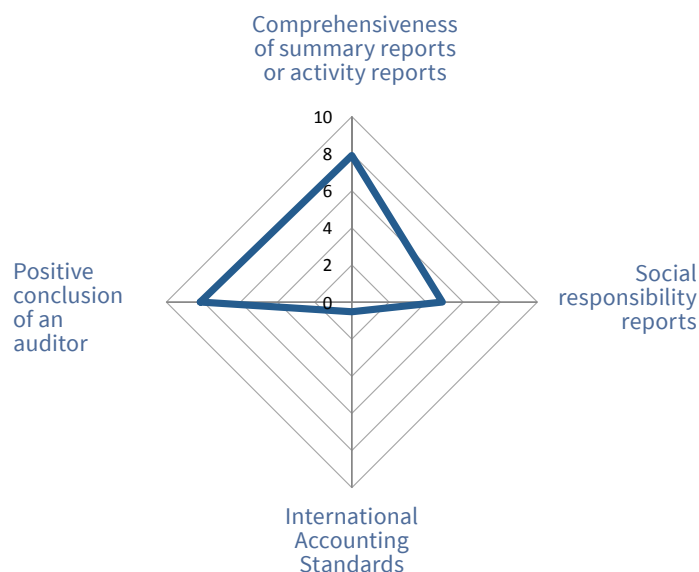
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*Only 8 out of 35  
Lithuanian SOEs  
apply International  
Accounting  
Standards.*

cial audit of the enterprise. The unconditional opinion of the auditor means that all significant aspects of financial statements are compliant with the requirements of the applicable financial accounting standards. Modified (conditional) opinions are expressed when significant distortions are identified in financial statements or when audit evidence does not suffice to substantiate the conclusion that financial statements are not distorted. Conditional opinions of the auditors were expressed at least once in the last three years on 32 corporate financial statements, 17 SOEs received such an opinion at least twice. The total SOE indicator regarding auditors' conclusions is sufficient, but the repeated conditional auditors' opinions are of concern in terms that identified problems of SOEs are not solved, i.e. the better quality of financial statements is not of high priority.

The International Accounting Standards (IAS) increase the comprehensiveness and reliability of financial statements; corporate financial statements become comprehensive and comparable on the international level, differences in the accounting practice as well as the risk of distortion are reduced. Therefore it is recommended to apply the IAS to all SOEs, and it is a must for at least major enterprises that operate on international markets and seek to attract foreign investments. Unfortunately, at the end of 2012 the IAS were applied by eight SOEs out of 135; two of them (Klaipėdos Nafta and Lithuanian Shipping Company) have stocks listed on the securities exchange; the IAS are also applied by Visagino Atominė Elektrinė and EPSO-G which control listed companies. Other SOEs that follow the IAS are: Oro Navigacija, Vilnius International Airport, Lithuanian Post and Turto Bankas. The following major SOEs have not applied the IAS yet: Lithuanian Railways, Klaipėda State Seaport Authority, Lithuanian Radio and Television Centre, Centre of Registers and Regitra.

The Transparency Guidelines stipulate that SOEs must provide information regarding ongoing social and environmental initiatives and policy in summary reports or annual reports. In accordance with the good international practice, enterprises

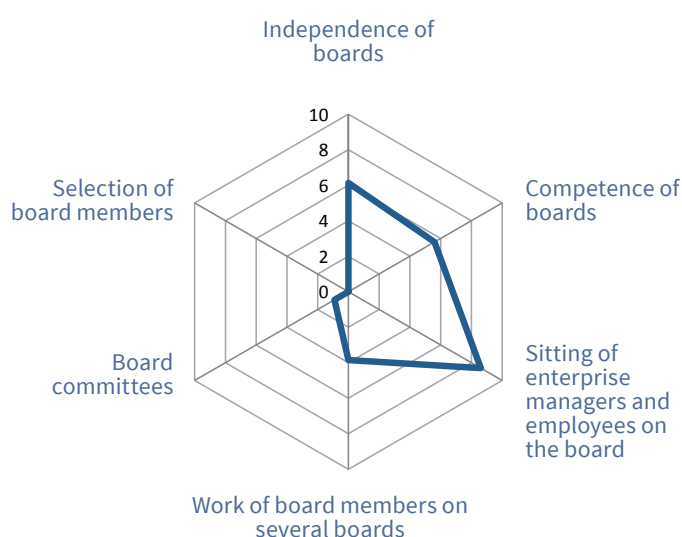


should be accountable not only to a shareholder, but also to all parties concerned: creditors, employees, clients and the public. The practice when the enterprises, taking into account the needs of all parties concerned, integrate social, environmental and ethical principles into their activity is called the corporate social responsibility (CSR). When applying the CSR principles the favourable conditions are provided to promote competitiveness and innovations, develop the sustainable business model, strengthen the business and community relationship, and enhance the human capital. The CSR principles are of a special significance for those SOEs that provide important services to the public and operate in order to achieve not only commercial, but also strategic and social objectives. In many developed countries, for example, Sweden, Denmark, Norway, SOEs are considered an examples of good CSR practice which should be followed by private businesses. The CSR principles have not been widely applied in state-owned enterprises in Lithuania so far. Only some major SOEs

provide more explicit information on the ongoing policy of social responsibility in their summary reports. The greatest progress in this field was achieved by the VAE subsidiaries LESTO and Lietuvos Energija which have arranged separate reports on social responsibility for several consecutive years and have become the members of the National Responsible Business Network. Lithuanian Railways is also a member of this network.

## Boards

A total of 115 enterprises out of 135 enterprises assessed when designing the index have boards: 38 companies and 77 state-owned enterprises. Only seven companies have steering committees: Klaipėdos Nafta, Lithuanian Shipping Company, Smiltynės Perkėla, Autoūkis, Panevėžio Veislininkystė, Aerogeodezijos Institutas (Institute of Aerial Geodesy) and Rural Credit Guarantee Fund. Since the board serves as the main collegial body of nearly all enterprises, only compliance of the boards with the good governance practice criteria was assessed when designing the index. Corporate boards were assessed with respect to the following aspects:



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*10 out of 38 boards of directors include independent board members.*

- » Independence of board members (sitting of independent members on company boards and the number of SOE board members taking part in making the sectoral policy);
- » Competences of the board (based on the provisions of the Ownership Guidelines, the competences of finances, strategic planning and economy were assessed);
- » Selection of board members;
- » Sitting of SOE employees on the boards;
- » Formation of board committees;
- » Sitting of board members on several boards.

Attraction of independent members to the boards helps achieve a higher level of autonomy and expertise. In most European countries independent members comprise one third and more members on corporate boards. In Lithuania this practice has not been widely applied yet: independent members sit on only ten boards out of 38. Such major enterprises as Klaipėdos Nafta, Lithuanian Post and Lithuanian Shipping Company have two independent board members, Lithuanian Railways and Lithuanian Radio and Television Centre each has one independent member on the board. Smiltynės Perkėla, Mintis, Informacinio Verslo Ir Paslaugų Įmonė, Toksika and LITEXPO have also indicated they have independent members on the board. Independent members cannot sit on the boards of state-owned enterprises due to the legislative restrictions, therefore the boards are composed of representatives of institutions exercising the owner's rights and enterprise managers.

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*The majority of SOE boards of directors have all the three key competences specified in the Ownership Guidelines.*

Only 13 out of 115 enterprises indicated that board members did not take part in making the policy of the economy sector where the enterprise was operating. This demonstrates that SOE managers have failed to implement one of the key principles of good practice so far: to unbundle functions of exercising the enterprise's ownership rights from the policy making (sector regulation) functions. Based on the OECD recommendations, this unbundling is required to reduce the political influence on SOEs and prevent conflicts of interest as well as non-objective decisions of the board vis-à-vis the enterprise.

The board competence assessment indicator revealed that most of the corporate boards had three key competences distinguished in the Ownership Guidelines (strategic planning, finance and economy), but such competences were mainly acquired by board members when working in the public sector. This reveals that corporate boards may lack experience of business management which is required for more successful competition of SOEs in the market, implementation of a consistent, business- and finance-based logic strategy and achievement of better commercial activity results.

As many as 78 SOEs indicated that at least one member on the board was a member in more than three corporate boards. Such practice, in accordance with the examples of the OECD countries, does not ensure that a member of the board devotes enough time and pays enough attention for sitting over the problems of the enterprise and activity thereof. Moreover, the representatives of institutions exercising the ownership rights sitting on several corporate boards must devote a greater part of their time to carrying out of the main duties, thus their participation on the boards may be just formal. It must be observed that the same members of the board sit on the boards of forest enterprises and road maintenance enterprises that are engaged in the same activity, giving the impression that such enterprises could be actually controlled by one general board.

It must be noted that SOEs do not apply the practice of forming the board committees. In accordance with the information provided by the enterprises, audit committees operate in three out of six state-owned enterprises of categories I and II (Visagino Atominė Elektrinė, Klaipėdos Nafta, Lithuanian Shipping Company), but none of the SOEs have the Remuneration Committee responsible for resolving the issues subject to the management payroll.

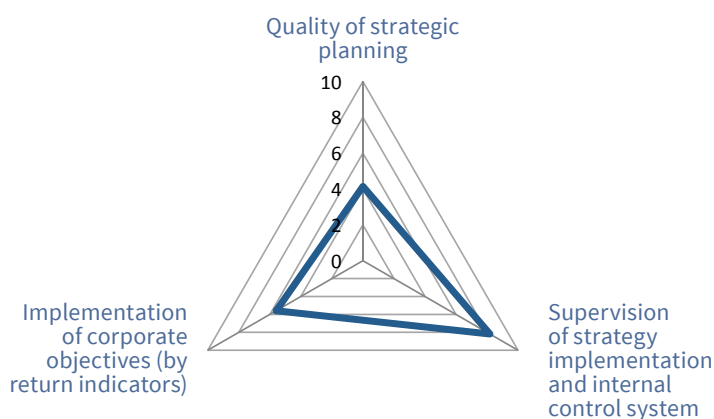
Employees do not usually sit on corporate boards, and the sole representative of the enterprise management on the board is typically the director general of the enterprise; however, he/she is not the chair of the board. This means that corporate boards are quite autonomous vis-à-vis the enterprise management and they have an opportunity to make objective decisions regarding, for example, the management change, payroll determination or similar issues.

Transparent and professional selection of board members is especially important in terms of assurance of formation of independent and competent boards. Unfortunately, this index indicator has the most negative assessment. None of the major SOEs had the board which was appointed by the Selection Committee which, in accordance with the Ownership Guidelines, should be composed of a manager of an institution exercising the ownership right, the Minister of Finance and the Minister of Economy. In addition, upon the end of the term of corporate boards, the absolute majority of the boards did not carry out self-assessment that would help determine which competences and other requirements should be applicable to candidates to the board members. This information reveals that much attention must be paid to the improvement of the board formation process and making it more transparent so that independent and professional boards of balanced competences are selected.

## Quality and Implementation of Corporate Strategies

The assessment of the quality and implementation of the corporate strategies consists of the following:

- » Results of corporate strategies' quality assessment conducted by the Governance Coordination Centre at the end of 2012;



- » Corporate assessment by achieved profitability indicators in 2012;
- » Information provided by SOEs on performance of internal control systems and internal audit.

The absolute majority of SOEs indicated they carried out the systematic supervision of the strategy implementation; half of them stated that the procedure for supervision of strategy implementation was stipulated in internal documentation. In addition, based on the questionnaire data, an internal control system is operating in most SOEs, internal control procedures are established and measures for risk mitigation are envisaged. Almost all major state-owned enterprises indicated that performance audits were carried out on a regular basis.

However, even if internal control procedures are established, they do not ensure good corporate results provided strategic plans are implemented that are not properly drafted and are not ambitious enough. Based on the index results it must be held that SOEs focus on procedures and documentation, but implementation of the key objectives and improvement of activity results are not of the first priority. Preparation of strategic plans is currently the weakest link of the SOE strategic planning and strategy implementation. Only 17% of SOE strategic plans were evaluated as good or excellent by the Governance Coordination Centre, and as many as 32% of SOE plans were evaluated as unsatisfactory and to be edited. In accordance with the recommendations of the Governance Coordination Centre, the strategic plans should analyse environmental factors in more detail, set clear, ambitious and measurable objectives and indicators and prepare strategies for at least a three-year period.

21 out of 59 assessed enterprises of groups 1A and 1B topped the annual indicator of the 5% return on equity set by the Government for 2013-2015 (forest enterprises subject to the total net profit indicator to be achieved have not been included in the assessment), and the objective to seek profitable activity (positive ROE indicator) was achieved by 31 of 34 SOEs of group 2 which submitted the questionnaires. The total return on equity of SOEs remains low, therefore a major part of SOEs must prepare more ambitious strategic plans, focus more on setting objectives and indicators to be achieved, as well as control the implementation of these plans, so that during the next three years the minimum indicator of the return on equity set by the Government is achieved and the market returns on equity are approached.

To sum up the results of the good corporate governance practice index, the SOE transparency practice is subject to the best implementation in Lithuania, while the formation of the boards and selection of independent members should be more focused on. Strategic planning also remains the weak link of the corporate governance, but its quality could improve upon formation of professional and independent boards. The majority of the provisions regarding transparency, boards and strategic planning which are compliant with the OECD recommendations and good practice have been included in the Transparency Guidelines and Ownership Guidelines approved by the Government, but in order to make them work the SOEs and their managers should concentrate more on their implementation.

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*In 2012, 21 out of 59 enterprises in the groups 1A and 1B exceeded the annual 5% rate of return.*





# Overview of Portfolio Results

At the end of 2012, the calculated market value of state-owned enterprises accounted for LTL 13.8 billion. This portfolio earned a 2.4% return on equity for the state, and the total value added created by all SOEs during the year reached LTL 3.6 billion.

The overview of financial results of the portfolio of SOEs in 2012 starts with the number of companies which make up this portfolio, analysis of the portfolio market value and analysis by such accounting indicators as the values of assets, equity, financial debt, sales revenue, operating profit, profitability (return on equity), employees and efficiency of operations.

As of 31 December 2012, the portfolio was comprised of 137 SOEs. This number does not include three non-operating companies: Visagino Energetikos Remontas (a bankruptcy was initiated), the journal Sveikata, and Pajūrio Vėtrungė (being liquidated).

During 2012, four SOEs were privatised: Palangos Žvorūnė (sold for LTL 6.72 million), Eismo Sauga (sold for LTL 517,000), Vilnius Veterinary Hospital (sold for LTL 47,600), and the Kaunas Naujamiestis Labour Market Training Centre (sold for LTL 1.27 million).

Since the beginning of 2002, the number of SOEs decreased as a result of mergers of the following companies: on 2 January 2012, Lietuvos Veislininkystė was established following the reorganisation of the companies Marijampolės Regiono Veislininkystė and Šiaulių Regiono Veislininkystė. Since 5 June 2012, Nemuno Žirgynas, Vilniaus Žirgynas ir Sartų Žirgynas have been merged into one company – Lietuvos Žirgynas. Due to the lack of comparative data, the financial results of these newly established companies have not been included into the overview of the SOE portfolio. The lack of data was also the main reason for the exclusion of the financial results of Universiteto Vaistinė reorganised at the end of 2011 and of Lietuvos Tyrimų Centras (Lithuania Research Centre) established in 2010 from the SOE portfolio.

The UAB Visagino Atominė Elektrinė (VAE) corporate group had held the shares in Lietuvos Energija, LESTO and Litgrid until 27 September 2012. Implementing the EU Third Energy Package, the Litgrid group was separated from the VAE group in Septem-



**Sales  
revenue,**  
LTL million

6,543

6,392

6,544

6,827

**Net profit,**  
LTL million

-4

74

222

437

2009

2010

2011

2012

ber 2012 and was transferred to the newly established company EPSO-G managed by the Ministry of Energy. With a view to ensure the comparability of financial data with previous periods, the financial results of the VAE group consolidated with the results of the EPSO-G group were included into the SOE portfolio.

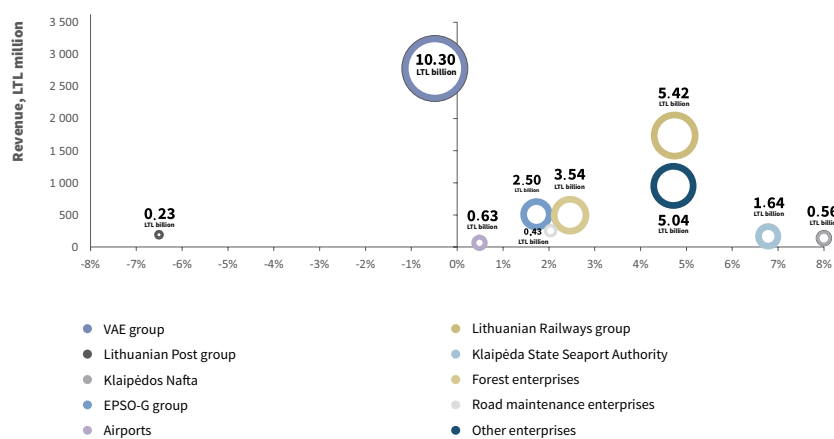
The SOE portfolio reviewed in this report contains aggregated financial results of 133 SOE and Lietuvos Dujos. Lietuvos Dujos is not considered to be an SOE because the state holds only a 17.7% stake in this company; however, the financial results of the SOE portfolio include the value of state-owned shares in Lietuvos Dujos and the dividends paid to the state during the year.

All enterprises are divided into the following four sectors: transport, energy, forestry, and other enterprises. The latter includes enterprises not classified within any of the first three sectors. The energy sector is made up of eight state-owned enterprises and Lietuvos Dujos. In 2012, the sales revenue of the energy sector accounted for 44.8% of total sales revenue of the portfolio. The transport sector includes 23 enterprises which generate 38.3% of the portfolio turnover, while the forestry sector comprises 42 forest enterprises and the Lithuanian Forest Inventory and Management Institute (7.4% of sales revenue of the portfolio). The sector of other enterprises includes 59 enterprises but their total sales revenue accounted for a mere 9.5% of the SOE portfolio revenue.

The figure given below shows the size of the largest companies or groups of companies in terms of assets, revenue and return on equity. In 2012, the total book value of the six largest SOEs, airports, road maintenance enterprises and forest enterprises accounted for 82.8% of the total portfolio value, and aggregate revenue made up 86% of total revenue of the SOEs portfolio. The largest SOE in terms of revenue and assets is the VAE group, the asset value of which accounts for 35.1% of the total portfolio value, and its sales revenue comprises 40.8% of the total revenue of the portfolio. The

second largest corporate group is Lietuvos Geležinkeliai (Lithuanian Railways) with the assets amounting to 18.5% of the total portfolio value and revenue making up 25.4% of the portfolio revenue. Among the largest SOEs, the most profitable ones were Klaipėdos Nafta and the Klaipėda State Seaport Authority. It should be noted that among the largest enterprises, only these two exceeded the established 5% rate of return on equity in 2012. This threshold was set by the Government in the end of 2012 as the objective for all operating SOEs during the 2013-2015 period. The objective set for forest enterprises, whose balance sheets do not include the value of forests, is to earn, on average, a net profit of at least LTL 97 million (the operating costs less the property tax and the raw material tax) in total per year during the 2013-2015 period. This would equal to the 2.8% rate of return on equity (calculated by including the value of forests into the estimated equity value).

### Return on equity



For the purpose of drafting the report on SOEs, enterprises submitted revised data on losses incurred as a result of the bankruptcy of the Snoras bank. In 2012, some SOEs accounted for losses retrospectively and as a result of the bankruptcy of Ūkio Bankas (more accurate data on losses incurred by all SOEs due to the bankruptcy of Ūkio Bankas will be provided in the interim report on the SOE operations during the 3 months of 2013). In order to assess the results of SOE activities and ensure greater data comparability, the financial tables of the portfolio and sectors indicate net profit having eliminated the losses incurred as a result of the bankruptcies of the aforementioned banks, and the profitability indicators were calculated excluding these losses (net profit margin, ROA, ROE).

The following tables include summarised financial information of all SOEs, based on the audited financial statements for 2012.

### Market Value of the SOE Portfolio

At the end of 2012, the market value of the SOE portfolio amounted to LTL 13.8 billion – 2.2% more than at the end of 2011. The book value of equity, which is equated to market value, increased by 3.8% up to LTL 7.6 billion. This was determined by the increase in the value of the equity of the VAE company, which was included into the book value of the energy sector as a result of the dividends received from the subsidiary companies LESTO and Litgrid: the VAE company received the dividends totalling LTL 140.7 million from LESTO and the dividends of LTL 381.1 million from Litgrid. However, in September 2012, the VAE company earmarked the dividends of LTL 275 million to be paid to the state budget; thus, the overall change in the book value of the equity

PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>6,543,718</b>	<b>6,826,724</b>
Cost of goods sold	4,192,460	4,320,166
<b>Gross profit (loss)</b>	<b>2,351,258</b>	<b>2,506,558</b>
Operating expenses	2,235,715	2,136,831
Profit (loss) from other activities	48,117	48,939
<b>Operating profit (loss)</b>	<b>163,660</b>	<b>418,666</b>
<i>Operating profit margin</i>	<i>2.5%</i>	<i>6.1%</i>
<b>EBITDA</b>	<b>1,398,547</b>	<b>1,622,918</b>
<i>EBITDA margin</i>	<i>21.4%</i>	<i>23.8%</i>
Financial and investment activities	-173,003	-35,674
<b>Profit (loss) before taxes</b>	<b>-9,344</b>	<b>382,992</b>
Profit tax	35,628	53,989
<b>Net profit</b>	<b>-44,972</b>	<b>329,003</b>
minority interest	391	9,536
<b>Net profit excluding non-standard taxes</b>	<b>40,015</b>	<b>405,380</b>
<b>Net profit excluding non-standard taxes and effect of bankruptcy of the banks Snoras and Ūkio Bankas</b>	<b>222,230</b>	<b>436,845</b>
<i>Net profit margin</i>	<i>3.4%</i>	<i>6.4%</i>

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Intangible assets	396,284	685,069
Tangible assets	19,807,687	20,260,389
Financial assets	1,123,043	620,798
Other non-current assets	390,636	340,919
Biological assets	3,255,811	2,974,826
<b>Non-current assets</b>	<b>24,973,462</b>	<b>24,882,001</b>
Inventories, prepayments and contracts in progress	1,755,732	967,700
Amounts receivable within one year	1,486,920	1,794,834
Other current assets	1,150,201	855,461
Cash and cash equivalents	654,156	846,890
<b>Current assets</b>	<b>5,047,010</b>	<b>4,464,885</b>
<b>TOTAL ASSETS</b>	<b>30,020,472</b>	<b>29,346,886</b>
<b>Total equity</b>	<b>18,843,557</b>	<b>18,331,227</b>
Minority shareholder equity	1,158,814	1,119,975
<b>Grants and subsidies</b>	<b>4,677,720</b>	<b>5,469,826</b>
Non-current liabilities	3,440,131	3,298,277
Current liabilities	3,059,064	2,247,556
<b>Liabilities</b>	<b>6,499,195</b>	<b>5,545,833</b>
Of which financial liabilities*	2,089,754	2,439,374
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>30,020,472</b>	<b>29,346,886</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	0.7%	1.5%
ROE	1.2%	2.4%
D/E	11.1%	13.3%

RETURN TO THE STATE (LTL '000. DATA UNTIL 1 JULY 2013)	2011	2012
Assigned dividends (only the state's share)	463,803	77,092
Assigned SE profit contributions	60,903	21,259
<b>Assigned dividends and profit contributions</b>	<b>524,706</b>	<b>98,350</b>
Property tax	24,122	21,644
Raw material tax	75,276	67,717
<b>TOTAL CONTRIBUTIONS AND NON-STANDARD TAXES</b>	<b>624,104</b>	<b>187,711</b>

EMPLOYEE INFORMATION	2011	2012
Number of employees (at period end)	41,334	41,059
Number of executives (at period end)	477	444

\*Financial liabilities and the D/E ratio in the tables exclude the interest-free loan granted by the Ministry of Finance to the state enterprise Deposit and Investment Insurance. At the end of 2011, the balance of this loan amounted to LTL 2,979 million and to LTL 2,252 million at the end of 2012.

## The SOE index



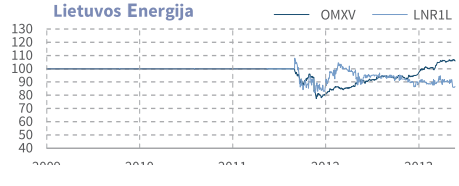
## LESTO



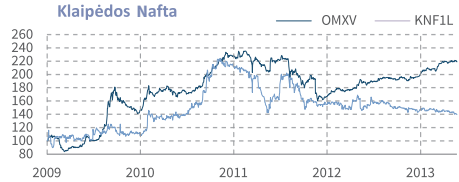
## Litgrid



## Lietuvos Energija



## Klaipėdos Nafta



## Lietuvos Dujos



## Lietuvos Jūrų Laivininkystė



of the VAE company was lower. The values of the VAE subsidiaries LESTO and Lietuvos Energija as well as Litgrid, which was separated from the VAE group, for the state are stated at market value on the Stock Exchange; therefore, they are not included into the book value of energy enterprises.

Book values of equity in the remaining sectors underwent minor changes: the book values of enterprises in the transport sector grew by 0.9% and in the forestry sector by 1%, whereas book values in the sector of other enterprises dropped by 1.8%.

The market value of enterprises in the forestry sector is comprised of the total book value of equity (LTL 489.3 million) and the value of forests estimated using the discounted cash flow method. Based on the assessment carried out in the first half of 2013, the value of forests amounted to LTL 2,971 million and, compared to the value of forests at the end of 2011, declined by 8.7%, mainly due to reduced timber prices.

SOE PORTFOLIO VALUE AS OF 31 DECEMBER 2012 (LTL '000)	MARKET VALUE	CASH FLOW METHOD	BOOK VALUE	TOTAL
Energy	3,241,058	0	889,063	4,130,120
Change since 31 December 2011	10.5%		38.8%	15.6%
Transport	10,219	0	5,208,267	5,218,486
Change since 31 December 2011	-27.8%		0.9%	0.8%
Forestry	0	2,971,000	489,416	3,460,416
Change since 31 December 2011		-8.7%	1.0%	-7.4%
Other	0	0	1,004,106	1,004,106
Change since 31 December 2011			-1.8%	-1.8%
<b>Total</b>	<b>3,251,277</b>	<b>2,971,000</b>	<b>7,590,852</b>	<b>13,813,128</b>
Change since 31 December 2011	10.3%	-8.7%	3.8%	2.2%

## SOE market value on NASDAQ OMX Vilnius

The state holds 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 2012, the market value of state-owned stakes in the SOEs traded on the Stock Exchange amounted to LTL 3,251 million.

31 DEC 2012	STOCK VALUE, LTL '000	STATE'S INTEREST	VALUE OF STOCK OWNED BY THE STATE 31 DECEMBER		CHANGE IN THE VALUE OF THE STATE-OWNED INTEREST  FROM 1 JANUARY 2012
			LTL '000	SHARE IN THE TOTAL VALUE	
LESTO	1,257,436	82.63%	1,038,992	32.0%	+7.7%
Litgrid	910,729	97.50%	887,984	27.3%	+29.8%
Lietuvos Energija	835,463	96.13%	803,143	24.7%	+2.1%
Klaipėdos Nafta	484,924	72.32%	350,680	10.8%	+7.8%
Lietuvos Dujos	905,356	17.70%	160,258	4.9%	-6.7%
Lietuvos Jūrų Laivininkystė	18,035	56.66%	10,219	0.3%	-27.8%
<b>SOE INDEX</b>	<b>4,411,943</b>	<b>-</b>	<b>3,251,277</b>	<b>100%</b>	<b>+10.3%</b>
OMXV index					+18.8%

At the end of 2012, LESTO accounted for the largest share (32%) of the market value of the SOE stock (LTL 1,039 million), while Lithuanian Shipping Company (LTL 10.2 million) made up the smallest share (0.3%). The largest increase in the total value of state-owned shares in SOEs resulted from the value of the state-owned shares in Litgrid, which had grown by LTL 203.9 million from the beginning of the year. The value

of state-owned shares in LESTO rose by LTL 74.3 million, and the value of the state-owned interest in Lietuvos Energija increased by LTL 16.5 million.

After the authorised capital of Klaipėdos Nafta had been increased by distributing the new emission of the company's shares with the par value of LTL 38,606 thousand to the existing shareholders, the value of the stake held by the state in Klaipėdos Nafta grew from 70.63% to 72.32%. This was the main reason for the increase in the value of the state-owned interest in Klaipėdos Nafta by 7.8% and amounted to LTL 350.7 million at the end of 2012.

The index of SOE stocks shows changes in the value of state-owned companies listed on the Stock Exchange since the beginning of 2012. The SOE index rose by 10.3% during 2012. The changes in the SOE index were mainly influenced by a 29.8% increase in the value of shares in Litgrid and a 7.7% increase in the stock value of LESTO.

During April and May, the fluctuations in the value of shares in the enterprises operating in the energy sector were determined by investor expectations and released new information on profit distribution and dividend payment. LESTO paid out dividends totalling LTL 170.3 million (LTL 0.282 per share) for 2011 and LTL 102.7 million (LTL 0.17 per share) for 2012. Litgrid paid out dividends amounting to LTL 390.9 million (LTL 0.775 per share) for 2011 and LTL 45 million (LTL 0.089 per share) for 2012. Klaipėdos Nafta paid LTL 57 million (LTL 0.167 per share) for 2011; however, due to the Liquefied Natural Gas (LNG) Terminal project being implemented, the company earmarked to pay out only symbolic dividends comprising LTL 0.4 million (LTL 0.0011 per share) for 2012. Lietuvos Dujos paid out LTL 72 million (LTL 0.153 per share) for 2011 and even LTL 217 million (LTL 0.4630 per share) for 2012.

Lithuanian Shipping Company's stock fell by 27.8%, mainly due to the company's loss-generating operations. Since the beginning of 2012, the value of Klaipėdos Nafta stock rose by 5.3%, i.e. slightly less than the total value of state-owned shares, the change of which was determined by the increase of the authorised capital.

During 2012, the index of all stocks traded on the NASDAQ OMX Vilnius Stock Exchange grew by 18.8%.

## Book Value of Assets

At the end of 2012, the total book value of SOEs assets amounted to LTL 29.3 billion – 2.2% less than at the end of 2011. The book value of assets held by enterprises in the energy sector grew by 2.1% and accounted for almost half of the value of all assets – LTL 14.6 billion. The value of assets held by enterprises in the transport sector grew by 8.6%, up to LTL 8.9 billion. In the forestry sector, the value of assets held by respective enterprises declined by 7.1% to LTL 3.5 billion (including the value of forests amounting to almost LTL 3 billion), and the value of assets held by other companies dropped by 37.9% to LTL 2.3 billion.

In the energy sector, the value of assets of the Lietuvos Energija group grew by 3.9% to LTL 3,864.6 million, and this was mainly caused by the completion of the construction of the new combined cycle block and the increase in the value of tradable pollution permits (TPP). The value of assets of the Ignalina Nuclear Power Plant went up by LTL 29.9 million (1.7%), mainly due to the reversal of impairment of fixed assets (LTL 65.5 million), irrespective of the fact that the value of term deposits of this company declined by LTL 94.1 million due to the bankruptcies of the banks Snoras and Ūkio Bankas. The book value of assets held by Klaipėdos Nafta increased by 7.9% and totalled LTL 560 million. The rise was mainly caused by the increase of the company's authorised capital carried out in June and the transfer of fixed tangible assets of the Subačius fuel facility, the value of which amounted to LTL 49.5 million. The value of assets of the LESTO group dropped by 2.1% to LTL 5,170.5 million, mainly due to lower investments in fixed tangible assets.

## Assets, LTL billion



The total book value of assets held by enterprises in the transport sector was mainly increased by a 10.9% (LTL 534.4 million) rise in the book value of assets of the Lithuanian Railways group, which was largely influenced by the increase in the value of fixed assets due to the investment projects being implemented and new vehicles acquired. The value of assets held by the Klaipėda State Seaport Authority grew by LTL 192.9 million (13.4%): as a result of the investment projects being implemented, the value of the enterprise's tangible assets increased by LTL 57.2 million, whereas the value of current assets rose by LTL 135.8 million, mainly due to the higher value of grants to be received.

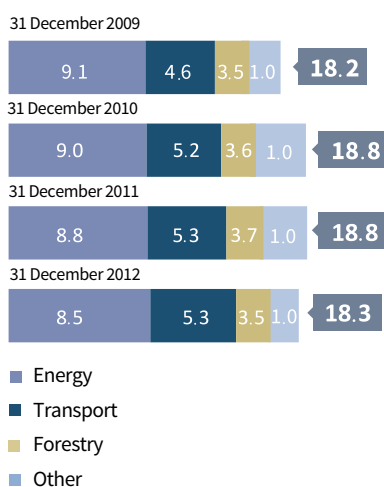
The value of assets of the forestry sector was reduced as a result of a 8.7% decline (down to LTL 2,971 million) in the value of forests, which was determined by the discounted cash flow method. The value of assets of 42 forest enterprises (excluding the value of forests) grew by 1%, up to LTL 489.4 million.

The decline in the book value of assets in the sector of other companies was largely caused by the reduction of LTL 1,240.6 million in the financial assets and prepayments of Deposit and Investment Insurance. The value of the company's financial assets decreased by LTL 530.9 million (84.7%) because the major portion of securities was sold at the beginning of 2012, and the company's prepayments dropped by LTL 709.7 million (91.5%) due to the benefits paid to the depositors of the bank Snoras. The value of assets held by Mortgage Loan Insurance decreased by LTL 48.6 million (34.5%), and this was caused by the impairment of financial assets. The impairment of financial assets of the Rural Credit Guarantee Fund went down by LTL 36.8 million. Although the financial assets of Turto Bankas grew by LTL 72.8 million, the value of the enterprise's total assets fell by LTL 21.4 million (6.5%) as a result of the decline in the enterprise's current assets (LTL 73.9 million) and fixed assets intended for resale (LTL 20 million).

## Equity and Financial Liabilities

At the end of 2012, the equity value of the SOE portfolio was LTL 512.3 million (2.7%) lower than that at the end of 2011 and amounted to LTL 18.3 billion. The largest drop in the equity value was observed in the forestry and energy sectors, by 2.8% to LTL 8.5 billion and by 7.4% to LTL 3.5 billion, respectively. The equity value of enterprises in the transport sector went up by 0.5% to LTL 5.3 billion. The equity value in the sector of other enterprises dropped by 1.6% and amounted to LTL 1 billion.

### Equity, LTL billion



The decline in the equity value of the energy sector was determined by the decision of the VAE company to pay the dividends totalling LTL 275 million to the state budget in September 2012; therefore, the consolidated equity value of electricity companies decreased. The equity value of Klaipėdos Nafta grew by 7.3% to LTL 536.4 million. This rise was mainly influenced by the increase of the authorised capital in July, following the distribution of the new emission of shares in the amount of LTL 38,606 thousand to the existing shareholders. The equity value of the Ignalina Nuclear Power Plant grew by 7.2% to LTL 397 million. This change was mainly caused by the reversal of impairment of assets, which was used by the company to account for the profits (LTL 36.8 million) earned during the reference period following the reduction of costs.

The change in the equity value in the transport sector was caused mainly by the rise of LTL 49.7 million (3.9%) in the equity value of the Klaipėda State Seaport Authority. These changes in the value occurred as a result of the increase of LTL 54.1 million in the equity, which may be held only but the state under the law, and the decrease of LTL 3.5 million in owner's equity of the enterprise. The equity of Lithuanian Shipping Company declined by LTL 16.8 million (12.1%) due to the accrued higher retained losses. The equity value of the Lithuanian Post group was reduced by LTL 7.7 million, to LTL 106 million, due to the losses incurred in 2012.

The equity value in the forestry sector decreased as a result of the LTL 282 million drop in the value of forests.



In the sector of other enterprises, there was a significant decrease in the Mortgage Loan Insurance equity value from LTL 35 million to LTL 1.9 million due to the LTL 65 million reduction of the authorised capital, which decreased accrued losses due to the increased benefit costs.

Financial liabilities of the SOE portfolio shrank by 7.5%, down to LTL 4.7 billion. This was caused by the portion of the interest-free loan repaid to the Government by Deposit and Investment Insurance, which amounted to LTL 727.4 million. Having no regard of the reduction of this loan, the financial liabilities of the portfolio grew by 16.7% and reached LTL 2.4 billion, compared to the end of 2011.

Financial liabilities in the energy sector rose by 31.8% to LTL 1,464.5 million. At the end of 2012, financial liabilities of Litgrid amounted to LTL 184.1 million, while the corporate group had no financial debts at the end of 2011. Financial liabilities of the LESTO group increased by 29.7% to LTL 576.8 million, while those of Lietuvos Energija rose by 5.6% to LTL 679.2 million.

Financial liabilities in the transport sector rose by 7% to LTL 746.2 million. This was mainly caused by the growth of LTL 85.5 million (18.7%) in the financial debts of the Lithuanian Railways group. These loans, the bulk of which was granted by the European Investment Bank, were intended to finance investment projects. Financial liabilities of the Klaipėda State Seaport Authority decreased by LTL 20.7 million (23.2%), while Lithuanian Shipping Company reduced its financial debts by LTL 10.2 million (15.3%).

Financial liabilities of enterprises in the forestry sector shrank by 71.8%, from LTL 3.1 million to LTL 0.9 million.

Financial liabilities in the other enterprises sector, excluding the share of the loan repaid to the state by Deposit and Investment Insurance, went down by 18% to LTL 227.8 million. This was mainly influenced by the financial debts amounting to LTL 32.1 million repaid by the Lithuanian Agricultural and Food Market Regulation Agency. Turto Bankas reduced its financial liabilities by 5.7% to LTL 127.9 million, whereas the Lithuanian Radio and Television Centre managed to cut down about one-fourth of its financial liabilities to LTL 28.4 million.

## Grants and Subsidies

At the end of 2012, the value of grants and subsidies provided to SOEs totalled LTL 5.5 billion and exceeded those at the end of 2011 by 17%. The value of grants and subsidies was growing in all sectors: by 8.2% or LTL 217.7 million in the energy sector, by 33.8% or LTL 537.9 million in the transport sector, and by 8% or LTL 30.6 million in the other enterprises sector.

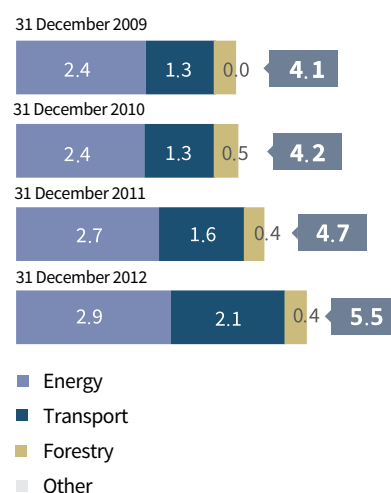
In the energy sector, the value of grants accounted for by Litgrid grew by LTL 122.6 million and comprised LTL 305 million at the end of 2012. The bulk of grants received by the company in 2012 consisted of funding of public service obligations for the implementation of the project of electricity interconnection with Sweden (LTL 85 million). The value of grants accounted for by Lietuvos Energija grew by LTL 91.9 million to LTL 1,100.5 million. During 2012, the company received the largest number of grants for the construction of the combined cycle block of the Lithuanian Power Plant: LTL 37.4 million from the Ignalina International Decommissioning Support Fund and LTL 72.9 million from the PSO funds. The value of grants received by the Ignalina Nuclear Power Plant increased by 1% and reached LTL 1,344.7 million at the end of the year.

In the transport sector, the largest increase was observed in the value of grants accounted for by the Klaipėda State Seaport Authority – from LTL 37.9 million to LTL 202.9 million. In 2012, the majority of grants were awarded for the dredging and widening of the Klaipėda State Seaport Authority navigation channel (LTL 83.8 million),

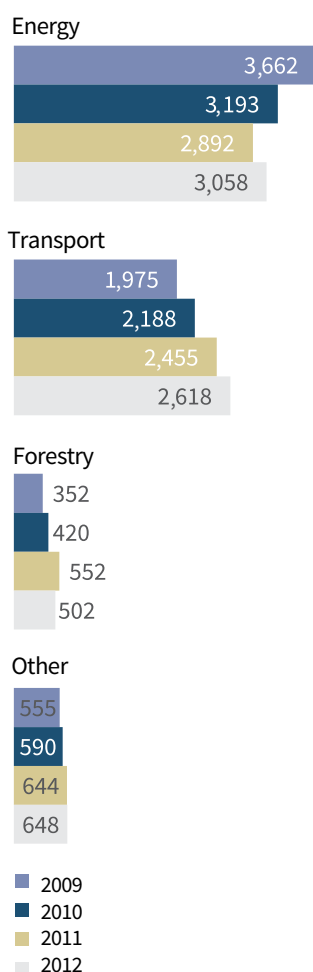
## Financial liabilities, LTL billion



## Grants and subsidies, LTL billion



## Sales revenue, LTL million



construction of infrastructure of the passenger and cargo ferry terminal (LTL 61.8 million) and repair of access roads to multimodal cargo terminals (LTL 21.3 million). The amount of grants allocated to the Lithuanian Railways group grew by 28.9% to LTL 1,700.6 million due to the grants received to finance investment programmes. Lithuanian Railways is an SOE, which has accounted for the largest value of grants.

In the forestry sector, the largest nominal increases were observed in the value of grants awarded to the Nemenčinė (LTL 1.3 million) and Jonava (LTL 1.2 million) forest enterprises. Among other enterprises, the largest increase – from LTL 2.4 million to LTL 18.6 million – was recorded in the value of grants awarded to the State Land Fund because the enterprise concluded contracts for the implementation of projects under the Lithuanian Rural Development Programme in 2012. At the end of 2012, the outstanding balance of grants provided for these projects amounted to LTL 16 million. In the other enterprises sector, the majority of grants was accumulated by the Directorate of the State Cultural Reserve of Vilnius Castles – the value of grants received by it grew by 7.2% up to LTL 267.6 million due to the funds intended for the restoration of the Palace of the Grand Dukes of Lithuania.

## Sales Revenue

In 2012, sales revenue of the SOEs portfolio increased by LTL 283 million (4.3%), compared to 2011, and amounted to LTL 6.8 billion. Revenue of enterprises in the energy sector grew by 5.7% to LTL 3,058.2 million, whereas revenue of enterprises operating in the transport sector rose by 6.6% to LTL 2,617.9 million. Revenue of forestry enterprises dropped by 9.1% and amounted to LTL 502.4 million, whereas revenue earned by other enterprises underwent slight changes and totalled LTL 648.1 million.

Sales revenue of the enterprises operating in the energy sector was mainly determined by the 5.7 growth in the consolidated revenue of VAE and EPSO-G groups to LTL 2,826.4 million. Revenue of Litgrid, which is included into the EPSO-G group, increased by 16.9% to LTL 508.4 million, mainly due to trading in balancing-regulation power and higher revenue from repairs and technical maintenance. Due to higher amounts of electricity produced and consumed, revenues of the Lietuvos Energija group and the LESTO group grew by LTL 14.3 million (1%) and LTL 38.2 million (1.7%), respectively. The consolidated change in revenue was influenced by the fact that the VAE group sold larger amounts of electricity on a free market, i.e. the group's companies concluded fewer intergroup transactions. Revenue of Visagino Energija grew by 19.4% to LTL 75.4 million, mainly due to higher thermal energy prices.

The growth of revenue in the transport sector was determined by the rise of LTL 145.2 million (9.1%) in revenue of the Lithuanian Railways group due to the additional activities carried out: rental of freight wagons and mediation in transporting NATO cargoes. Lithuanian Shipping Company increased its sales revenue by 7.3% to LTL 83.9 million as a result of higher revenue from short-term contracts. After the scope of the provision of universal postal services had been expanded and revenue has increased, sales revenue of the Lithuanian Post group grew by LTL 190.7 million (4.1%). The drop to LTL 254.3 million (2.5%) in total revenue of regional road maintenance enterprises was caused by the smaller scope of contract activities and lower funding of road maintenance works. Compared to 2011, revenue of the Klaipėda State Seaport Authority hardly underwent any changes and totalled LTL 167 million.

Total revenue of forest enterprises shrank by 9.3% to LTL 494.7 million. The decrease in revenue was caused by the 9.6% drop in the price of round timber, down to LTL 126.2 per cubic metre, and the 0.6% decline in the quantity of round timber sold. Revenue of the State Forest Inventory and Management Institute attributed to the forestry sector amounted to LTL 7.7 million – 10.9% more than in 2011.

Revenue of the Centre of Registers, the largest enterprise in the other enterprises sector in terms of revenue, increased by 5.6% to LTL 93 million; growth of revenue from

the activities of register maintenance and data provision (4.9% to LTL 77.5 million) and commercial services (9.1% to LTL 15.5 million). Revenue of Regitra underwent almost no changes and totalled LTL 77.6 million. Revenue of the Lithuanian Radio and Television Centre rose by 1.1% to LTL 74.2 million. As a result of one-off revenues from the sale of excess fuel oil reserves held by the state, which totalled LTL 64.2 million, there was an obvious rise in revenue of the Lithuanian Oil Product Agency – from LTL 50.4 million to LTL 79.2 million. The largest drop in revenues in the sector was recorded in the Lithuanian Agricultural and Food Market Regulation Agency – from LTL 22.6 million to LTL 0.7 million. This change was determined by the fact that the enterprise reported LTL 20.2 million of one-off intervention revenue from the 2011 sales of barley.

## Operating Profit

In 2012, the operating profit of SOEs totalled LTL 418.7 million and exceeded that in 2011 by 2.6 times. The most significant impact on the operating profit of the portfolio was made by the operating results of enterprises operating in the energy sector, which changed from the operating loss of LTL 143.1 million in 2011 to the operating profit of 99.6 million in 2012. The operating profit in the transport sector fell by 7.3% to LTL 249.2 million. The operating profit in the forestry sector declined by 55.2% to LTL 29.9 million. The operating profit of the other enterprises sector comprised LTL 40.1 million, while the operating loss in this sector totalled LTL 28.7 million in 2011.

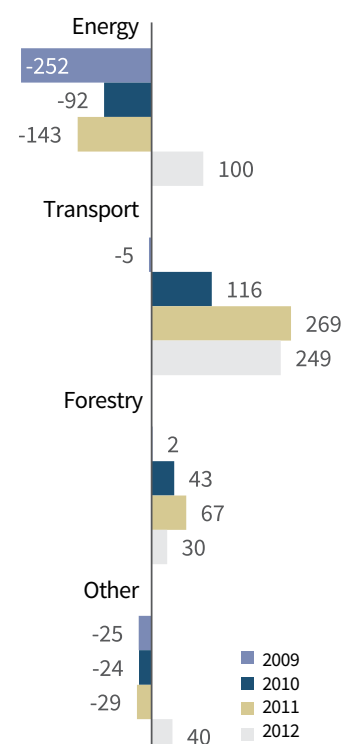
The results in the energy sector were mainly affected by the reduction of consolidated operating losses of the VAE group and the EPSO-G group by LTL 124.4 million to LTL 0.2 million. Thanks to the expanded trading on a free market and lower TPP revaluation and provision costs, the Lietuvos Energija group increased its operating profit more than fourfold – to LTL 55.7 million. Following the growth of revenue from almost all activity segments, the operating profit of the Litgrid group managed by EPSO-G amounted to LTL 28.3 million, where the operating loss of LTL 24.4 million was incurred in 2011. Following the reduction in its depreciation and amortisation, repair and maintenance costs, the LESTO group managed to lower its operating loss by one-third to LTL 46.1 million.

The Ignalina Nuclear Power Plant reported an operating profit of LTL 53 million, while the operating loss of the enterprise totalled LTL 63 million in 2011. The change in the operating result was largely affected by the impairment of assets, which increased the costs in 2011 (LTL 30.7 million) and the reversal of impairment of assets, which reduced the operating costs in 2012 (LTL 65.1 million). The operating loss of the Ignalina Nuclear Power Plant, excluding the costs of (reversal of) impairment of assets, decreased from LTL 32.3 million to LTL 12.1 million. The operating profit of Klaipėdos Nafta went down by 7.4% to LTL 46.9 million. This was influenced by a 1.7% drop in revenue and a 38.8% increase (up to LTL 10.7 million), in the operating costs, which resulted mainly from the administration costs of the LNG Terminal project.

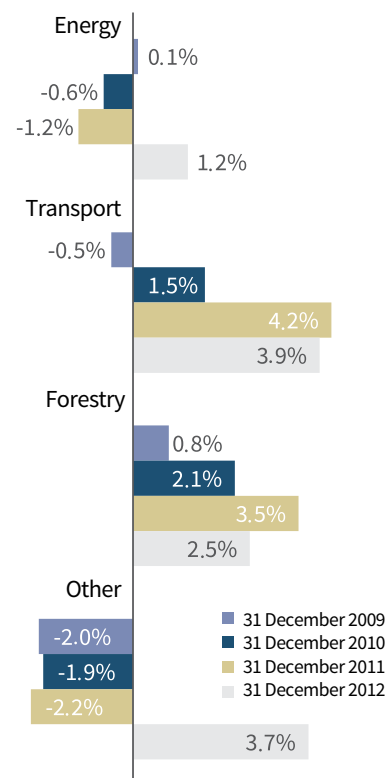
In the transport sector, the operating profit of the Lithuanian Railways group, irrespective of higher revenue, dropped by 20% to LTL 167.2 million. This was caused by higher costs of foreign railway services, depreciation, wages and social insurance, which caused a 13.4% rise in the expenditure of the corporate group. Due to higher wages, repair and maintenance costs and the actual difference between the purchase price of the acquired Baltic Post company and the fair value of the company's shares, the operating result of the Lithuanian Post group went down from the profit of LTL 2.3 million to the loss of LTL 6 million. The operating profit of the Klaipėda State Seaport Authority declined by LTL 1.3 million (1.3%) due to a slight decrease of revenue and higher costs of wages and seaport water area cleanup. Having increased its revenue from short-term contracts and reduced vessel depreciation costs, Lithuanian Shipping Company lowered its operating loss from LTL 42.7 million to LTL 15.6 million.

The total operating profit of forest enterprises decreased by LTL 36.7 million (55.4%),

## Operating profit, LTL million



## Return on equity



mostly as a result of a 9.3% drop in sales revenue. Due to the higher prices of logging services, fuel and repairs, the cost of sale of these enterprises decreased by a mere 0.7%. The operating costs went down by 3.2% to LTL 264.6 million. Besides, as a result of lower timber sales in 2012, forest enterprises incurred lower operating costs for taxes by LTL 8.1 million.

In the other enterprises sector, the Lithuanian Oil Products Agency, having received a profit of LTL 44.6 million from the sale of state heavy fuel oil reserves, managed to increase its total operating profit to LTL 46.7 million, while it incurred the operating loss of LTL 10.3 million during the same period a year ago. As a result of benefit costs, Mortgage Loan Insurance incurred an operating loss of LTL 34.7 million – LTL 20.8 million less than in 2011. The operating profit of Regitra dropped by 21% to LTL 9.6 million, mainly due to the 2.6 million rise in the cost of sale. Following the increase in the wages and social insurance costs (10.4%, LTL 4.9 million), the operating profit of the Centre of Registers went down by 79.4% to LTL 0.6 million. The Lithuanian Radio and Television Centre earned a 30.6% lower operating profit – LTL 2.1 million, as a result of the costs exceeding its revenue.

## Profitability

In 2012, the return on equity of the SOE portfolio stood at 2.4% – 1.2 percentage points more than in 2011.

The indicator of return on equity in the energy sector improved from -1.2% to 1.2%. This was mainly affected by the changes in the financial results of the Ignalina Nuclear Power Plant: due to the (reversal of) impairment of assets, the return on equity, which comprised -12.8% in 2011, grew to 14.7%. As a result of lower revenue and additional costs related to the construction of the LNG Terminal, the return on equity of Klaipėdos Nafta decreased from 9.4% to 8%.

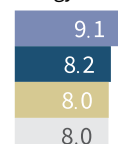
The return on equity in the transport sector dropped by 0.3 percentage points to 3.9%. The return on equity of Lithuanian Railways, the largest corporate group in the transport sector fell from 6.2% to 4.7%, and in the case of the Klaipėda State Seaport Authority, this indicator went down from 7% to 6.8%. Having reduced its operating losses, Lithuanian Shipping Company managed to improve its indicator of return on equity from -30.6% to -12.9%.

The return on equity of the forestry sector decreased from 3.5% to 2.5% due to the decline in timber sale revenue, which exceeded the reduction of costs. The return on equity in this sector is calculated by adding the value of forests (estimated using the discounted cash flow method at the end of 2012) to the book value of the equity of enterprises, as well as by adding the net profit and property and raw material taxes to the state less the portion of the profit tax.

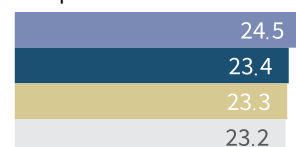
The return on equity in the other enterprises sector increased from -2.2% to 3.7%. The improvement in the indicator was affected by the profit earned by the Lithuanian Oil Product Agency, which caused an increase in the return on equity of the enterprise – from -2.6% to 10.6%. The return on equity of Regitra fell from 26.4% to 18.2% due to a 4.6% rise in the cost of sale up to LTL 60 million. The return on equity of the Centre of Registers dropped from 6% to 1.2%, as the costs of employees were growing.

## Employees, '000

### Energy



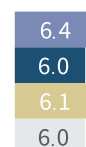
### Transport



### Forestry



### Other



■ 31 December 2009  
■ 31 December 2010  
■ 31 December 2011  
■ 31 December 2012

## Employees

At the end of 2012, SOEs employed 41,059 people – 275 employees fewer than at the end of 2011. More than a half (56.4%) of people was employed in the transport sector, whereas the three largest employers, namely, Lithuanian Railways, Lithuanian Post and the VAE group, accounted for 56.5% of the total number of SOE employees.

Compared to the end of 2011, the largest job cuts occurred in the transport (121 em-

ployees, 0.5%) and other enterprises (127 employees, 2.1%) sectors. The largest job cuts (1.5%, 96 employees) were announced by the Lithuanian Post group; besides, there were 128 employees (4.5%) fewer in road maintenance enterprises. The largest increase in the number of employees occurred in the Lithuanian Railways group – from 12,166 to 12,329 employees.

As a result of the structural reorganisation of corporate groups in the energy sector, the aggregate number of employees in the VAE and EPSO-G groups was lower at the end of the reference period than that at the end of 2011 by 99 employees (1.8%). Due to the transfer of the Subačius fuel facility, the number of employees in Klaipėdos Nafta grew by 16.9% (52 employees).

The number of employees in forest enterprises remained the same – 3,741 employees. In the other enterprises sector, the largest number of employees – 1,561 – was reported by the Centre of Registers. The number of employees in this enterprise decreased by 1.4% (22 employees).

## Operating Efficiency

SOEs are engaged in both commercial and non-commercial activities; therefore, when analysing their operating efficiency, SOEs may not be always comparable with private companies. In order to assess the SOE efficiency objectively, the table below displays the relative performance indicators and their dynamics.

EFFICIENCY INDICATORS	ALL SOES	ENERGY	TRANSPORT	FORESTRY	OTHER
Revenue per employee (LTL '000)					
2011	168.1	380.9	114.5	132.2	112.4
2012	175.1	401.5	122.0	118.8	114.3
<b>OPERATING PROFIT (FOLLOWING THE ELIMINATION OF NON-STANDARD STATE TAXES AND THE EFFECT OF THE BANKRUPTCIES OF THE BANK SNORAS AND ŪKIO BANKAS) PER EMPLOYEE, LTL '000</b>					
2011	8.0	-18.6	13.8	42.4	-3.9
2012	13.1	13.3	12.2	24.3	7.7

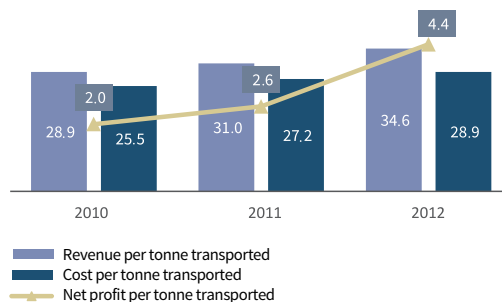
In 2012, the revenue of the SOE portfolio per SOE employee grew by 4.2% – from LTL 168,100 to LTL 175,100. The improvement in the indicator resulted from a 6.5% rise in revenue per employee in the transport sector and a 5.4% rise in revenue per employee in the energy sector. Due to the lower demand for timber and the higher average number of employees, this indicator in the forestry sector shrank by 10.1%, whereas a slight increase of 1.7% in this indicator was observed in the other enterprises sector.

In 2012, the SOE operating profit per employee (after eliminating non-typical taxes to the state and the impact of the bankruptcies of the banks Snoras and Ūkio Bankas) exceeded that in 2011 by 64.2% and amounted to LTL 13,100. This change was determined by the better operating results of energy enterprises due to the reversal of impairment of assets of the Ignalina Nuclear Power Plant, higher revenue of the VAE and EPSO-G groups, and more efficient operations. As a result of the lower operating profit of the Lithuanian Railways group, the higher average number of employees and the lower operating profit of the Lithuanian Post group, the indicator of profit per employee fell by 11.9% in the transport sector. After the revenue had decreased more than the costs, the indicator of forestry enterprises went down by 42.7% to the operating profit of LTL 24,300 per employee. The indicator of the other enterprises sector improved from the operating loss of LTL 3,900 per employee to the operating profit of LTL 7,700. This was mainly affected by the operating results of the Lithuanian Oil Products Agency and Mortgage Loan Insurance.

In 2012, Lithuanian Railways transported 5.6% less cargo than in 2011; however, as a result of additional activities (rental of freight wagons, mediation in transportation of

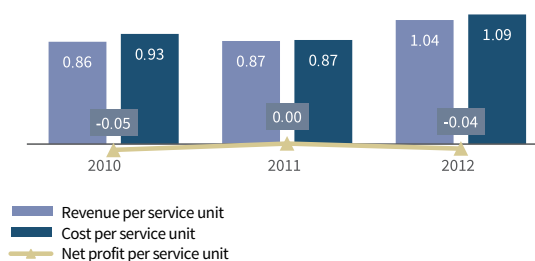
NATO cargoes), sales revenue of the company's Freight Transportation Directorate per tonne of cargo transported increased from LTL 31 to 34.6. The same increase (11.6%) was recorded in the cost of sale per tonne of cargo, whereas the operating (selling, overhead and administrative) costs of the Freight of Transportation Directorate increased by 6.4%. As a result of higher revenue, the net profit of the Freight Transportation Directorate per tonne of cargo transported grew by 73.3% – from LTL 2.6 to LTL 4.4. Besides, the performance indicators of the freight transportation activity improved for the second consecutive year: revenue per tonne of cargo transported in 2011 rose by 7.1% and net profit increased by 26.2%.

Freight transportation performance indicators of Lithuanian Railways, LTL



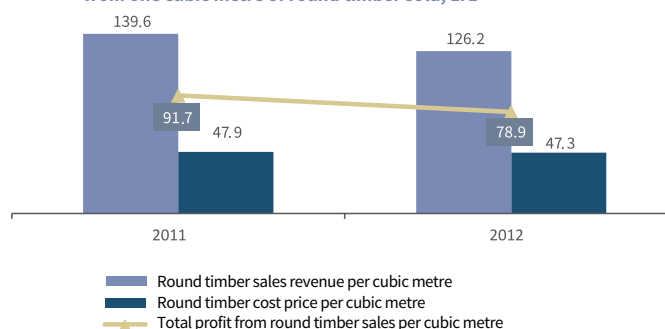
In 2012, Lithuanian Post provided fewer services than in 2011 by 13.5% – 183 million of units. However, the amount of universal postal services provided exceeded that in the previous year by 2.1%, while revenue from the provision of these services grew by 8% and resulted in the overall growth of revenue. Therefore, the sales revenue of the Lithuanian Post group per service unit increased by 20.3% - from LTL 0.87 to LTL 1.04.

Revenue, costs and net profit of the Lithuanian Post group per service unit, LTL



The costs per service unit grew by 24.6% due to the higher costs of international carriage of postal items and settlements with foreign post offices, utilities, repairs and maintenance. The net result per service unit amounted to LTL -0.04.

Round timber sales revenue, cost and profit of forest enterprises from one cubic metre of round timber sold, LTL



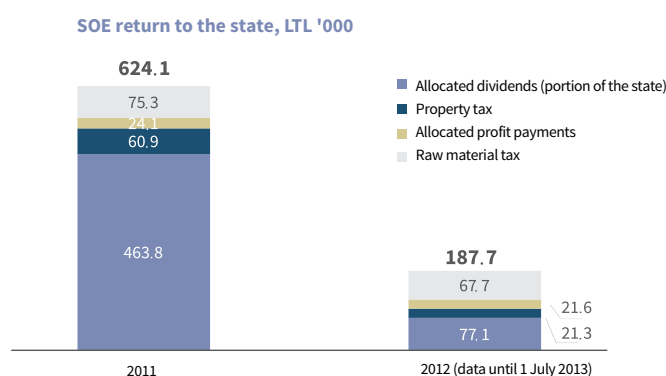


The lower average price of round timber resulted in a 9.6% drop in forest enterprises' sales revenue per cubic metre of round timber, down to LTL 126.2. However, the increased volumes of purchased logging services, fuel and repair prices had only a minor impact on the cost of sale of round timber – 1.2% to LTL 47.3 per cubic metre sold. Therefore, the total profit from the sale of round timber declined by 14% during 2012 – from LTL 91.7 to LTL 78.9 per cubic metre of round timber sold.

## Return from SOEs to the State

Based on the data received by 1 July 2013, the amount of dividends and profit payments allocated to the state for 2012 totalled LTL 98.4 million – LTL 426.4 million less than paid for 2011.

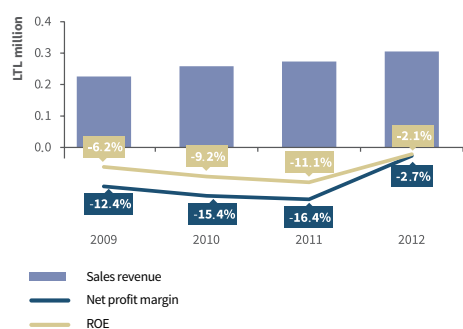
The dividends allocated by energy enterprises for the reference period totalled LTL 38.7 million, and this was mainly because Lietuvos Dujos paid out the record amount of dividends (LTL 217 million); and the portion due to the state amounted to LTL 38.4 million. The remaining portion consisted of the dividends of Klaipėdos Nafta (the portion of dividends allocated to the state made up LTL 0.3 million). Due to the implementation of the LNG Terminal project and the liabilities assumed in favour of the banks in connection therewith, this company allocated, by the decision of the Government, to pay out 1% of profit for allocation earned during the reference period.



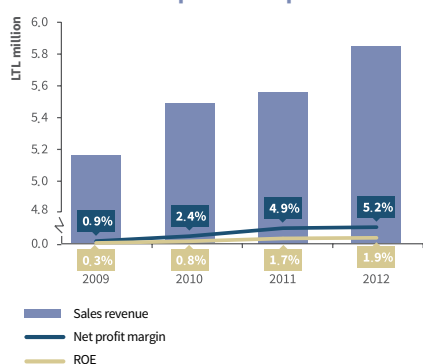
The total amount of dividends and profit payments to be paid to the budget as allocated by enterprises in the transport sector was LTL 33.6 million. This amount included the dividends of LTL 29.9 million (21.5% of the profits for allocation in 2012), which, under the Resolution of the Government of 20 June 2013, should be allocated by Lithuanian Railways. This company allocated the largest amount of dividends for 2011 among all enterprises in this sector – LTL 122.7 million. The profit fee payable to the Klaipėda State Seaport Authority due to the LNG Terminal project and other strategic projects was reduced to 1% of the profit for allocation earned during the reference period (LTL 0.9 million). Vilnius International Airport allocated to pay out LTL 0.3 million, regional road maintenance enterprises intended to pay out LTL 1.1 million, and the Smiltynė Ferry Terminal earmarked LTL 1.3 million for payment.

Forest enterprises and the State Forest Inventory and Management Institute allocated to pay out profit payments totalling LTL 13.3 million. In the other enterprises sector, the allocated amount of dividends and profit payments comprised LTL 12.7 million. The non-standard fees, which were paid by SOEs in 2012, were lower by LTL 10 million and amounted to LTL 89.4 million. The bulk share was paid by forest enterprises: the raw material tax of LTL 67.7 million and the property tax of LTL 5 million. The largest amounts of this tax were paid by enterprises operating in the transport sector (LTL 12.4 million).

### Group 1A enterprises



### Group 1B enterprises



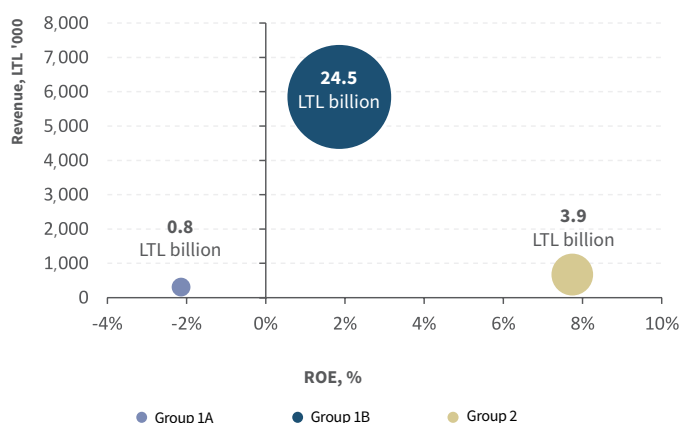
### Group 2 enterprises



## SOE Results by Objectives Set by the State

In the Ownership Guidelines approved by the Government, all SOEs are divided into three groups: 1A, 1B and 2. Enterprises in the first group are, in principle, engaged in commercial activities and the state seeks to increase the value of business and dividends or revenues from profit payments. The core activity of enterprises included into group 1B is also commercial, but in this case the state seeks not only to increase the value of business but also to set additional objectives in order to secure the strategic interests of the country. Enterprises within group 2 should, first of all, seek to achieve social and political objectives of the state and to carry out non-commercial activities; however, they should not operate at a loss.

### SOE groups under the Ownership Guidelines



At the end of 2012, the Government established that, during the 2013-2015 period, enterprises (within groups 1A and 1B) engaged in commercial activities will have to achieve at least a 5% average annual rate of return on equity, and forest enterprises will have to earn, on average, a net profit of at least LTL 97 million (the operating costs less the property and raw material taxes) per year during the same period.

Group 1A is comprised of 28 enterprises included into the portfolio results, the largest of which include Lithuanian Shipping Company, Visagino Energija, Toksika, and Geoterma. This group is the smallest in terms of the assets value and revenue: the total assets value of the enterprises within group 1A totalled LTL 789.9 million and revenue amounted to LTL 305.1 million in 2012. Despite the expectations towards the enterprises in this group for the highest profits and the largest contribution to the state budget by dividends, their rates of return on equity are the lowest among all the groups – the ROE rate was negative and stood at -2.1% in 2012. This result was determined by the losses of LTL 16.8 million (the ROE stood at -12.9%) incurred by the largest company of this sector – Lithuanian Shipping Company. In 2012, the largest net profit in this group was earned by Problematika (LTL 2.5 million) and Giraitė Armat Factory (LTL 2.2 million).

In terms of revenue and assets, group 1B is the largest one. It is comprised of 69 enterprises included into the SOE portfolio with the aggregate book value of assets totalling LTL 24.5 billion (83.3% of the assets value of the SOE portfolio) and revenue amounting to LTL 5,850 million (85.7% of the total revenue of the SOE portfolio) in 2012. Major SOEs in the energy and transport sectors such as the VAE group, Lithuanian Railways, the Klaipėda State Seaport Authority, Lithuanian Post, Klaipėdos Nafta, and airports are classified in this group. It also includes 42 forest enterprises.

In 2012, the aggregate net profit earned by enterprises in group 1B amounted to LTL 305.1 million (following the elimination of the effect of non-standard state taxes and losses incurred due to the bankruptcies of the banks), which is 11% more than a year ago. During the past three years, the return on equity in this group was consistently

growing; however, it remained at a lower level and stood at 1.9% in 2012. The hardest task is to assess profitability of enterprises within group 1B because they must seek to achieve the objectives related to both commercial and non-commercial activities in order to secure the interests of the state. Unfortunately, only a small share of enterprises in this group provide information on the results of performance of specific functions in their financial statements; besides, these data are compiled pursuant to different corporate accounting rules, and therefore they are hardly comparable. More accurate data on the results of commercial and non-commercial functions performed by enterprises may be collected and announced only after the common principles of accounting for these functions have been approved for all SOEs. The plans are that the Government will adopt a decision regarding such accounting by the end of this year.

The low rate of return on equity was mainly determined by the high book value of assets of electricity companies and the particularities in the regulation of operations: the depreciation costs allowed to be covered by the rates of the distribution and transmission services provided by LESTO and Litgrid are estimated on the assets value used in the licensing activities determined by the regulator rather than on the basis of the value specified in financial statements of companies. The assets value determined by the regulator is currently three times lower than the assets value indicated in the financial statements of LESTO and Litgrid. Therefore, the total rate of return on equity of electricity companies stood at -0.2%.

It has been several years in a row that Lithuanian Railways has submitted financial statements of individual directorates, which serve as the basis for the assessment of the effect of the obligation to secure passenger carriage on local routes on the company's profitability. In 2012, the net loss incurred by the Passenger Transportation Directorate of Lithuanian Railways amounted to LTL 115 million, the largest share of which was comprised of the losses incurred in passenger transportation on local routes. These losses are determined by the fact that until now the function of passenger transportation has not been funded from the state budget, based on the pre-determined criteria for the costs and quality of passenger transportation, as recommended in the EU legislation. The net profit earned by the remaining divisions of Lithuanian Railways amounted to LTL 245.1 million. This means that, following the change of the procedure for financing the passenger transportation function, profitability and, at the same time, the contribution of Lithuanian Railways by dividends to the state budget could be at least two times larger.

The aggregate rate of return on equity of the enterprises within group 1B is also affected by the fact that the return on equity of forest enterprises is calculated by including the value of forests estimated using the discounted cash flow method into the value of equity. Based on the assessment carried out by the Governance Coordination Centre at the beginning of 2013, it totalled almost LTL 3 billion and accounted for 84% of the total value of equity of all forest enterprises. The return on equity estimated on the basis of this value comprised 2.5%. In case it is decided to include the value of forests into balance sheets of forest enterprises and to carry out an independent determination of their value according to the accounting standards, the rates of return of these enterprises could change, depending on the estimated value of forests. It is also important that financial statements of foreign enterprises and of the Directorate General of State Forests currently do not include financial results by activity segments (commercial and non-commercial functions), which could be estimated, for example, according to different functional groups of forests. In compliance with the applicable law, forests are divided into the following groups: forest reserves (group I), special purpose forests (group II), protected forests (group III) and commercial forests (group IV). The main objective in forests assigned to the last two groups is to form economically productive stands, and it is allowed to carry out logging in such forests. Therefore, the activities of forest enterprises related to logging and forest management in forests assigned to groups III-IV could be considered to be non-commercial, social activities. The current accounting system used by forest enterprises classifies only general costs of ecological and social activities in non-commercial functions. Based on the financial

statements of the Directorate General of State Forests, these costs amounted to LTL 24.3 million in 2012 and to LTL 24.7 million in 2011, which makes up around 8% of the total operating costs of forest enterprises.

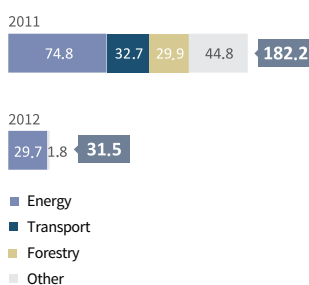
Among the largest companies in the group 1B, the best profitability indicators were achieved by Klaipėdos Nafta (the ROE rate stood at 8% in 2012) and the Klaipėda State Seaport Authority (the rate of ROE equalled 6.8%). In 2012, the biggest loss-making company in this group was Mortgage Loan Insurance, which incurred the loss of LTL 33.1 million due to high benefit costs.

Thirty five enterprises included into the SOE portfolio are assigned to group 2. In 2012, the book value of assets in this group amounted to LTL 3.9 billion and revenue comprised LTL 671.6 million. The largest enterprises classified in this group include the Ignalina Nuclear Power Plant, the Lithuanian Oil Product Agency, 11 road maintenance enterprises, Oro Navigacija, Deposit and Investment Insurance, the Centre of Registers, and Regitra.

It is noteworthy that, during the past few years, the largest fluctuations were recorded in the rates of return on equity of enterprises in this group and they reached as much as 7.7% in 2012. This was determined by the reasons given above, namely, the reversal of impairment of assets of the Ignalina Nuclear Power Plant and the non-standard profits received by the Lithuanian Oil Products Agency from the sale of heavy fuel oil reserves of the state. Following the elimination of the results of these two major companies, the return on equity of enterprises in the group 2 stood at 1.3% in 2012, and this rate, in principle, corresponds to the objectives pursued by the state in this group (to seek profitable operations). The largest profit levels in group 2 were reported by Regitra (a net profit of LTL 8.3 million, after the elimination of non-standard taxes and losses incurred in connection with the bankruptcies of the banks, the ROE rate stood at 18.2%) and Investment and Business Guarantees (a net profit of LTL 4.5 million, the ROE rate stood at 17.7%). In 2012, only five enterprises within this group operated at a loss; the largest amount of losses was incurred by the State Property Fund (LTL 832,000).

## Losses Incurred due to the Bankruptcies of the Banks Snoras and Ūkio Bankas

Losses incurred due to the bankruptcies of the banks Snoras and Ūkio Bankas, LTL million



The 2011-2012 results of the SOE portfolio were significantly affected by the bankruptcy of the bank Snoras. Besides, when the bankruptcy of Ūkio Bankas was announced at the beginning of 2013, some enterprises accounted for losses incurred due to the devaluation of deposits kept at the bank in the financial statements for 2012.

In total, the SOEs accounted for losses totalling LTL 182.2 million incurred in connection with the bankruptcy of the bank Snoras in 2011: the Ignalina Nuclear Power Plant, the single enterprise in the energy sector to incur losses, devalued the deposit amount of LTL 89.8 million by LTL 74.8 million, in hope of recovering the remaining amount during the liquidation of the bank. The losses incurred in the transport sector totalled LTL 32.7 million (Lithuanian Railways accounted for losses amounting to LTL 14.8 million, Klaipėda State Seaport Authority reported losses of LTL 17.3 million, Palanga International Airport posted losses of LTL 0.6 million, and losses incurred by Smiltynė Ferry Terminal amounted to LTL 82,000). In the forestry sector, 16 out of 42 forest enterprises accounted for losses totalling LTL 29.9 million, and the losses in the other enterprises sector related to the bankruptcy of the bank Snoras amounted to LTL 44.8 million (Investment and Business guarantees lost LTL 15.2 million, Regitra – LTL 15 million, the Centre of Registers – LTL 10.2 million, the Agricultural Loans Guarantee Fund – LTL 2.1 million, LITEXPO – LTL 1.8 million, Detonas – LTL 0.4 million, and Informacinio Verslo Paslaugų Įmonė – LTL 0.1 million).

In 2012, the losses incurred as a result of the bankruptcy of the banks amounted to LTL 31.5 million, of which LTL 29.7 million was accounted by the Ignalina Nuclear Power Plant (LTL 15 million was lost as a result of the bankruptcy of the bank Snoras and LTL 14.7 million was lost due to the bankruptcy of Ūkio Bankas), LTL 0.8 million was reported as lost by each Informacinio Verslo Paslaugų Įmonė and Regitra, and LTL 0.2 million of the funds kept at Ūkio Bankas was lost by Turto Bankas. Four state-owned regional road maintenance enterprises did not recognise the aggregate losses of LTL 8.4 million incurred as a result of the bankruptcy of the bank Snoras (the Klaipėda regional road maintenance enterprise did not recognise the loss of LTL 2.3 million, Panevėžys regional road maintenance enterprise – LTL 1.7 million, Tauragė regional road maintenance enterprise – LTL 3.2 million, and Telšiai regional road maintenance enterprise – LTL 1.2 million) and stated these amounts in items of accounts receivables within one year in their balance sheets. The opinions of independent auditors provide a unanimous opinion that these receivable accounts are doubtful; therefore the financial results will, most probably, have to be recalculated in the future, and the net losses of the portfolio incurred in connection with the bankruptcies of the bank should be larger. More accurate losses incurred as a result of the bankruptcy of Ūkio Bankas will be announced in the interim report on the SOE activities during the first 3 months of 2013.

It should be also considered that the practice of some enterprises to recognise losses incurred in connection with the bankruptcy of Ūkio Bankas already in the financial statements for 2012 distorts the financial indicators of these enterprises, even if information about the bank's solvency problems became known only in 2013: when recognising these costs in 2012, conditions are provided to show better results in financial statements for the next year.

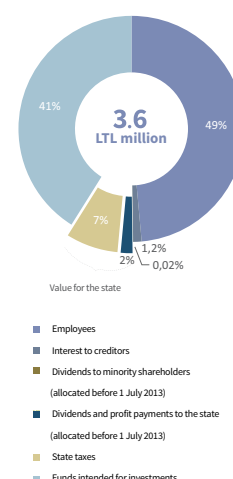
	2011	2012
Losses incurred as a result of the bankruptcies of the banks Snoras and Ūkio Bankas	182,216	31,465
Included into costs from financial activities in the profit and loss statement	135,596	30,469
Included into operating costs in the profit and loss statement	46,620	996

It should be also considered that the practice of some enterprises to recognise losses incurred in connection with the bankruptcy of Ūkio Bankas in the financial statements for 2012 already, even if information about the bank's solvency problems became known only in 2013, distorts the financial indicators of these enterprises: when recognising these costs in 2012, conditions are provided to show better results in financial statements for the next year.

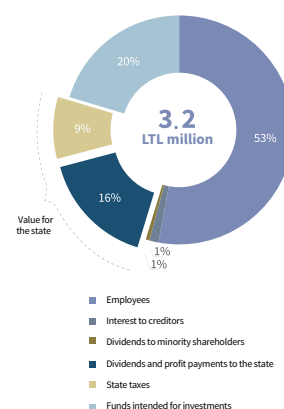
## Value Added of SOEs

The Value added statement shows how much value or assets are created through joint efforts of the enterprise's equity owners, the management and employees. Reports of this type have a twofold benefit. First of all, they reveal the direct contribution of enterprises to the country's budget. In addition, value added statements enable to evaluate how the generated value added is distributed among interested parties such as shareholders, creditors, employees and the state, which receives taxes paid by enterprises. Reports of this type may be particularly useful for SOEs, as the state manages all enterprises that provide important services to the community, which must adjust the objective to seek profit with the performance of special state obligations and satisfaction of public interests. Moreover, SOEs are unique because they bring a financial return to the shareholder not only in the form of net profit but also in the form of taxes paid to the budget. Therefore, value added statements can help assess the value generated by these enterprises for the state.

Allocation of value added in 2012



Allocation of value added in 2011



Below is a report on the value added created by all enterprises included into the SOE portfolio in this report, except for Lietuvos Dujos, in which the state holds only a minority stake. The value added is calculated on the basis of the audited financial statements of SOEs for 2012 and information provided by the enterprises on the employee remuneration funds, paid taxes and interest expenses.

VALUE ADDED, LTL '000	2011	2012
<b>Revenue from core activities</b>	<b>6,543,718</b>	<b>6,826,724</b>
Revenue from other activities	66,791	67,603
Production and acquisition costs of goods and services	3,304,525	3,335,480
<b>Value added before financial activities</b>	<b>3,305,984</b>	<b>3,558,847</b>
Result from financial activity (except for interest expenses)	-152,931	-5,689
Value added for allocation	3,153,053	3,553,158
ALLOCATION OF VALUE ADDED, LTL '000	2011	2012
<b>Equity owners</b>	<b>567,815</b>	<b>103,396</b>
Dividends and profit payments to the state (allocated before 1 July 2013)	510,052	59,939
Dividends to minority shareholders (allocated before 1 July 2013)	16,449	728
Interest to creditors	41,314	42,730
<b>Employees</b>	<b>1,804,154</b>	<b>1,870,242</b>
Wages	1,160,154	1,202,380
Social insurance taxes	507,557	523,083
Employee remuneration costs financed from the state budget or with EU funds	136,442	144,779
<b>Funds from the RoL budget and EU funds used to finance employee remuneration costs</b>	<b>-136,442</b>	<b>-144,779</b>
<b>State taxes</b>	<b>275,353</b>	<b>264,455</b>
<b>Funds intended for investments</b>	<b>642,173</b>	<b>1,459,844</b>
<b>Generated value added</b>	<b>3,152,053</b>	<b>3,553,158</b>

In 2012, the value added generated by all SOEs amounted to LTL 3.6 billion and was 12.7% higher than that a year ago. The growth in the value was mainly influenced by a 4.3% rise in revenue from core activities, and the costs related to the creation of value added increased by 0.9%. In addition, the value added created by SOEs in 2011 was affected by the losses from financial activities incurred due to the bankruptcy of the bank Snoras, which accounted for LTL 182.2 million.

The comparison of the value added generated by SOEs against the Lithuanian GDP reveals that the direct contribution of these enterprises to the country's economy made up 3.1% in 2012. In 2011, the ratio of the value added generated by SOEs to GDP made up 3%. The largest SOEs hold the lion's share of the total generated value: the value added created by the Lithuanian Railways group amounted to LTL 1.1 billion, whereas the value added generated by the VAE and EPSO-G groups totalled LTL 0.9 billion. The overall direct impact of these enterprises on the country's GDP in 2011 and 2012 accounted for 1% and 0.8%, respectively. In 2012, the value added created by all enterprises operating in the transport sector amounted to approx. LTL 1.7 billion (5% more than in 2011). The contribution of energy enterprises into the country's economy comprised LTL 1.2 billion (22.8% more). This growth is mostly associated with the increase of more than LTL 150 million in the value added generated by the Ignalina Nuclear Power Plant (the reversal of impairment of assets in 2011 and in the previous years was accounted for in 2012). Enterprises in the forestry and other enterprises sectors created the value added totalling LTL 315 million (2.8% less) and LTL 353 million (44.2% more), respectively.

In 2012, the value added generated by SOEs per employee amounted to LTL 91,000. As the absolute value added was growing, and the number of employees remained almost the same, the value per employee increased by 12.6% per year. Energy enter-



prises, which have a relatively larger tangible capital and a lower demand for human resources account for the largest value added per employee (LTL 155,000, 22.4% more than a year ago). The value added per employee in the transport and forestry sectors was similar and amounted to LTL 79,000 and LTL 74,000, respectively. The value added of other enterprises per employee was the lowest and amounted to LTL 62,000 but, as a result of higher profits earned by the sector during the year, grew at the largest pace – by as much as 45.6%.

49% of the total value added generated in 2012 was allocated to employee remuneration – wages, social insurance taxes, and other benefits. As employee benefits grew at a slower pace than the value added in 2012, the relative amount of such benefits dropped from 53% to 49%. This figure does not include the employee remuneration costs amounting to LTL 144.8 million (4% of the total value added) reimbursed from the state budget or from the EU funds, which are not stated in profit and loss statements. As these costs mean only the redistribution of funds between different interested parties (national and supranational institutions and SOE employees), they have an effect on the allocation of value added but they do not change the amount of value added for allocation. The share of value added intended for state taxes dropped from 9% to 7%; in 2012, these taxes amounted to LTL 264.5 million.

The state receives not only the taxes paid by SOEs but also the dividends and profit payments paid as to the shareholder or owner of SOEs. Before 1 June 2013, the total amount of dividends and profit payments, which had been allocated by SOEs to the state, comprised LTL 59.9 million (about 2% of value added). In 2011, the enterprises allocated a total of LTL 510.1 million to the state – 16% of the entire value for allocation (this amount excludes the dividends paid out to the state by Lietuvos Dujos for 2012, which will amount to LTL 38.4 million). The share of value added held by the shareholders may still be revised after all enterprises have approved the allocation of profits. The share of value added held by banks and other creditors remained quite low and made up 1.2% in 2012. This indicator shows that SOEs hardly take advantage of the opportunities to finance their operations and investments from borrowed funds.

Following the allocation of value added to all interested parties, approx. 41% of the total value added generated in 2012 (LTL 1.5 billion) will remain for enterprises. These are funds intended for development, investments restoring depreciation of assets, repayment of loans, financing of working capital, and other needs of enterprises. Compared to 2011, the share earmarked for SOE investments increased 2.3 times, mainly at the expense of significantly reduced dividends to the state.

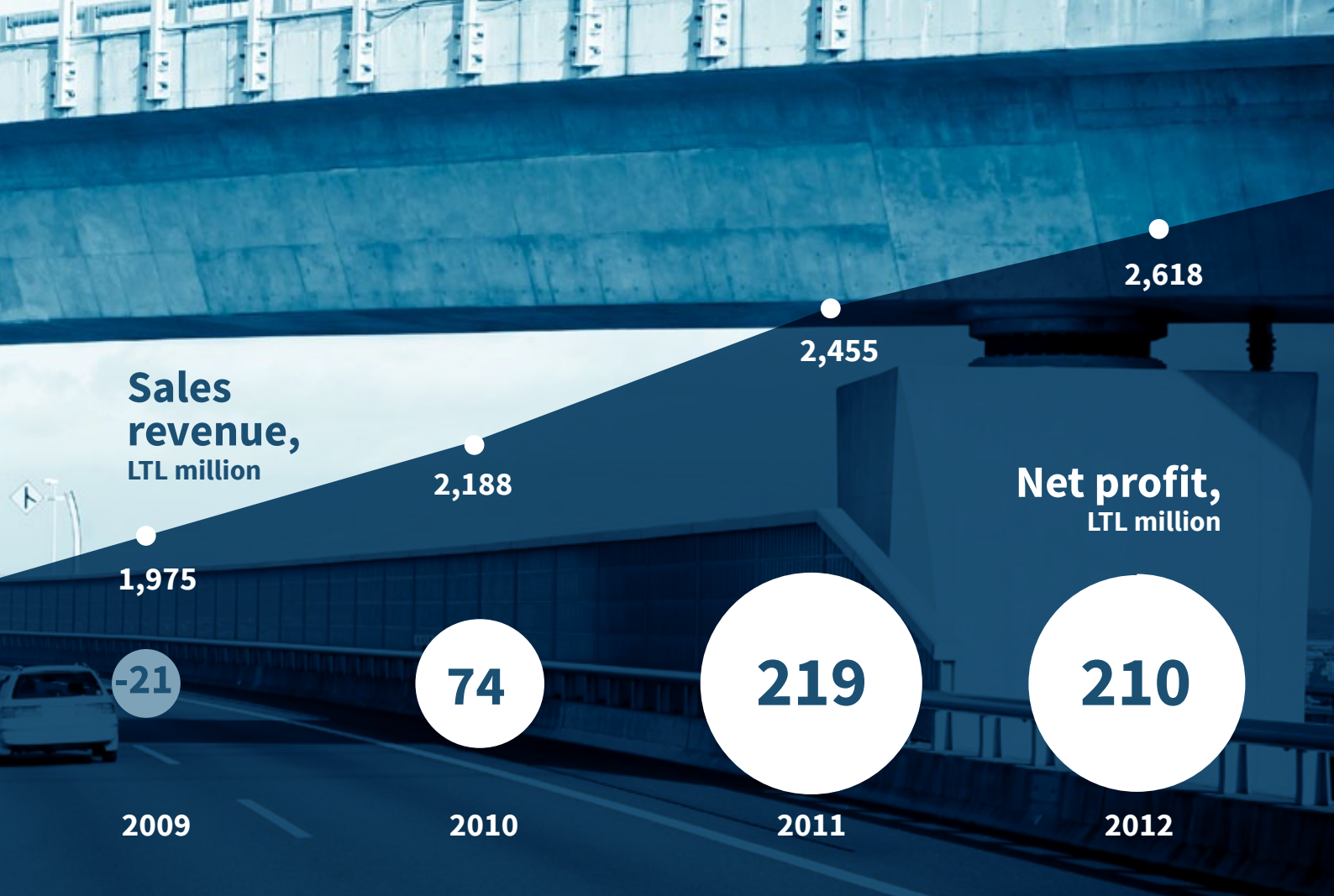
# Transport

The geographical position of Lithuania, ice-free seaport of the Baltic Sea and well-developed network of railways and roads were the determining factors for transport to be one of the most important economic sectors of Lithuania. The added value created by the transport sector constitutes almost 11% of GDP, and over 60% of export of services is represented by transport services.

The state owns 23 companies operating in the transport sector and engaged in road maintenance, railway, water transport, airports and post industries. Said companies together managed 30.2% of all assets of the SOEs and earned 38.3% of all income of the SOEs in 2012. This SOE sector has been the most profitable one for two consecutive years. Ten major companies are listed in the table below based on the category and sales revenue.

Enterprise	Field of activity	Turnover in 2012, LTL '000	Assets at the end of 2012, LTL '000	Number of employees at the end of 2012	State's interest, %
Lithuanian Railways	Transportation of passengers and freight, railway infrastructure management	1,737,019	5,419,146	12,329	100%
Lithuanian Post	Provision of postal and courier, financial services	190,695	226,566	6,427	100%
Klaipėda State Seaport Authority	Management of Klaipėda seaport infrastructure	167,002	1,637,360	243	100%
Lithuanian Shipping Company	Freight transportation by sea	84,474	170,298	311	100%
Oro Navigacija	Provision of specialised services in national airspace	83,874	204,707	341	56.7%
Vilnius International Airport	Operation of Vilnius airport	51,268	327,451	334	100%
Šiaulių Regiono Keliai	Maintenance of roads of national importance	35,864	60,082*	327	100%
Kauno Regiono Keliai	Maintenance of roads of national importance	31,199	53,381*	334	100%
Automagistralė	Maintenance of roads of national importance	29,797	47,850*	308	100%
Vilniaus Regiono Keliai	Maintenance of roads of national importance	29,547	43,188*	340	100%

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



## Financial Results

In 2012, revenue of transport enterprises stood at LTL 2.6 billion, i.e. 6.6% more than last year. The growth of the sector portfolio was determined by increased revenue of Lithuanian Railways (by LTL 145.2 million) which went up to LTL 1.7 billion. The additional activity carried out by Lithuanian Railways was the main contribution to the growth: freight wagon hire, intermediation when transporting NATO freight, metal scrap selling. Lithuanian Railways, Lithuanian Post (LTL 190.7 million), the Klaipėda State Seaport Authority (LTL 167 million), Oro Navigacija (LTL 84.5 million) and Lithuanian Shipping Company (LTL 83.9 million) are the most contributing companies in this sector.

Profit of the sector activity went down by 7.3% to LTL 249.2 million mainly due to the increased cost of goods sold (by 10.2% up to LTL 1.9 billion). Cost of goods sold was greatly affected by the cost of goods sold of Lithuanian Railways which grew by 13.7% up to LTL 1.4 billion. It was mostly enhanced by increased costs for services provided by other foreign railways (by 44% up to LTL 182.7 million) and other costs (LTL 8.5 million to LTL 38.9 million). Operating costs of the sector enterprises went up by 1.7% up to LTL 525 million. Operating costs of the group of Lithuanian Post enterprises were subject to the largest growth (by 7.8% up to LTL 199 million) due to the increased salary, asset repair and maintenance costs; moreover, the group of Lithuanian Post enterprises accounted for costs equalling LTL 3.5 million due to the purchase price for the enterprise Baltic Post and the actual difference of the enterprise share value. Operating costs of Lithuanian Shipping Company shrank from LTL 35 million to LTL 10.4 million, as in 2011 a higher ship value impairment was accounted for.

Changes in net profit of the sector were affected by losses incurred due to the bankruptcy of the bank Snoras. In 2011, the losses incurred due to the bankruptcy of said

PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>2,455,315</b>	<b>2,617,943</b>
Cost of goods sold	1,704,064	1,878,425
<b>Gross profit (loss)</b>	<b>751,251</b>	<b>739,518</b>
Operating expenses	516,436	525,021
Profit (loss) from other activities	33,996	34,691
<b>Operating profit (loss)</b>	<b>268,812</b>	<b>249,188</b>
<i>Operating profit margin</i>	<i>10.9%</i>	<i>9.5%</i>
<b>EBITDA</b>	<b>744,495</b>	<b>746,862</b>
<i>EBITDA margin</i>	<i>30.3%</i>	<i>28.5%</i>
Financial and investment activities	-61,179	-23,500
<b>Profit (loss) before taxes</b>	<b>207,633</b>	<b>225,688</b>
Profit tax	32,242	26,757
<b>Net profit</b>	<b>175,392</b>	<b>198,931</b>
minority interest	-19,981	-7,228
<b>Net profit excluding non-standard taxes</b>	<b>186,771</b>	<b>209,847</b>
<b>Net profit excluding non-standard taxes and effect of bankruptcy of the banks Snoras and Ūkio Bankas</b>	<b>219,437</b>	<b>209,847</b>
<i>Net profit margin</i>	<i>8.9%</i>	<i>8.0%</i>

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Intangible assets	32,207	34,576
Tangible assets	7,340,701	7,864,264
Financial assets	10,850	13,407
Other non-current assets	12,619	11,680
Biological assets	0	0
<b>Non-current assets</b>	<b>7,396,377</b>	<b>7,923,926</b>
Inventories, prepayments and contracts in progress	241,361	287,223
Amounts receivable within one year	265,895	409,077
Other current assets	46,163	46,838
Cash and cash equivalents	219,212	202,170
<b>Current assets</b>	<b>772,631</b>	<b>945,308</b>
<b>TOTAL ASSETS</b>	<b>8,169,008</b>	<b>8,869,234</b>
<b>Total equity</b>	<b>5,302,846</b>	<b>5,330,843</b>
Minority shareholder equity	60,794	53,555
<b>Grants and subsidies</b>	<b>1,593,567</b>	<b>2,131,435</b>
Non-current liabilities	639,628	697,157
Current liabilities	632,967	709,799
<b>Liabilities</b>	<b>1,272,595</b>	<b>1,406,955</b>
Of which financial liabilities	697,371	746,224
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,169,008</b>	<b>8,869,234</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	2.8%	2.5%
ROE	4.2%	3.9%
D/E	13.2%	14.0%

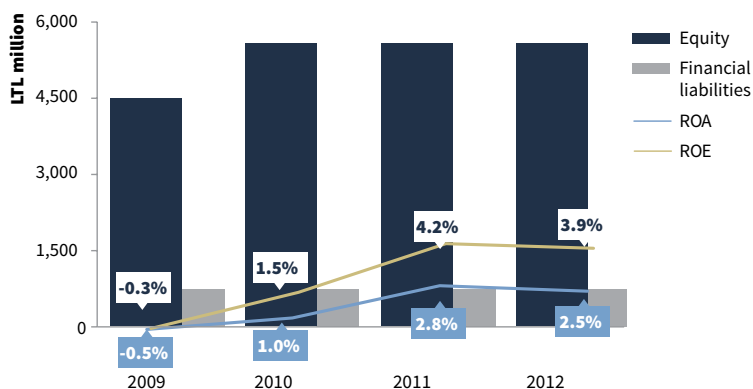
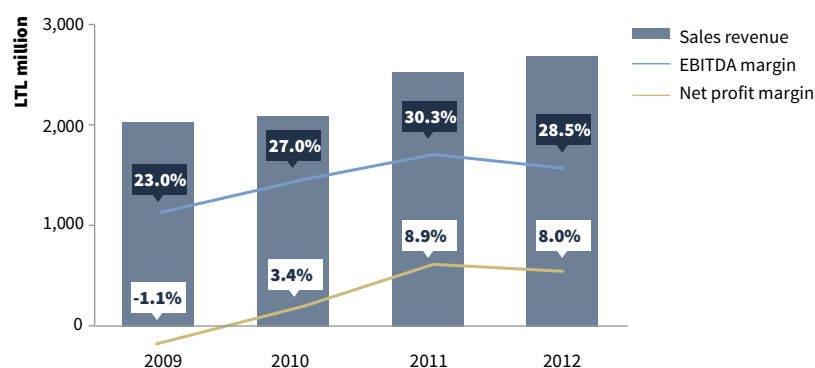
RETURN TO THE STATE (LTL '000)	2011	2012
Assigned dividends (only the state's share)	124,427	31,312
Assigned SE profit contributions	36,386	2,290
<b>Assigned dividends and profit contributions</b>	<b>160,813</b>	<b>33,602</b>
Property tax	12,893	12,353
<b>TOTAL CONTRIBUTIONS AND NON-STANDARD TAXES</b>	<b>173,706</b>	<b>45,955</b>

EMPLOYEE INFORMATION	2011	2012
Number of employees (at period end)	23,296	23,175
Number of executives (at period end)	97	99

bank were accounted for by Lithuanian Railways (LTL 14.8 million) and the Klaipėda State Seaport Authority (LTL 17.3 million). Normalized (excluding the effect of Snoras bankruptcy and non-standard taxes) net profit of the portfolio of the transport sector shrank from LTL 219.4 million to LTL 209.8 million. This amount constituted 48% of net normalized profit of all SOEs in 2012.

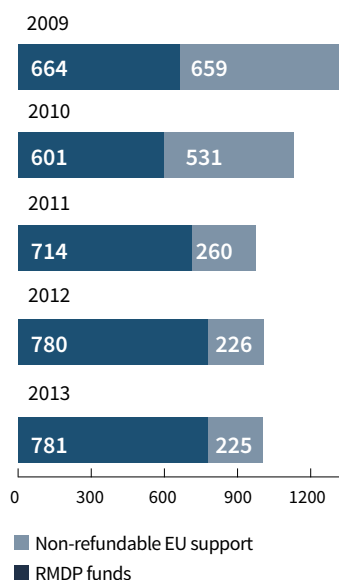
Although the book value of equity rose only by 0.5%, the return on equity alongside profit shrank from 4.2% to 3.9%; however, it remained the leader among all sectors. The results of the transport sector were positively affected by reduced losses of Lithuanian Shipping Company (from LTL -46.2 million to LTL -16.8 million). The negative impact was made by the decreased net profit of Lithuanian Railways (from LTL 35.7 million to LTL 129.1 million). The Klaipėda State Seaport Authority remained one of the most profitable enterprises in the transport sector: the normalized net profit increased by 1.9% up to LTL 89 million. Net result of Lithuanian Post changed as follows: profit amounting to LTL 0.7 million in 2011 turned into losses equalling LTL 7.2 million in 2012. It is worth mentioning that net result of the transport sector would be reduced by the more accurate accounting of financial results of road maintenance companies. Four SOEs maintaining roads of regional importance did not acknowledge a total of LTL 8.4 million losses due to Snoras bankruptcy (Klaipėdos Regiono Keliai – LTL 2.3 million, Panevėžio Regiono Keliai – LTL 1.7 million, Tauragės Regiono Keliai – LTL 3.2 million, Telšių Regiono Keliai – LTL 1.2 million losses) and accounted for said amounts in the balance sheets in items of amounts receivable within one year. The conclusions of independent auditors include a uniform opinion that such receivable amounts are doubtful, therefore future financial results will likely be subject to recalculation.

The book value of assets owned by the sector enterprises rose by 8.6% up to LTL 8.9 billion in 2012. The greatest effect on the growth of the asset value was made by Lithuanian Railways the assets whereof went up by 10.9% up to LTL 5.4 billion. The asset value of the Klaipėda State Seaport Authority grew by 13.4% up to LTL 1.6 billion. The



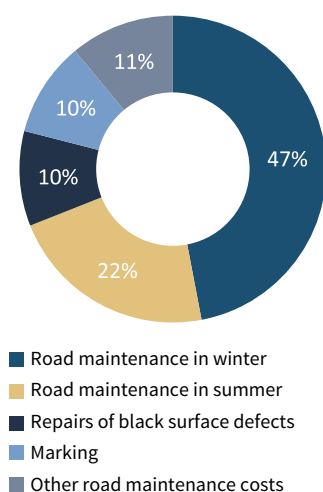


### Sources of funding for the maintenance and building of roads of national significance, LTL million



Source: Lithuanian Road Administration (2013)

### Cost structure of road maintenance works in 2012



Source: Lithuanian Road Administration (2013)

profitable activity of the Authority and subsidised intensive seaport development were the contributing factors (seaport dredging and widening, construction and renovation of quays, construction and repair of rail tracks). A total value of grants and subsidies granted to the SOEs rose by LTL 537.9 million up to LTL 2.1 billion. Subsidies and grants for mostly subsidised sector enterprises Lithuanian Railways and the Klaipėda State Seaport Authority grew by LTL 381 million up to LTL 1.7 billion and LTL 165.1 million up to LTL 202.9 million, respectively.

In 2012, the amount to be paid as dividends and profit contributions assigned by the enterprises in the transport sector (by 1 July 2013) comprised only LTL 33.6 million, while last year the amount of LTL 160.8 million was paid as dividends and profit contributions. However, dividends to be paid by Lithuanian Railways are not included in the dividend amount assigned for 2012 as the company's profit distribution had not been carried out yet. This company assigned the largest amount to be paid as dividends for the year 2011 from all companies in the sector, i.e. LTL 122.7 million. The companies which will pay the largest amounts as dividends and profit contributions for 2012 will include Smiltynės Perkėla (LTL 1.3 million), 11 road maintenance enterprises (LTL 1.1 million), the Klaipėda State Seaport Authority (LTL 0.9 million) and Vilnius International Airport (LTL 0.3 million). The profit contribution for the Klaipėda State Seaport Authority was reduced to 1% of net profit by the Resolution of the Government due to a large demand for investment funds for strategic projects, including the LNG terminal pier construction project.

## Road Management

The total length of roads in Lithuania exceeds 82,000 km. Roads of local importance (61,000 km) are owned by municipal authorities, and those of national importance (21,000 km) are exclusively owned by the state. Roads of national importance are used and operated in trust by 11 state enterprises which are responsible for road maintenance, and the Lithuanian Road Administration (LRA) arranges the procurement of road building services from private contractors.

Road building and maintenance are funded by the Road Maintenance and Development Programme (RMDP); said funds are mainly collected from fuel excise duty and vehicle taxes as well as EU support. It has been estimated that roads of national importance are subject to 80% of vehicle axle loads, respectively, 75% of all RMDP funds are allocated to funding of roads of national importance. In 2012 a total of LTL 1 billion was allocated to maintenance of roads of national importance, which was 3% more than in 2011. Funds allocated to roads of national importance are used for three purposes: road building, road maintenance and road safety improvement.

## Operating Results

### Road Building

Road reconstruction and building activities are performed by private contractors, and the LRA plans work scope, carry out procurement procedures as well as work quality and financial control.

In 2012 the amount of LTL 312 million was used for modernization of the Trans-European Transport Network. The main activities performed during last year are as follows:

» Development of Trans-European Network Roads E85 (Vilnius-Lyda) and E272 (Vilnius-Panevėžys-Šiauliai-Palanga). Reconstruction of the section Šiauliai-Radviliškis of the road Panevėžys-Šiauliai (stage II) – funds of the RMDP and EU equal-



ling LTL 82 million were used;

» Reconstruction of the Trans-European Network Road E85 (Vilnius-Kaunas-Klaipėda). Construction at Jakų crossing in the direction of the overhead road Kaunas-Palanga, Palanga-Kaunas – funds of the RMDP and EU equalling LTL 29 million were used.

## Road Maintenance

Maintenance of roads of national importance is carried out by 11 state enterprises 10 of which are regional road maintenance enterprises and one company is the state enterprise responsible for maintenance of motorways. The largest share of road maintenance expenses consists of road maintenance activities in winter and summer, and repairs of road surface defects and marking. The amount of LTL 264 million was allocated for maintenance of roads of national importance in 2012.

State road maintenance enterprises focus not only on improvement of the infrastructure, but also on implementation of traffic safety measures. In 2012, the amount of LTL 367 million was used to ensure safer traffic conditions on roads of national importance. The number of traffic events, road injuries and deaths on roads of national importance shrank by 9.5% (1,096 traffic events in 2012), 13% (1,364 injuries) and 3.8% (201 road deaths), respectively, in 2012 compared to 2011.

## Railways

In 2012, a total length of Lithuanian railways remained the same and stood at 1,768 km. The length of standard EU gauges (1,435 mm) remained 22 km, and the length of

gauges used in the CIS and Baltic countries (1,520 mm) was 1,746 km. The length of electrified tracks did not change and stood at 122 km. In 2012, 107 railway stations were operating in Lithuania.

The territory of Lithuania is crossed by two strategically important railway corridors in the direction of North-South, which connects Poland and the Baltic States, and East-West, which connects the Ukraine and Belarus with the Port of Klaipėda. The North-South corridor is not fully integrated due to different gauge types which are used in the Baltic States and Poland. This corridor will become fully integrated upon completing the Rail Baltica project.

The infrastructure of Lithuanian railways is operated in trust by the state-owned enterprise Lithuanian Railways.

## Operating Results

### Passenger Transport

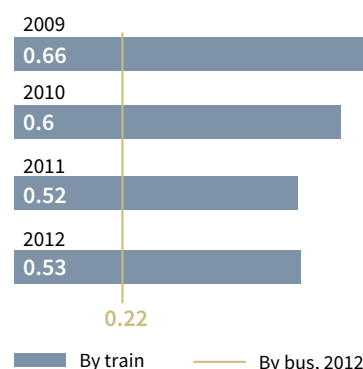
In 2012, the number of railway passengers stood at 4.8 million which represented 1.2% of all passengers transported in Lithuania. As a comparison, in 2011 the number of railway passengers was higher by 3.2%. The extent of transit changed insignificantly: flows of arriving and leaving passengers increased by 22% and 26%, respectively. This growth was mostly influenced by a shortened travel time between Vilnius and Minsk. An upgraded fleet of rolling stocks and loyalty programme enabled to slightly increase the number of passengers on domestic routes. In 2012, losses of passenger transport rose by 7.6% and stood at LTL 115 million.

### Number of passengers transported by rail transport, '000



Source: Statistics Lithuania (2013)

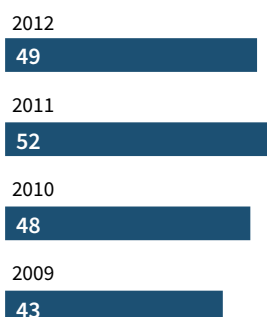
### Costs of passenger carriage per kilometre, LTL



\*Calculated by dividing the sum of the sale cost and operating costs of the Passenger Transportation Directorate of Lithuanian Railways by passenger turnover ([www.li-trail.lt](http://www.li-trail.lt), operating results).

\*\*Calculated by dividing the price of the ticket for the route Vilnius-Klaipėda by the distance of the trip, based on the ticket prices of UAB Tolimojo Keleivinio Transporto Kompanija in 2013.

### Passenger transportation by rail, million tonnes



Source: Statistics Lithuania (2013)

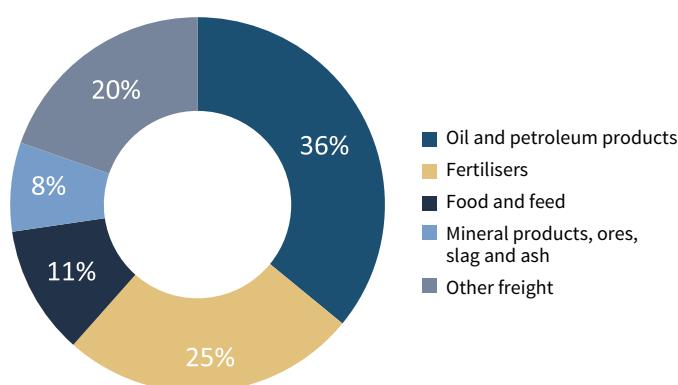
In 2012, the cost of transportation by rail of one passenger per one kilometre slightly increased from LTL 0.52 to LTL 0.53\*. Comparative costs of transportation of passengers by bus, in comparison with the year 2011, did not change and were two times lower than the costs of passenger transportation by rail, i.e. LTL 0.22\*\* for one passenger per one kilometre. Although passenger transportation by train is not profitable, Lithuanian Railways must ensure the provision of such 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.

### Freight Transport

Freight transportation by means of all kinds of transport decreased by 0.5% in Lithuania in 2012 and accounted for 120.7 million tonnes. In 2012, Lithuanian Railways carried 49.4 million tonnes of freight, which is 5.6% less than in the year 2011.

Freight transported by international routes compounded 69.8% of all freight carried by rail. A great influence on freight transport by rail on a local, import and export markets is made by major Lithuanian industrial companies Orlen Lietuva, Lifosa, Achema, Akmenės Cementas, and Dolomitas. Transportation of freight of said companies ac-

### Freight by type in 2012



Source: Lithuanian Railways (2013)

counted for 30.2% of the entire freight volume carried by rail and 75% of transportation on a local market. Russian and Belarusian freight constituted, respectively, 45.9% and 39.4% of all freight carried by rail. Oil, petroleum products and fertilisers account for 61.5% of all freight carried by rail.

### Water Transport

Lithuania has two operating seaports: Klaipėda and Šventoji seaports. They are managed in trust by the Klaipėda State Seaport Authority. Šventoji port is under development and will be used for recreational purposes. The performance of this port have not been included in the description of this sector.

The Klaipėda State Seaport Authority operates quays of 27 km long where 38 special terminals are operating. The depth of the port channel is 14.5 m and enables to serve vessels carrying cargo of up to 160,000 tonnes. The annual handling capacity of the seaport stands at 45 million tonnes.

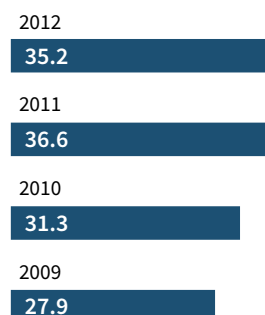
The Lithuanian commercial fleet consists of 35 vessels owned by Lithuanian Shipping Company, Limarko Shipping Company and DFDS LISCO.

The Internal Waterway Directorate maintains 921.9 km of inland waterways 827.8 km of which are of national importance. Currently 384.4 km of waterways of national importance are operated. International shipping requirements are met on the main inland waterway Klaipėda-Kaunas during the warm season, 230 days per year. Lithuania has 22 internal water quays and 4 ports operating. The Inland Waterway Register contains 68,734 registered watercrafts operating on inland waterways.

## Operating Results

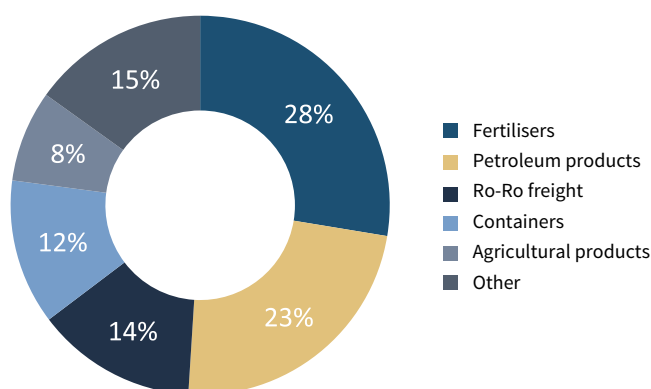
In 2012, the volumes handled at Klaipėda Seaport went down by 3.7% and accounted for 35.2 million tonnes of freight. Fertilisers, petroleum products, Ro-Ro freight, containers and agricultural products made up a major part of freight. Handled volumes of fertilisers decreased by 16.2% due to the increased import of raw materials by road and decreased demand in fertilisers in the global market. Handled volumes of petroleum products fell by 9.6% due to the routine maintenance in Orlen Lietuva. 2012 was a record year in terms of handled volumes of wheeled vehicles (264,000), however, the handling volumes in tonnes slightly decreased (by 1.5%). The number of containerised cargo rose by 2.2%.

### Handling volumes at Klaipėda seaport, million tonnes



Source: Klaipėda State Seaport Authority (2013)

### Freight structure at Klaipėda seaport in 2012



Source: Klaipėda State Seaport Authority (2013)

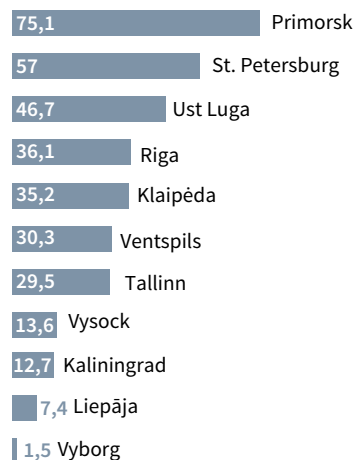
During 2012 over 340,000 passengers visited Klaipėda Seaport, which is by 5% more than a year ago. 26,800 passengers (24.6% more than in 2011) came in on cruise ships. The flow of passengers in Klaipėda is rather low in comparison with the seaports in other Baltic States: Tallinn seaport served 8.8 million passengers per year and Riga seaport was visited by 0.8 million passengers.

### Comparison with Other Seaports

In 2012, the total volumes handled on the eastern shore of the Baltic Sea increased by 5.6% and accounted for 353.6 million tonnes of freight. Due to the increased handling volumes at Ust Luga and Riga seaports, Klaipėda seaport dropped from the 3rd to the 5th place by its handling volumes. Handling volumes of the Baltic Sea seaports increased mainly due to the growth of the number of crude oil, coal and containerised cargo. Handling volumes of Klaipėda seaport is more diversified in comparison with the neighbouring seaports, thus its handling volumes are not subject to significant changes when flows of freight of the same type change.

Handling volumes of Ust Luga seaport, which specialises in handling coal, crude oil and petroleum products, more than doubled (107.2%). Handling volumes at Tallinn seaport went down by 19.2% due to the decreased handling volumes of petroleum products and crude oil. Despite the downturn, petroleum products still constituted a

### Handling at Baltic Sea eastern ports in 2012, million tonnes



Source: Klaipėda State Seaport Authority (2013)

large share (64.3%) of handling volumes at Tallinn seaport. Handling volumes at Riga seaport grew by 5.8% due to larger handling volumes of coal which constitutes 41.3% of the entire handling volumes of the seaport. Handling volumes at Ventspils seaport went up by 6.7% due to the increased handling volumes of petroleum products and coal.

The comparison of financial indicators of Klaipėda seaport with the results of neighbouring seaports in 2011 shows that profit margins of Klaipėda seaport are the highest, however, the indicators of the return on equity, asset turnover and financial leverage were lower than those of other seaports.

2011	TALLINN	RIGA	HELSINKI	GDANSK	STOCKHOLM	COPENHAGEN-MALMO	MEDIAN	KLAIPĖDA
EBITDA margin	68%	N/A	57%	N/A	34%	18%	46%	64%
Net profit margin	41%	23%	24%	27%	13%	11%	24%	42%
ROA	7%	5%	3%	8%	5%	13%	6%	5%
ROE	10%	5%	14%	12%	19%	22%	13%	6%
Asset turnover	0.17	0.19	0.14	0.31	0.39	1.2	0.25	0.12
Debt-to-equity ratio (D/E)	0.34	0.07	1.44	0.02	1.89	0	0.21	0.07

## Airports

Lithuania has four operating international airports. The state-owned airports in Vilnius, Kaunas and Palanga provide services of regular and charter carriers which carry passengers and freight. The military airport of Šiauliai is owned by Šiauliai municipality.

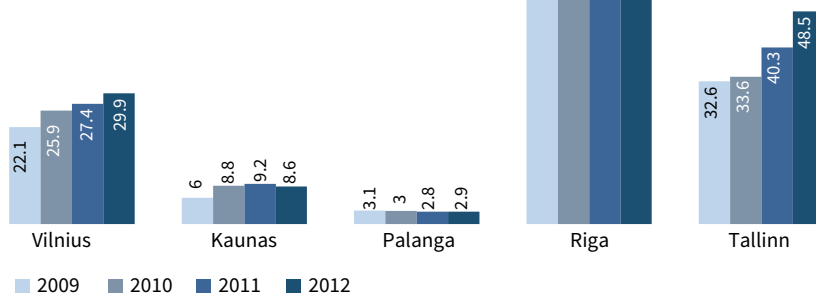
Vilnius International Airport has the capacity to serve 3 million passengers per year, and the schedule of regular flights consists of 35 routes. Kaunas airport has the capacity to serve 1 million passengers and handle 110,000 tonnes of freight per year. Kaunas airport carries out regular flights in 21 directions. This airport is able to serve aircraft of any type, irrespective of the size of a cargo, due to a long runway. The infrastructure of Palanga International Airport is adapted for medium and small aircrafts. Palanga airport carries out regular flights in four directions.

The state enterprise Oro Navigacija provides flight management services in the Lithuanian airspace as well as flight management services in Vilnius, Kaunas and Palanga airports. In 2012, the territory of Lithuania was crossed by 39 transit routes, and a total length of routes stood at 9,000 km.

## Operating Results

The three civil Lithuanian airports served a total of 41,000 airplanes, which is 4.8% more than in 2011. 72.4% of all flights were carried out in Vilnius airport, which exceeded the number of flights in Kaunas airport 3.5 times. Both Riga and Tallinn airports served more flights than all of three Lithuanian airports combined.

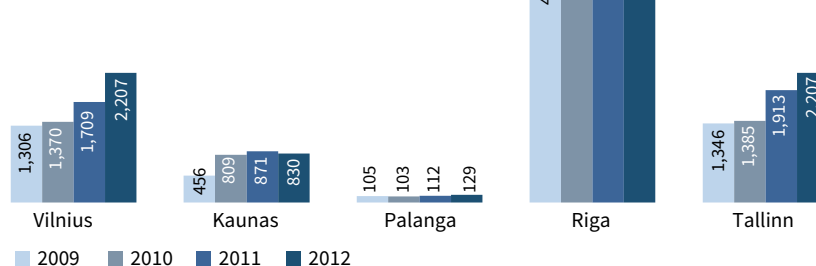
### Number of flights at the airports of the Baltic States, '000



Sources: Statistics Lithuania and airports (2013)

In 2012, the number of passengers in the airports grew by 17.6% and stood at 3.2 million passengers. Vilnius, Kaunas and Palanga airports served 2.2, 0.8 and 0.1 million passengers, respectively. The number of passengers at Vilnius airport went up by 28.9% mainly due to the expansion of routes by airline companies; moreover, five new airline companies began to provide their services at the airports. Ryanair, Wizz Air and SAS performed 43%, 16% and 7% of all regular flights in Lithuania, respectively. In 2012, Vilnius airport was slightly ahead of Tallinn airport (which served 2.2 million passengers) by the number of passengers, and Riga airport served the highest number of passengers standing at 4.8 million.

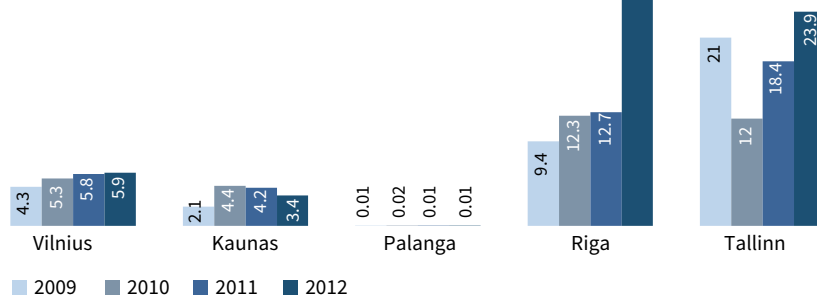
### Number of passengers at the airports of the Baltic States, '000



Source: Statistics Lithuania and airports (2013)

A total of 9,300 tonnes of freight and postal shipments were handled at Lithuanian airports. 5,900 tonnes were handled at Vilnius airport and 3,400 tonnes of freight were handled at Kaunas airport. In 2012, the total amount of freight went down by 7.2% due to handling volumes at Kaunas airport which decreased by 20.3%. This was impacted by a bankruptcy case which was opened for the airline company Jade Cargo in February 2012, which carried freight from Shanghai through Kaunas airport. In 2012, handling volumes of freight in Riga and Tallinn airports comprised 33,000 and 23,900 tonnes of freight, respectively.

### Cargo and postal item services in airports, tonnes '000

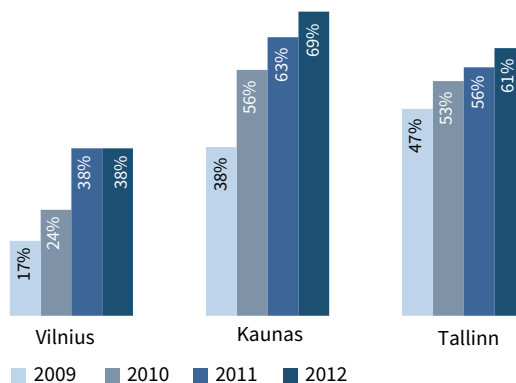


Sources: Statistics Lithuania and airports (2013)

## Non-Aviation Services

Non-aviation revenue in established airports (advertising, catering, parking, retail trade, car hire, accommodation, etc.) constitutes almost 50% of total revenue. Said revenue enables to reduce losses incurred as a result of the competitive battle of the airports in the aviation services market. The increase of non-aviation revenue is one of the main strategic priorities of Lithuanian airports.

### Non-aviation share of revenue



Source: airports (2013)

In 2012, non-aviation revenue of Vilnius International Airport stood at LTL 19.5 million and grew by 13.4% compared to 2011. The revenue growth was determined by successful rent of premises and increased revenue from the hire of car parking lots. Non-aviation revenue of Kaunas airport rose by 10.1% and accounted for LTL 6.4 million. The greatest growth was recorded in advertising and hire of land and premises.

## Post

At the end of 2012, 73 legal entities were entitled to provide postal services in Lithuania, 17 of which provided postal and courier services, and 56 provided courier services only. The increasing number of enterprises providing postal services may be linked to the market liberalisation and new services, such as self-service terminals for postal shipments.

Lithuanian Post is the only enterprise in Lithuania entitled to provide universal postal services (UPSs). UPSs include collection and delivery services related to letter-post items of the weight up to 2 kg, parcels of up to 10 kg, registered postal shipments and parcels of up to 20 kg from the EU member states. UPSs must be provided on a daily basis under the same conditions in the whole of the territory of the country. At the end of 2012, Lithuanian Post owned 689 stationary post offices and 27 mobile post offices which served 133 locations where UPSs are provided.

As of 1 January 2013, the restrictions of the postal services market, stipulating that postal service providers were obliged to deliver items of correspondence weighing up to 50 g at a rate which is 2.5 times more expensive than the rate applied by the SOE Lithuanian Post, were revoked. In order to ensure the continuous provision of UPSs and provide Lithuanian Post with opportunities to earn the cost of investments, Lithuanian Post has been assigned the universal postal service provider for a period of seven years until the end of 2019. Rates of universal postal services are approved by the Communications Regulatory Authority.

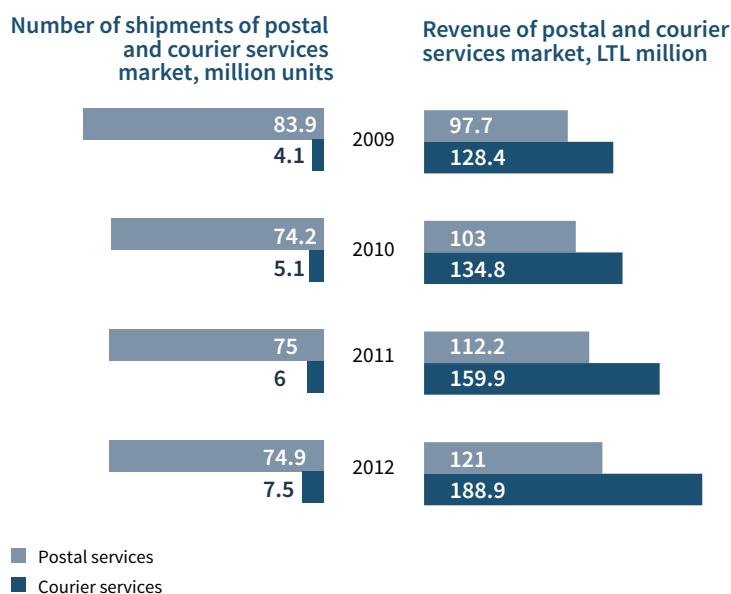
Pursuant to the amended Postal Law, the universal postal service provider retains the duty to deliver periodicals to subscribers in rural areas. In order to ensure transpar-



ency of the provision of such services, the Government will have to approve the criteria for rate setting.

## Operating Results

The entire postal and courier services market grew by 1.7% in 2012, up to 82.4 million parcels. The amount of letter-post items changed insignificantly and stood at 74.9 million units in 2012, while the parcel market increased by 26.2%, up to 7.5 million parcels. The number of provided UPSs grew by 2.1% in 2012 and stood at 49.7 million units of services; 80.1% of said services represented correspondence shipments up to 2 kg.



Source: Communications Regulatory Authority (2013)

In 2012, the total revenue from postal and courier services went up by 13.9% up to LTL 309.9 million. Revenue from postal services rose by 7.9% up to LTL 121 million, and revenue from courier services grew by 18.1% up to LTL 188.9 million. Revenue from the UPSs stood at LTL 97.8 million, which is 8% more than in 2011.

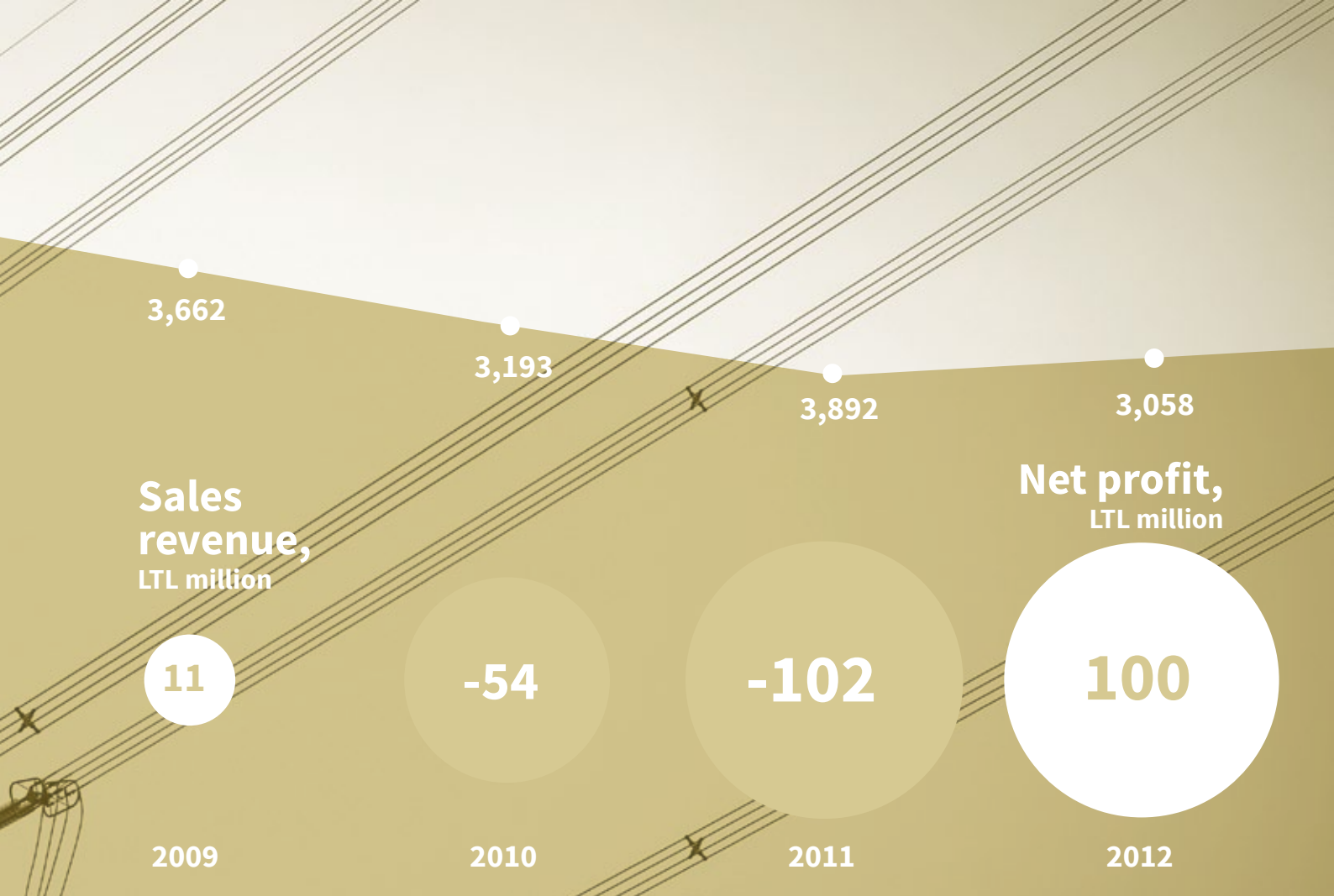
# Energy

This sector is the most strategically important sector of SOEs. SOEs attributed to this sector generate and supply almost one fourth of country's electricity demand, they own electricity transmission and distribution networks. Having carried out the restructuring of enterprises, electricity generation and distribution were liberalised and separated from transmission. The same goal is set to be achieved in the gas sector by the end of 2014, upon implementation of the EU Third Energy Package and completion of construction of the Liquefied Natural Gas Terminal.

SOEs operating in the energy sector generate and supply electricity and natural gas to customers, as well as 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 (LNG) Terminal in Lithuania. Lietuvos Dujos is also attributed to the energy sector. It is not considered to be an SOE, as the state has only a minority interest in this company; however, the total sector results include the value of shares owned by the state in Lietuvos Dujos and received dividends. Companies attributed to this sector are listed in the table below.

Enterprise	Field of activity	Turnover in 2012, LTL '000	Assets at the end of 2012, LTL '000	Number of employees at the end of 2012	State's interest, %
Visagino Atominė Elektrinė (Visaginas Nuclear Power Plant)	Preparation of the Visaginas Nuclear Power Plant Construction Project; the VAE group includes the electricity producer Lietuvos Energija and the distribution network operator LESTO	2,781,910	10,295,821	4,612	100%
Lietuvos Dujos	Natural gas import, transmission and distribution services	1,879,178	2,928,183	1,700	17.7%
EPSO-G	The company controls the Lithuanian electricity transmission system operator Litgrid	508,367	2,495,292	702	100%
Klaipėdos Nafta	Oil product export and import	138,881	560,010	360	72.3%
Visagino Energija	Supply of heat and water, wastewater treatment	75,428	209,228	222	100%
Geoterma	Generation of heat	16,994	45,468	21	76.6%
Ignalinos Atominė Elektrinė (Ignalina Nuclear Power Plant)	Decommissioning of the Ignalina Nuclear Power Plant	483	1,791,416	2,053	100%
Radioactive Waste Management Agency	Radioactive waste management and burial	83	1,601	18	100%
Energy Agency	Administration of the Ignalina Nuclear Power Plant, implementation of national energy programmes	0	3,373	19	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 up by 5.7% in 2012 and stood at LTL 3,058.2 million. The growth of revenue was caused by increased consolidated revenue of the VAE and EPSO-G subsidiaries by 5.7% up to LTL 2,826.4 million. Revenue of Litgrid owned by EPSO-G rose by 16.9% up to LTL 508.4 million, mainly due to the balancing-regulation of electricity trading, as well as to an increase of revenue of maintenance and technical service activities. Revenue of Lietuvos Energija group and LESTO group went up by LTL 14.3 million (1%) and LTL 38.2 million (1.7%), respectively, due to a greater amount of generated and consumed electricity. The consolidated change in revenue was also affected by the fact that the VAE group sold more electricity on a free market, i.e. the companies performed fewer intra-group transactions. Revenue of Visagino Energija grew by 19.4% up to LTL 75.4 million mainly as a result of higher heating prices. Revenue of Klaipėdos Nafta comprised LTL 138.9 million, which is LTL 2.4 million (1.7%) less than in 2011. This change was caused by slightly decreased revenue from petroleum product handling services and lower revenue from selling heavy petroleum products collected in treatment facilities. The greatest negative effect on Klaipėdos Nafta revenue was made by reduced cargo transit from Russia and Belarus; however the company avoided a larger fall in revenue by increasing handling rates and applying the “load-or-pay” principle to the conclusion of agreements.

The total cost of sale of companies operating in the energy sector increased by a mere 0.5% and comprised LTL 1,740.7 million, while the operating cost went down by 6.7% up to LTL 1,224 million. This change was mostly caused by the accounted for restatement of the assets impairment costs of the Ignalina Nuclear Power Plant in 2012, which reduced the operating costs by LTL 65.1 million; in 2011, the asset depreciation costs of the company stood at LTL 30.7 million. Excluding the costs resulting from the change in the asset value, the operating costs of the Ignalina Nuclear Power Plant decreased by 52.6% to LTL 18.3 million (mainly due to lower expenses for legal

PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>2,892,160</b>	<b>3,058,250</b>
Cost of goods sold	1,731,242	1,740,718
<b>Gross profit (loss)</b>	<b>1,160,919</b>	<b>1,317,532</b>
Operating expenses	1,311,279	1,223,978
Profit (loss) from other activities	7,284	6,004
<b>Operating profit (loss)</b>	<b>-143,077</b>	<b>99,559</b>
<i>Operating profit margin</i>	<i>-4.9%</i>	<i>3.3%</i>
<b>EBITDA</b>	<b>532,753</b>	<b>717,715</b>
<i>EBITDA margin</i>	<i>18.4%</i>	<i>23.5%</i>
Financial and investment activities	-49,739	-20,492
<b>Profit (loss) before taxes</b>	<b>-192,816</b>	<b>79,066</b>
Profit tax	-14,235	10,005
<b>Net profit</b>	<b>-178,581</b>	<b>69,061</b>
minority interest	19,858	16,058
<b>Net profit excluding non-standard taxes</b>	<b>-176,968</b>	<b>70,675</b>
<b>Net profit excluding non-standard taxes and effect of bankruptcy of the banks Snoras and Ūkio Bankas</b>	<b>-102,154</b>	<b>100,331</b>
<i>Net profit margin</i>	<i>-3.5%</i>	<i>3.3%</i>

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Intangible assets	348,224	366,738
Tangible assets	11,222,352	11,448,070
Financial assets	205,875	229,089
Other non-current assets	295,446	239,904
Biological assets	0	0
<b>Non-current assets</b>	<b>12,071,895</b>	<b>12,283,802</b>
Inventories, prepayments and contracts in progress	231,472	173,265
Amounts receivable within one year	1,089,488	1,259,866
Other current assets	687,363	517,790
Cash and cash equivalents	245,319	398,003
<b>Current assets</b>	<b>2,253,641</b>	<b>2,348,923</b>
<b>TOTAL ASSETS</b>	<b>14,325,537</b>	<b>14,632,725</b>
<b>Total equity</b>	<b>8,773,485</b>	<b>8,526,254</b>
Minority shareholder equity	1,080,300	1,053,016
<b>Grants and subsidies</b>	<b>2,671,304</b>	<b>2,889,025</b>
Non-current liabilities	1,605,930	2,051,938
Current liabilities	1,274,817	1,165,509
<b>Liabilities</b>	<b>2,880,747</b>	<b>3,217,447</b>
Of which financial liabilities	1,111,495	1,464,498
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,325,537</b>	<b>14,632,725</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.7%	0.7%
ROE	-1.2%	1.2%
D/E	12.7%	17.2%

RETURN TO THE STATE (LTL '000)	2011	2012
Assigned dividends (only the state's share)	327,973	38,708
Assigned SE profit contributions	11	19
<b>Assigned dividends and profit contributions</b>	<b>327,984</b>	<b>38,727</b>
Property tax	1,898	1,898
<b>TOTAL CONTRIBUTIONS AND NON-STANDARD TAXES</b>	<b>329,882</b>	<b>40,625</b>

EMPLOYEE INFORMATION	2011	2012
Number of employees (at period end)	8,045	8,007
Number of executives (at period end)	91	92

and advisory services), and the total growth of the energy sector operating costs comprised 0.7%. Consolidated operating costs of VAE and EPSO-G subsidiaries went up by LTL 25.3 million (2.1%), mostly as a result of higher electricity purchasing prices and related costs. Operating costs of Klaipėdos Nafta rose by 38.8% – up to LTL 10.7 million – mainly due to administrative costs of the LNG Terminal project.

In 2012, the result of the sector activity generated a profit of LTL 99.6 million, while in 2011, the operating loss constituted LTL 143.1 million. The result of the Ignalina Nuclear Power Plant changed from a loss of LTL 63 million to a profit of LTL 53 million. However, upon elimination of costs resulting from changes in the asset value, typical operating losses plunged only by LTL 20.2 million and comprised LTL 12.1 million. The consolidated operating loss of the VAE and EPSO-G subsidiaries shrank from LTL 124.4 million to LTL 161,000 due to largely increased revenue and a slight growth of costs. Lietuvos Energija increased the operating profit more than four times, up to LTL 55.7 million, mainly due to larger trade on the free electricity market and lower costs of CPA revaluation and provisions. Upon the increase of revenue, the operating profit of Litgrid stood at LTL 28.3 million, meanwhile in 2011 the company incurred operating loss amounting to LTL 24.4 million; LESTO reduced the operating loss by a third, to LTL 46.1 million. The operating profit of Klaipėdos Nafta stood at LTL 46.9 million and was 7.4% lower than in 2011. Visagino Energija reduced the operating loss from LTL 6.6 million to LTL 134,000 as a result of revenue for heat supply being higher than costs.

In 2012, energy companies earned a net profit of LTL 69.1 million, but incurred a loss of LTL 178.6 million in 2011. Besides the aforementioned reasons, the net profit indicator was strongly affected by the write-off of deposits held by the Ignalina Nuclear Power Plant at the bankrupt bank Snoras: in 2011, it accounted for LTL 74.8 million, and in 2012 the enterprise wrote off a remaining amount of deposits with the value of LTL 15 million. In 2012, the Ignalina Nuclear Power Plant also acknowledged financial and investment operating costs amounting to LTL 14.7 million due to depreciation of deposits held at Ūkio Bankas, although the bank activity was terminated at the beginning of 2013. Net profit of the energy sector, having eliminated the costs that the Ignalina Nuclear Power Plant incurred as a result of changes in the asset value and funds lost at the banks, amounted to LTL 35.2 million in 2012. For comparison, in 2011 it incurred losses of LTL 71.4 million in 2011.

The return indicators of companies operating in the energy sector have been low recently as a result of service pricing regulation applied to distribution and transmission networks. Since 2009 depreciation costs included in distribution and transmission tariffs have been calculated with respect to the asset value used in the licensed activity set by the regulator rather than on the basis of the value indicated in financial statements of the companies. Upon the change in regulation, the asset valuation was not conducted and its values were not corrected in the balance sheets of the companies, therefore the asset value set by the regulator is currently three times lower than the asset value referred to in financial statements of LESTO and Litgrid. This difference has a significant impact on profitability indicators of the companies, thus they may not correspond to actual operating results. The best return indicators in the energy sector were achieved by Klaipėdos Nafta. Its return on equity stood at 8% in 2012, and in 2011, it comprised 9.4%.

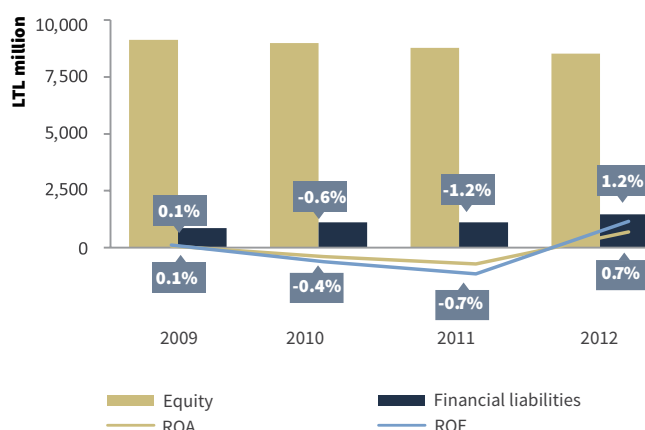
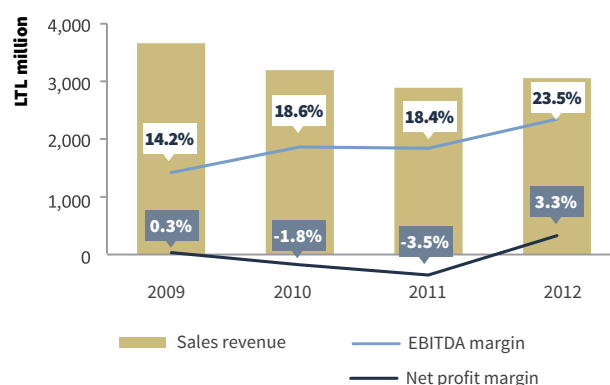
The results of Lietuvos Dujos have not been included in the portfolio and have not been evaluated as the state has just a 17.7% minority interest in this company. The SOE portfolio includes only the stake owned by the state (LTL 160.3 million in 2012) and dividends paid to the budget during the year (in 2012, the amount of LTL 12.7 million was paid as dividends which were assigned to shareholders when distributing the profit of 2011).

According to the data collected by the beginning of July 2013, the amount of dividends and profit payments to the national budget allocated from the energy sector companies' 2012 profit stood at LTL 38.7 million. A major part of this amount, LTL 38.4 mil-

lion, is comprised from dividends assigned by Lietuvos Dujos for 2012. Klaipėdos Nafta assigned dividends amounting to LTL 296,500. The amount payable was reduced by 1% of annual net profit by a Government decision due to the demand for funds and assumed liabilities to the banks when implementing the strategic LNG Terminal project. The profit contribution assigned by the SOE Energy Agency stood at LTL 19,000, and other companies operating in the energy sector did not assign any dividends or profit contributions. The bulk of dividends paid to the state for 2011 (LTL 275 million) was comprised by dividends declared by VAE which were assigned in the middle of 2012 upon receiving dividends from the subsidiaries. Dividends declared by VAE and EPSO-G subsidiaries payable to the state for 2012 have not been included as they will be first paid to the holding companies rather than the national budget. When distributing the profit of 2012, LESTO assigned LTL 84.8 million to the main shareholder VAE, Lietuvos Energija assigned the amount of LTL 24.4 million to VAE and Litgrid will pay dividends amounting to LTL 43.9 million to its holding company EPSO-G.

Property tax was paid by three enterprises of the sector: Visagino Energija (LTL 1,843,000), Energy Agency (LTL 46,000) and Radioactive Waste Management Agency (LTL 10,000).

The following diagrams show changes in sales revenue, equity, financial liabilities and profitability of the sector in 2009-2012.



## Electricity Sector

In order to enforce the provisions of the EU Third Energy Package, the restructuring of the electricity sector commenced in Lithuania in 2010 and four blocks of electricity



companies were formed: generation, transmission, distribution and network maintenance. Generation and transmission blocks were created after Lietuvos Elektrinė merged with Lietuvos Energija and electricity transmission network operator Litgrid and market operator Baltpool were unbundled. The distribution block was formed after the merger of two distribution companies VST and Rytų Skirstomieji Tinklai. This block is now made up of the single company LESTO. The control of all said electricity companies was transferred to the SOE Visagino Atominė Elektrinė (VAE) which is responsible for the construction project development of a new nuclear power plant.

In September 2012, the implementation of the EU Third Energy Package was completed after unbundling Litgrid from the VAE group. The shares of this company were transferred in exchange for payment to the newly established SOE EPSO-G, which is controlled by the Ministry of Energy. The Ministry of Finance owns shares of VAE as of February 2013.

During the restructuring of SOEs in the energy sector, the decision was made to pool various maintenance and service functions in specialised enterprises, owned directly by VAE group companies. Buildings, information systems, IT telecommunications equipment and maintenance were handed over to these enterprises together with some employees. The largest of these companies are NT Valdos, the shares of which are owned by LESTO and Lietuvos Energija, as well as Technology and Innovation Centre, the shares of which are divided among three major electricity enterprises. The management structure of the largest SOE energy companies is illustrated in the diagram (see p. NN).

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, approves pricing methodology and performs other related regulatory functions.

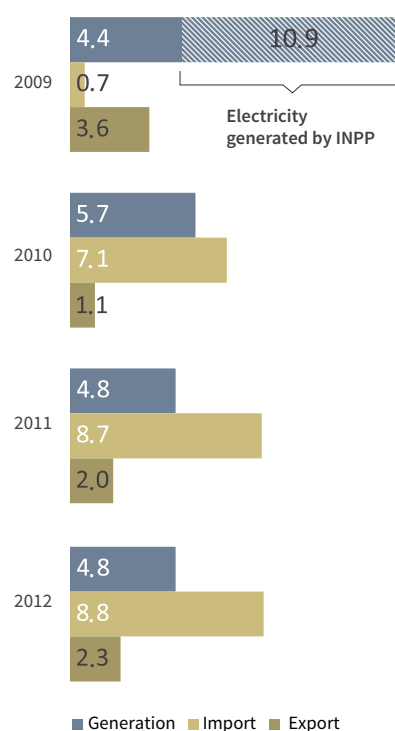
## Electricity Generation

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.

According to the NCCPE, the amount of 4.8 TWh was generated in Lithuania last year, which is almost as much as in 2011. Power plants operated by Lietuvos Energija generated 2.2 TWh, i.e. 45.9% of the entire amount of electricity generated in the country. Due to the need to ensure electricity supply and new combined cycle block tests, the Lithuanian Power Plant generated 29.5% more electricity than a year ago (1.42 TWh), and the volumes of generated electricity in Kaunas and Kruonis power plants shrank. Power plants (thermal) running on fossil fuel generated 62% and those running on renewable energy resources (sun, wind, biomass, biogas in power stations and hydropower plants) generated 28% of electricity. The remaining amount was generated in Kruonis Pumped Storage Power Plant.

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. In 2012, Lithuania imported almost the same amount of electricity as in 2011; however, that was almost 13 times more than in 2009. Currently electricity imports to Lithuania exceed electricity exports nearly four times, which is one of the highest indicators in the EU.

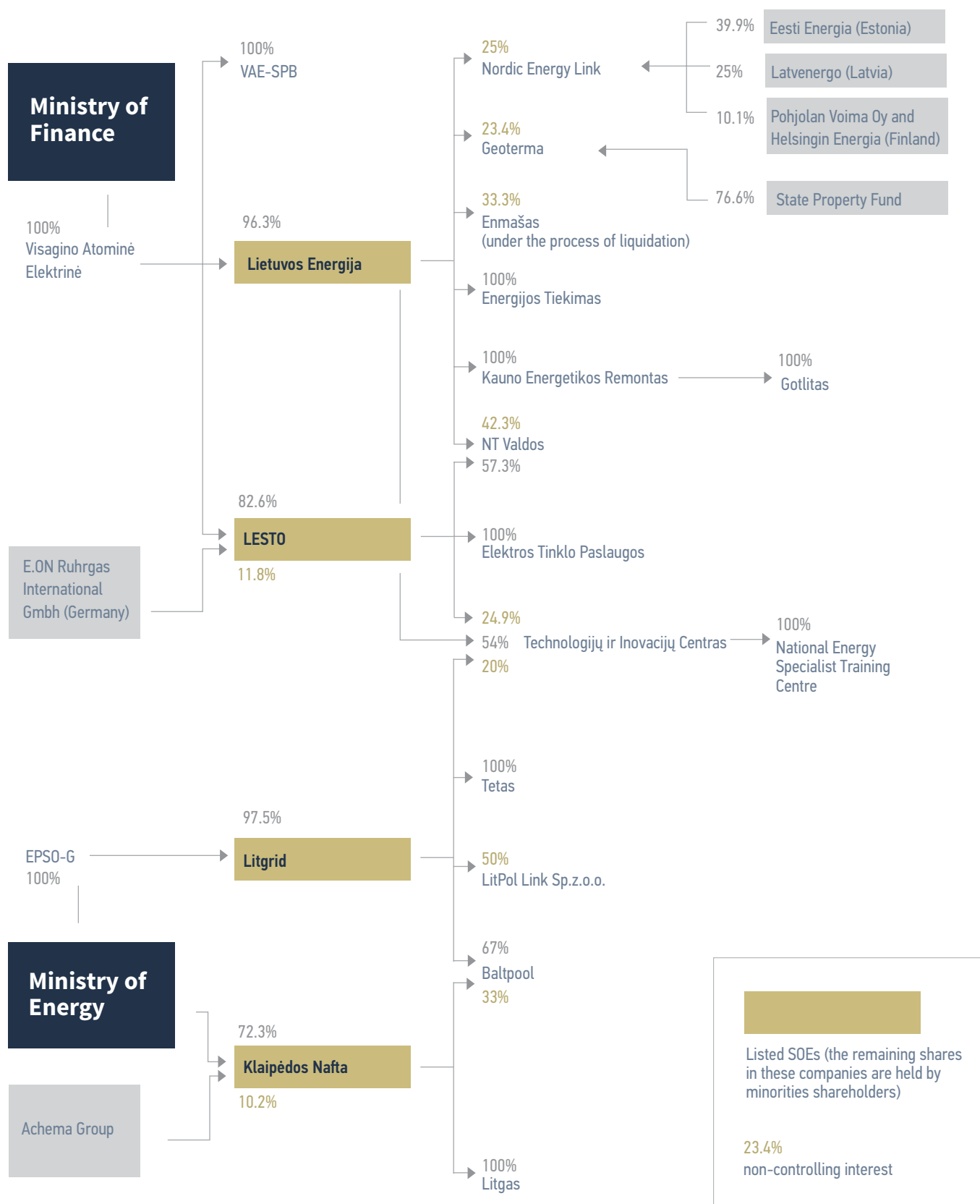
Electricity generation, export and import in Lithuania, TWh



Source: NCCPE

## SOEs of the energy sector, their subsidiaries and associated companies

» Energy



Based on the annual financial statements of enterprises.

## Transfer

Electricity transfer covers electricity transmission and distribution.

Electricity transfer means its transmission via high-voltage (330-110 kilovolts) networks from producers to customers or suppliers. The function of electricity transfer system operator in Lithuania is carried out by Litgrid, which controls electricity flows in Lithuania and maintains the stable operation of the national electricity grid. Litgrid provides electricity transmission, system balancing, public service obligations (PSO) administration and other services, organizes balancing-regulation of electricity reserve power trading.

Electricity distribution means its transmission to customers via low- and medium-voltage networks. LESTO is the operator of electricity distribution networks in Lithuania. The company started operating at the beginning of 2011 after the merger of distribution companies VST and Rytų Skirstomieji Tinklai. LESTO provides transmission services, carries out connection of new customers' electronic devices, control, maintenance and expansion of electricity distribution networks. Electricity is supplied to over 1.5 million private and almost 65,000 business customers via the company-owned networks.

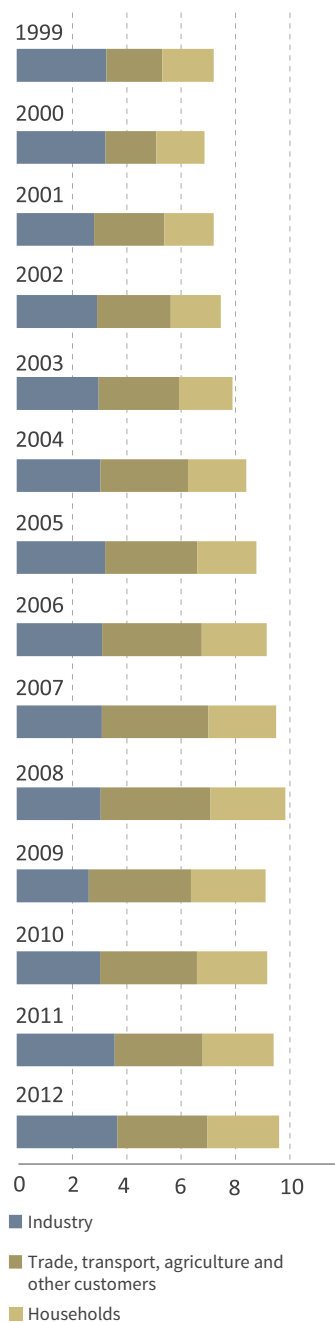
The pricing of electricity transfer carried out by both LESTO and Litgrid is regulated. Price caps of such services are set by the NCCPE. Electricity transmission and distribution network operators are not allowed to earn more than a rate set by the NCCPE in profit from the value of assets used for licensed 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 charge.

## Supply

Electricity suppliers refer to legal entities which purchase electricity on the wholesale electricity market and sell it to customers. Electricity suppliers are divided into public and independent ones. The public supplier must sell electricity to all customers which did not choose an independent supplier or lost it. Any entity, having gained a relevant license, may become an independent supplier and sell electricity to eligible customers (who are entitled to choose an independent supplier). Since 2012, this option has been available to customers with the permissible power limit above 30 kW and it will be available to all customers since 2013. The independent supplier may sell electricity at a contractual price, while the price of electricity sold by the public supplier is regulated and approved by the NCCPE. LESTO carries out the function of the public supplier in Lithuania.

The Lithuanian electricity exchange where wholesale electricity trading takes place started operating at the beginning of 2010 and it was administrated by Litgrid subsidiary Baltpool. In the middle of June 2012, the exchange was taken over by Nord Pool Spot, the company owned by the Nordic transmission system operators. Its system involves about 370 participants from 20 countries. In 2012, Litgrid purchased 2% of shares in this company.

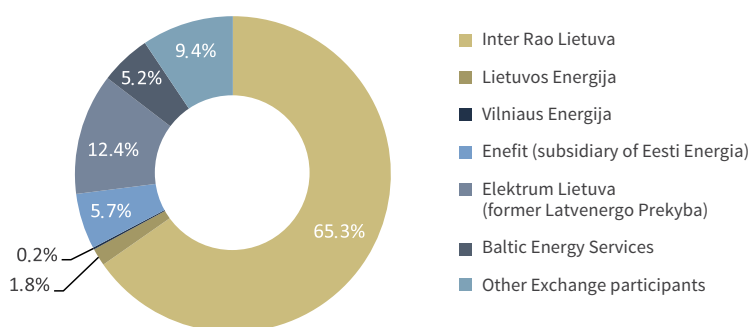
## Electricity consumption 1999-2012, TWh



Sources: NCCPE and Litgrid

In 2012, trading on the Lithuanian electricity exchange amounted to 7.4 TWh of electricity, which is 7% less than in 2011. Its average price stood at 15.42 ct/kWh, which is 1.3% less than in 2011. Compared to the last quarter of 2011, the number of active exchange participants did not change and stood at 25. The electricity sale market was dominated by the single company Inter Rao Lietuva, which sold as much as 65.3% of the total electricity involved in trading (in 2011 it was 44%). The market share of Lietuvos Energija shrank the most and went down from 17.4% to 1.8%.

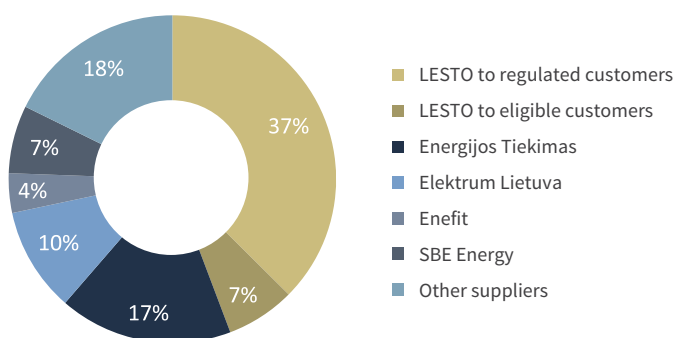
## Electricity market structure of sales on the exchange in 2012, %



Source: NCCPE

In 2012, independent suppliers supplied 3,593 GWh of electricity to electricity consumers in the electricity retail market, which is 2.4% less than a year ago. The public supplier LESTO supplied 3,046 GWh of electricity to regulated electricity consumers (11.8% less), and a total amount of 554 GWh of electricity (22.7% less) was supplied to eligible consumers. A market share held by LESTO shrank by almost 9 percentage points down to 44%. Energijos Tiekimas, the subsidiary of Lietuvos Energija, holds the major market share as an independent supplier (17%).

## Retail electricity market structure in 2012, %



Source: NCCPE

## Electricity Consumption

In 2012, 11.33 TWh of electricity was consumed in Lithuania and net consumption (without network losses, own needs and balancing energy) stood at 9.66 TWh. Compared to 2011, consumption increased by 2.1%. Electricity consumed for industrial purposes rose by 2.7%, household consumption of electricity went up by 0.9%, and commerce, transport, agriculture sectors and other customers consumed 2.5% more electricity than in 2011. Compared to 1999, household consumption of electricity in 2012 went up by nearly 40% and the total growth of consumption reached 33% – about 2% per year on an average.

## Electricity Price

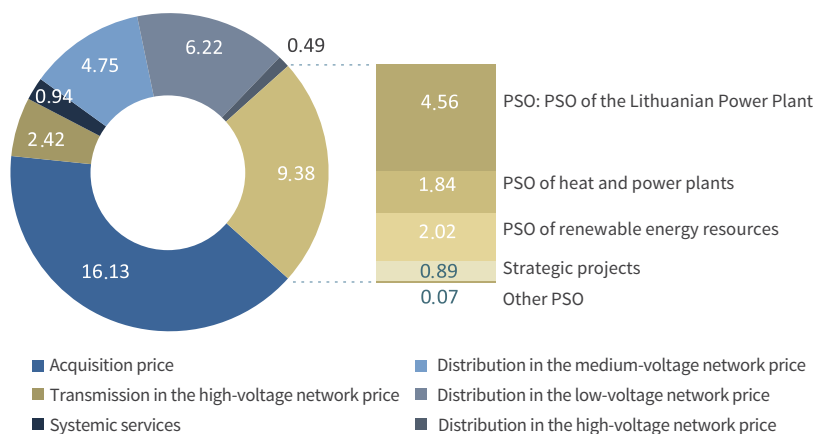
The electricity price for customers consists of several components: electricity purchasing, transmission, distribution, supply prices and the price of systemic services and PSO. The prices of electricity transmission, distribution and public supply are regulated by the NCCPE.

The average electricity price in Lithuania stands at 40.32 ct/kWh without VAT in 2013. Compared to 2011, this price increased by 7.1%, or LTL 0.027. The electricity acquisition price accounts for 40% of the price which grew by 1.2% during the year – up to 16.13 ct/kWh. Prices of electricity distribution in the medium- and low-voltage networks slightly decreased and stood at 4.75 and 6.22 ct/kWh, respectively, and prices of electricity transmission in the high-voltage networks went up by LTL 0.01 – up to 2.42 ct/kWh. The price of systemic services rose from 0.62 to 0.94 ct/kWh during the year.

The increase in the electricity price was mostly caused by the PSO price growth by one third from 7.04 to 9.38 ct/kWh. This price consists of several components. 4.56 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 thermal power plants generation and generation of plants running on renewable energy sources (RES) equals to 1.84 and 2.02 ct/kWh, respectively. Funds for the implementation of strategic projects make up 0.89 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. The PSO price represents nearly 23% of the whole electricity price.

Compared to 2012, the steepest PSO increase occurred for RES power plants – from 1.12 ct/kWh to 2.02 ct/kWh. PSO of thermal power plants and the Lithuanian Power Plant rose by LTL 0.07. PSO for strategic projects went up from 0.83 ct/kWh to 0.89 ct/kWh. The main causes of the PSO prices increase were a steep rise of thermal power plants electricity generation costs, which was a result of higher natural gas prices, and growing volumes of electricity generated from renewable resources.

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



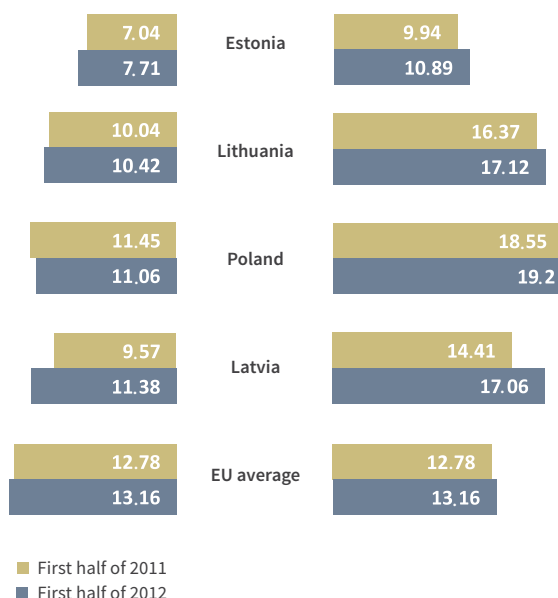
Source: NCCPE

## 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, and in the second half of 2012 it was lower than in Latvia and Poland. However, taking into account the purchasing power (eliminating the differences in price levels in member states), Lithuanians paid 30% more for electricity in the second half of 2012 than an average EU citizen and the price of electricity was higher than in other Baltic States.

Electricity price for households  
(net of VAT, EUR/100 kWh)

Electricity price for households  
adjusted by the purchasing power  
(net of VAT, EUR/100 kWh)



Source: Eurostat

## 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 2012, Lietuvos Dujos was the only company in Lithuania to carry out natural gas transmission activities and distributed 97% of the total amount of gas consumed.

The new edition of the Natural Gas Law came into force in August 2011, which includes a provision to comply with the requirements of the EU Third Energy Package and unbundle 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. In 2012, Lietuvos Dujos provided the NCCPE with the plans for unbundling its activities and control and developed the investment project with the value of nearly LTL 8.5 million designed to unbundle the transmission system operator and establish a new company.

On 1 March 2012 the first natural gas exchange was launched in Lithuania, with the Litgrid subsidiary Baltpool as its operator. At the beginning of 2012, four exchange participants were registered on the exchange: Klaipėdos Nafta, Lietuvos Energija, Im-litex and Mars Lietuva. However, the trade on the natural gas exchange is not yet very active and is only local – there are no international participants on the exchange.

The competition in the natural gas sector is intended to be promoted upon implementation of the LNG Terminal project. The completion of the Terminal construction is planned by the end of 2014, and the SOE Klaipėdos Nafta is responsible for the project implementation.

After this restructuring, customers will be able to choose alternative gas suppliers, while the competitive environment will yield more favourable gas prices for customers.



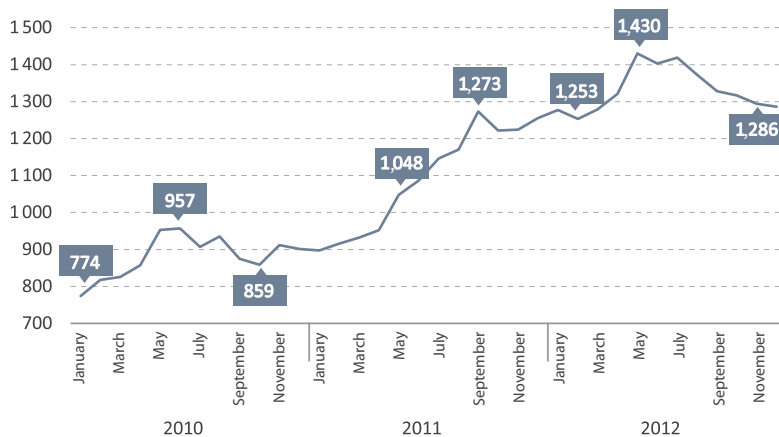
## Natural Gas Consumption Trends

In 2012, Lithuania imported 3,321 million cubic metres of natural gas, which is 2.5% less than in 2011. Five companies were operating on the natural gas import market (Lietuvos Dujos, Achema, Kaunas Thermal Power Plant, Haupas and Dujotekana), but all gas was imported from the single supplier Gazprom. The largest consumer of gas is Achema, which manufactures nitrogen fertilisers and other industrial chemicals. The amount of gas imported increased by 11.9% up to 1,448 million cubic metres of gas. Lietuvos Dujos natural gas imports fell by almost 14% for the second consecutive year (1,165 million cubic metres). Based on the NCCPE data, expenses for imported gas in Lithuania, excluding importing costs of Achema, went up by 7.5% from LTL 2,284 million to LTL 2,456 million.

The number of households that natural gas is supplied to rose by 0.4% up to 553,000 in 2012, but they consumed 6.6% less natural gas (169.5 million m<sup>3</sup>). The number of non-household consumers increased by 4.1% and stood at 6,300. These consumers consume nearly 95% of gas imported to Lithuania. Companies generating electricity and heat consume 35% of all gas consumed in the country.

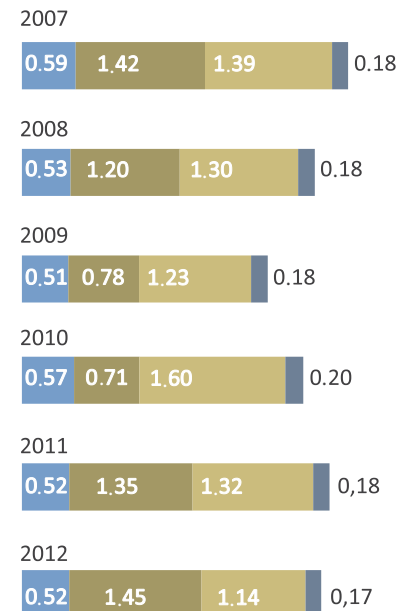
Due to the growth of alternative fuel prices in the global market and changes in the Euro and US Dollar exchange rate, the average price of imported natural gas in Lithuania was 21.3% higher in 2012 than in 2011 and stood at 1,312 LTL/1,000 cubic metres of gas. The peak of the imported gas price was reached in May, when it rose by 8.3% up to LTL 1,430.

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



Source: NCCPE

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



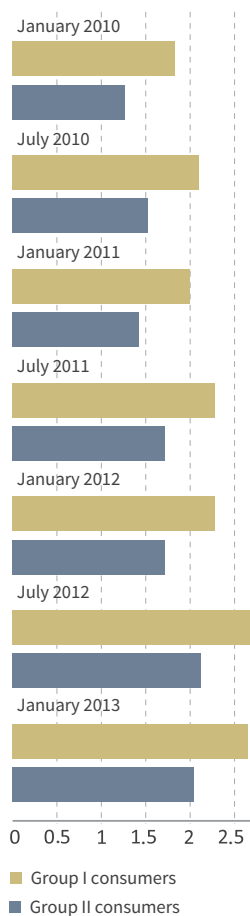
Other  
Achema  
Electricity and heat producers  
Households

Source: NCCPE

## Natural Gas Price for Households

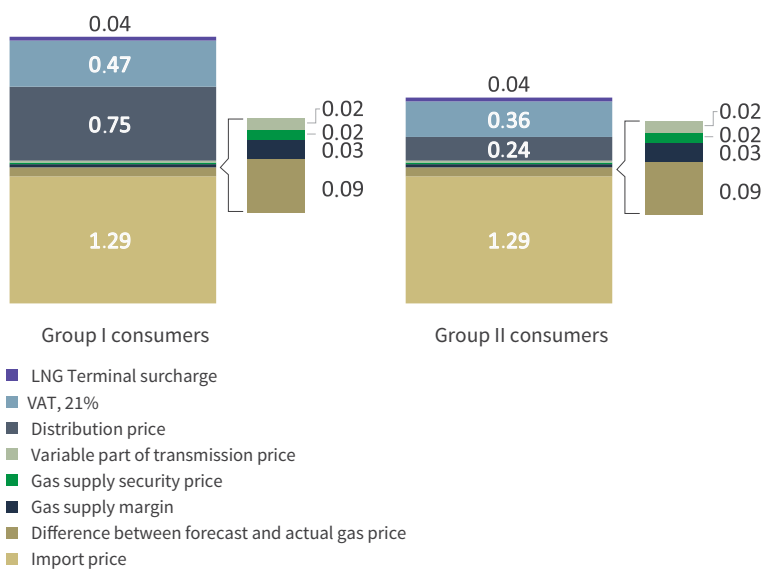
The natural gas price paid by households to Lietuvos Dujos is made up of two components: a fixed monthly charge paid for the support of the gas system, ensured capacity and maintenance services as well as the variable portion which depends on the amount of gas consumed. The monthly tariff for group I customers that consume up to 500 cubic meters 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 1.81.

### Changes in natural gas tariffs 2010-2013 (LTL/m<sup>3</sup>)



Source: Lietuvos Dujos

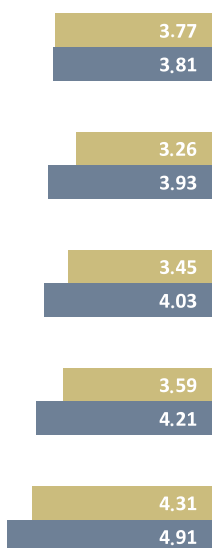
### Structure of natural gas prices (LTL/m<sup>3</sup>, first half of 2012)



Source: NCCPE

Because of the lower distribution costs per one cubic metre of gas, group II consumers pay a smaller variable part of the natural gas price. Since the beginning of 2013, the tariff has been 2.09 LTL/m<sup>3</sup>, while group I customers have been charged 2.71 LTL/m<sup>3</sup>. The import price of gas accounts for the largest portion of the tariff. Since 2013, the variable portion of the natural gas price has been increased by an extra charge of LTL 0.038. The funds collected will be allocated for installation of the infrastructure of LNG Terminal.

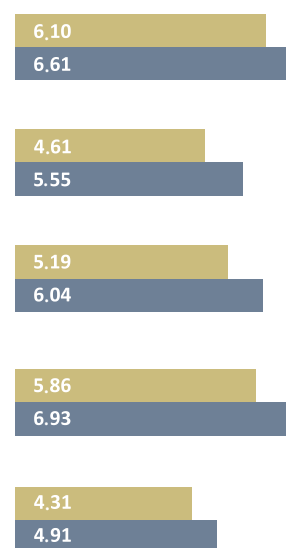
### Natural gas price for households (net of tax, EUR/100 kWh)



■ First half of 2011  
■ First half of 2012

Source: Eurostat

### Natural gas price for households adjusted by the purchasing power (net of tax, EUR/100 kWh)



In the second half of the year, natural gas tariffs were increased for consumers of group I and II for the third consecutive year and have grown by 19.7% and 24%, respectively, since July 2012. Since 2013, the tariffs have slightly decreased despite the extra charge for construction of LNG Terminal. Throughout the entire period since 2010, the natural gas tariffs for consumers of group I and II rose by 44.9% and 62%, respectively, or by 13.2% and 17.4% each year on an average.

According to Eurostat, the average price of natural gas for households in the EU member states stood at EUR 4.91 in the first half of 2012, while in Lithuania it stood at 4.21 EUR/100 kWh. However, taking into consideration the purchasing price (eliminating the differences in price levels in member states), Lithuanians pay more for natural gas than an average EU citizen based on this indicator, Lithuania pays the sixth highest price for gas among the EU member states. Besides, after the rise of gas tariffs in 2012, Lithuanians pay the highest price for gas among the Baltic States and neighbouring countries.

# Forestry

Forests cover about a third of the Lithuanian territory. The government controls almost half a million of them – around 1 million hectares. Forestry and wood industry generates about 4% of all added value generated in Lithuania.

The forestry sector consists of 43 SOEs: 42 forest enterprises that manage and use entrusted state owned forests and carry out comprehensive forestry activities there, and the Lithuanian Forestry Inventory and Management Institute that carries out forest management activities and prepares and implements land management projects for a land reform. Forest enterprises manage more than 99% of total assets, receive almost 99% of total revenue, and employ almost 97% of employees of the sector. The sole owner of all enterprises in the forestry sector is the State.

Enterprise	Field of activity	Turnover in 2012, LTL '000	Assets at the end of 2012, LTL '000	Number of employees at the end of 2012
10 largest forest enterprises by sales revenue:				
Panevėžys Forest Enterprise	Comprehensive forestry activities	20,294	22,726	,132
Ukmergė Forest Enterprise		18,029	20,428	,148
Tauragė Forest Enterprise		17,779	22,592	151
Kretinga Forest Enterprise		16,788	25,319	147
Trakai Forest Enterprise		16,470	17,350	98
Švenčionėliai Forest Enterprise		16,061	16,827	121
Jurbarkas Forest Enterprise		15,860	23,067	104
Vilnius Forest Enterprise		15,185	18,775	87
Telšiai Forest Enterprise		14,785	15,638	119
Mažeikiai Forest Enterprise		14,670	11,441	93
Other enterprises in the forestry sector:				
State Forest Inventory and Management Institute	Forest management projects	7,716	4,009	122

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





## Financial Results

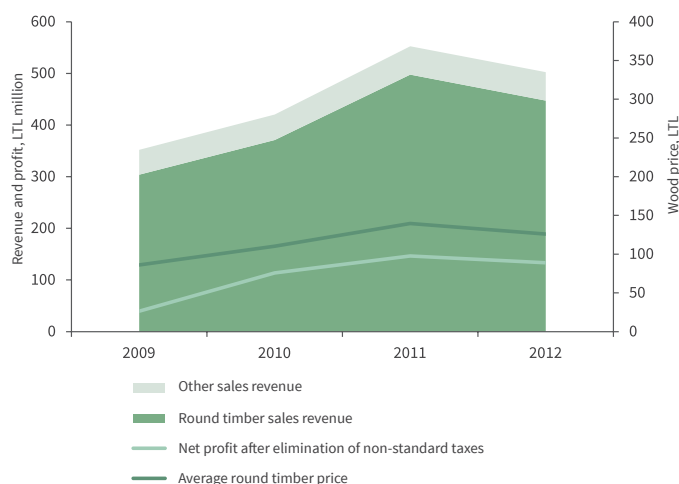
In 2010 and 2011 the sales revenue of SOEs in the forestry sector has been growing quickly (average yearly growth was 25.4%), but in 2012 it has dropped by 9.1% to LTL 502.4 million. Around 85-90% of all the revenue in forestry comes from sales of round timber. The volume of timber sold varies only insignificantly. 3.5 million cubic meters of round timber were sold in 2012, and that is only 0.6% less than in the previous year. So it is clear that both the growth of the previous years and the drop afterwards comes mostly from the changes in round timber price – the average price of assortment grew by 28.1% and 26.6% in 2010 and 2011 respectively, and it dropped by 9.7% to LTL 126 for a cubic meter in 2012.

Only 11% of revenue came from other sales in 2012. It stayed almost the same as in 2011 and amounted to LTL 55 million. The revenue from transportation services, which makes the majority of the sector's revenue from other sales, went down by 7.6% to LTL 23.4 million.

The overall prime costs of sales in forestry enterprises stayed almost the same as in previous year (it decreased by 0.3%) and stood at LTL 213.1 million. The prime costs for round timber, which makes the majority of these overall prime costs of sales, decreased by 1.8% to LTL 167.8 million. Recalculated for a cubic meter of wood sold, it decreased by 1.2% to LTL 47.3 per cubic meter. The prime costs of transportation (loading) services rose by 0.6% to LTL 23.6 million, the prime costs of seed and sapling sold amounted to LTL 9.6 million.

Excluding 29.9 million LTL losses due to bankruptcy of the bank Snoras that were included in operating costs in 2011, operating costs have decreased by 3.2% to LTL 265.4 million. Eliminating the losses due to bankruptcy of the bank Snoras, the overall and administrative costs in forestry enterprises stayed almost the same as in 2011 and amounted to around LTL 35 million. Because lower volume of wood was sold in 2012, the forestry enterprises had LTL 8.1 million lower operating costs. The costs for reforestation and increasing wood resources decreased only a little (by 1.3%) to LTL 116.9 million.

The aforementioned adverse trend in wood prices determined lower profitability in forestry sector in 2012. Even though the net accounting profit decreased only slightly – by 5.9% to LTL 27 million, the profit after eliminating non-standard taxes (raw material tax and property tax) paid to the state was 9% lower than in the previous year (LTL 88.8 million). However, the real drop in profits is „covered“ by the losses that were incurred in 2011 due to bankruptcy of the bank Snoras. After eliminating these losses we would see that the net profit (without excluding non-standard taxes) plummeted by 30.3% a year, and the margin of net profit dropped from 23.1% to 17.7%



The book value of assets in forestry sector at the end of 2012 stood at LTL 3,541.1 million and was 7.1% lower than in the previous year. In order to show more objectively the asset base of the enterprises that generate revenue in the sector, the book values of the forestry enterprises assets referenced in this report are increased by the value of commercial forests as estimated by discounted cash flow method. Based on the re-evaluation of the forest value for 31 December 2012 by the Governance Coordination Centre, the value of biological assets was reduced by 8.7% from LTL 3,253 million in 2011 to LTL 2,971 million in 2012. The main cause for forest value decline was the drop in price for round timber in 2012. That effect was partly compensated for by the lower discount rate due to lower interest rates.

The value of other assets of the enterprises in the sector changed only a little (decreased by 1.7%) and at the end of 2012 amounted to LTL 570.2 million. Capital investment increased the book value of material assets by 6% to LTL 322.1 million. According to the data from the Directorate General of State Forests, capital investment amounted to LTL 60.7 million in 2012 and was 13.5% lower than in the previous year. The value of transport vehicles has increased the most – it rose by 16% to LTL 46.1 million. In addition to that, the forestry enterprises increased their financial assets by almost LTL 4 million to LTL 11.8 million. Dubrava Experimental-Training Forest Enterprise added to this the most by buying government bonds for LTL 2 million. Because of investments carried out by own funds, the value of cash and cash equivalents in the sector dropped by 22.5% to LTL 72 million.

The book value of equity of the enterprises in the sector dropped by 7.4% to LTL 3,460.4 million, mainly due to lower value of the forests. The amount of subsidies and grants grew by 21.3% to LTL 33.6 million. It should be noted that there is a trend of reducing financial liabilities – in 2012 they dropped from LTL 3.1 million to LTL 0.9 million. The structure of capital in forestry enterprises can be described as conservative. Even excluding the value of the forests, the debt ratio in forestry sector in 2012 was only 0.2%. As forestry enterprises are not using borrowed capital, they are financially secure and even big changes in timber prices and profitability do not threaten the continuation of their operations. Additionally, the enterprises find their own funding resources and alternative funding resources (EU programmes) sufficient for current investments. However, the possibility to borrow more in the future should be considered, especially if the level of investments were to be increased. The enterprises have significant reserves to change the structure of capital, so if a part of the investments were financed by creditors, it would be possible to increase (or prevent from decreasing) their contributions to the state budget.



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>552,486</b>	<b>502,410</b>
Cost of goods sold	213,697	213,086
<b>Gross profit (loss)</b>	<b>338,789</b>	<b>289,323</b>
Operating expenses	274,332	265,433
Profit (loss) from other activities	2,167	5,978
<b>Operating profit (loss)</b>	<b>66,624</b>	<b>29,868</b>
<i>Operating profit margin</i>	<i>12.1%</i>	<i>5.9%</i>
<b>EBITDA</b>	<b>100,182</b>	<b>70,429</b>
<i>EBITDA margin</i>	<i>18.1%</i>	<i>14.0%</i>
Financial and investment activities	-27,166	2,089
<b>Profit (loss) before taxes</b>	<b>39,458</b>	<b>31,957</b>
Profit tax	10,800	4,982
<b>Net profit</b>	<b>28,658</b>	<b>26,975</b>
<b>Net profit excluding non-standard taxes</b>	<b>97,565</b>	<b>88,825</b>
<b>Net profit excluding non-standard taxes and effect of Snoras and Ūkio Bankas bankruptcy</b>	<b>127,465</b>	<b>88,825</b>
<i>Net profit margin</i>	<i>23.1%</i>	<i>17.7%</i>

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Intangible assets	242	383
Tangible assets	303,762	322,082
Financial assets	8,061	11,785
Other non-current assets	4,662	5,654
Biological assets	3,253,000	2,971,000
<b>Non-current assets</b>	<b>3,569,727</b>	<b>3,310,905</b>
Inventories, prepayments and contracts in progress	86,719	91,923
Amounts receivable within one year	29,870	34,400
Other current assets	34,270	31,907
Cash and cash equivalents	92,892	72,014
<b>Current assets</b>	<b>243,751</b>	<b>230,245</b>
<b>TOTAL ASSETS</b>	<b>3,813,478</b>	<b>3,541,149</b>
<b>Total equity</b>	<b>3,737,525</b>	<b>3,460,416</b>
Minority shareholder equity	0	0
<b>Grants and subsidies</b>	<b>27,738</b>	<b>33,637</b>
Non-current liabilities	1,484	376
Current liabilities	46,731	46,720
<b>Liabilities</b>	<b>48,215</b>	<b>47,096</b>
Of which financial liabilities	3,060	863
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,813,478</b>	<b>3,541,149</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	3.4%	2.4%
ROE	3.5%	2.5%
D/E	0.1%	0.0%

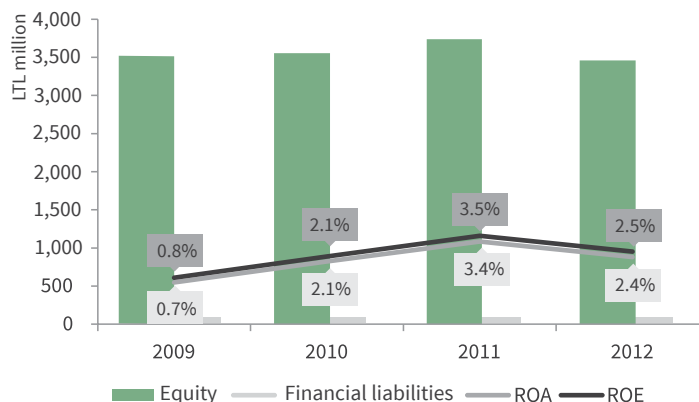
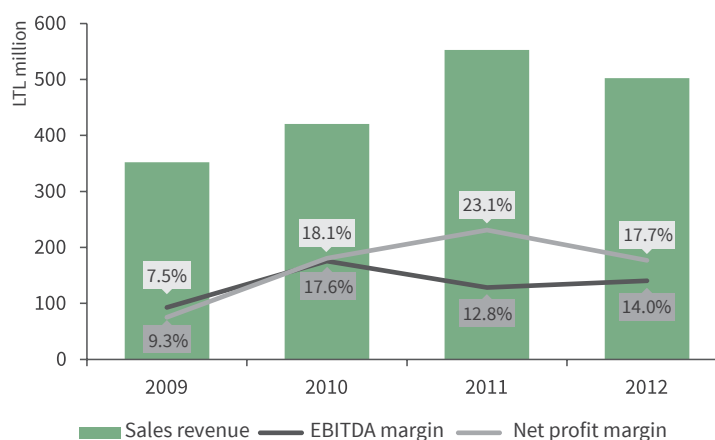
RETURN TO THE STATE (LTL '000, DATA UNTIL 1 JULY 2013)	2011	2012
<b>Assigned SE profit contributions</b>	<b>21,203</b>	<b>13,314</b>
Property tax	5,790	5,048
Raw material tax	75,276	67,717
<b>TOTAL CONTRIBUTIONS AND NON-STANDARD TAXES</b>	<b>102,269</b>	<b>86,079</b>

EMPLOYEE INFORMATION	2011	2012
Number of employees (at period end)	3,852	3,863
Number of executives (at period end)	124	88

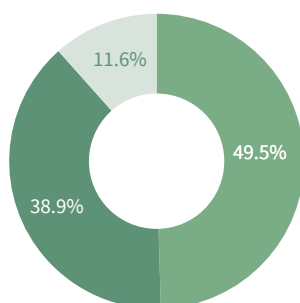
After a very profitable 2011, the financial indicators worsened a little in 2012. Return on equity (ROE) dropped from 3.5% to 2.5%, and return on assets (ROA) dropped from 3.4% to 2.4%. The return indicators in 2012 were possibly affected by the decrease in value of the forests. The losses due to bankruptcy of the bank Snoras were eliminated in calculating ROE and ROA for 2011.

The forestry enterprises paid LTL 86.1 million of non-standard taxes and profit contributions in 2012, which is 15.8% less than in 2011. The profit contribution to the state, which is calculated as 50% of the distributed profit, stood at LTL 13.3 million, and property and raw material taxes amounted to LTL 67.7 million. The raw material tax payment dropped by 10% due to lower turnover of round timber because of falling timber prices.

The total amount paid by forestry enterprises to the national budget, including raw material taxes, property taxes and standard taxes (such as corporate tax, excise and others) amounted to LTL 92.9 million – 19% less than in the previous year.



Breakdown of forest land by ownership as of 1 January 2012



- Forests of state importance
- Private forests
- Forests reserved for the restoration of ownership rights and other forests

Source: State Forest Service

## Area of Lithuanian Forests

According to the data from the State Forest Survey Service, forests in Lithuania cover 2 173 000 hectares of land and that amounts to 33.3% of the country's territory (according to 1 January 2012 data). 42 forestry enterprises and 1 national park administer 1 037 000 hectares of forest areas of state importance – that amounts to 49.5% of all forests in Lithuania. In addition to that the forestry enterprises also control forests that are intended for property restitution, and these make up 11.6% of all forests. Private forests amount to 38.9% of total forest areas.

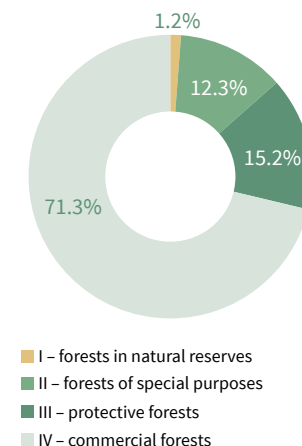
71.3% of all the forests of state importance are composed of commercial forests, assigned to group IV. Softwood forests account for 56.1% and hardwood forests ac-

count for 39.8% of the total forests area. In 2012, 7.2 million cubic meters of wood were harvested in Lithuanian forests and wood harvesting in state forests decreased by 3.9% to 3.8 million cubic meters. Forestry and wood industry (including production of furniture) generates around 4% of all the added value generated in Lithuania.

KEY FOREST INDICATORS AS OF 1 JANUARY	2008	2009	2010	2011	2012	2013
Forest land according to public records of forest, '000 ha	2,142.9	2,150.3	2,159.8	2,169.8	2,172.9	N/A
Forest coverage, %	32.8	32.9	33.1	33.2	33.3	N/A
Forest area per capita, ha	0.64	0.64	0.65	0.67	0.68	N/A
Total volume of timber with bark, million m <sup>3</sup>	421.6	426.9	479.4	489.8	501.3	510.2
Average volume of timber per ha, m <sup>3</sup>	207.0	209.0	234.0	236.9	240.4	243.9
Annual increment in stands volume per ha, m <sup>3</sup>	6.7	6.8	7.9	8.0	8.2	8.5

Sources: State Forest Service and Statistics Lithuania

Forest area by type as of 1 January 2012



Source: State Forest Service

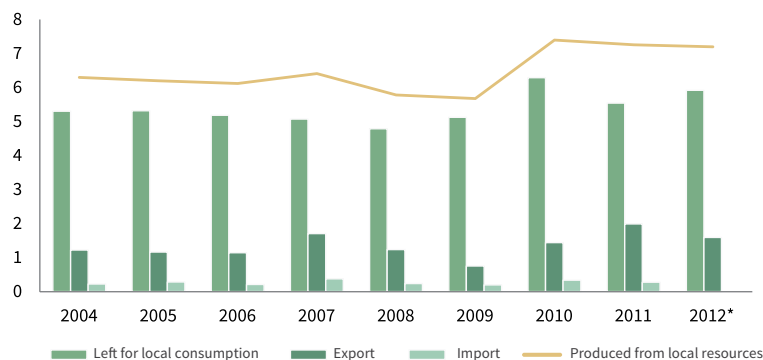
» Forestry

## Lithuanian Wood Industry

In 2012 local resources provided 7.2 million cubic meters of round timber (0.8% more than in the previous year), and additional 0.3 million cubic meters were imported (14% more). Out of that amount, 5.9 million cubic meters were used for local consumption (6.8% more than in 2011), and export dropped by 20% to 1.6 million cubic meters.

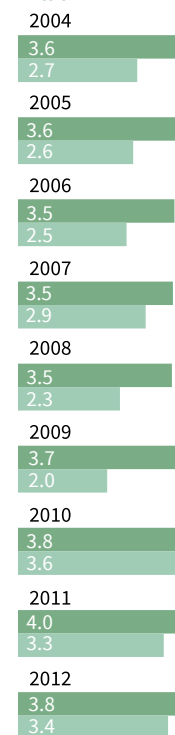
The main consumers of timber supplied by forestry enterprises are Lithuanian wood industry companies that are producing wood products, furniture and paper products. 2 028 wood sector enterprises were operating in Lithuania In the beginning of 2013 (2.6% more than in the previous year). Most of the enterprises (1 197) are carrying out activities related to wood products. The share of sales in the sector of wood products in 2012 increased from 9.2% to 9.6%. The sales revenues of the enterprises in the sector have grown by 9.5% to LTL 6,839 million in 2012. The revenue from sales of paper and paper products, and furniture has grown the most – by 6% to LTL 896 million and by 18% to LTL 3,503 million, respectively.

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



Source: State Forest Service  
\*Preliminary data

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



■ State forests  
■ Private forests  
Source: State Forest Service

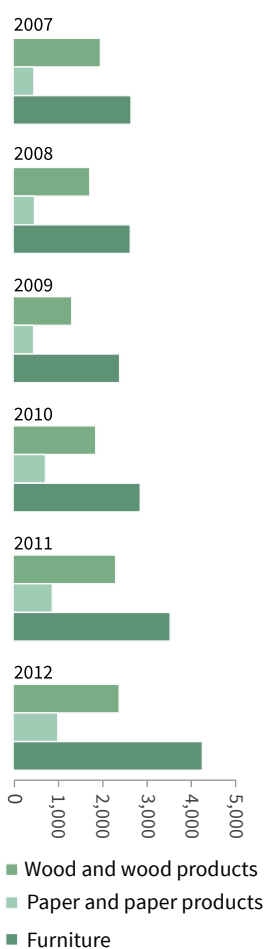
## Sales revenue from production of wood industry, LTL million

YEAR	TOTAL INDUSTRY	MANUFACTURE OF WOOD AND WOOD PRODUCTS	MANUFACTURE OF PAPER AND PAPER PRODUCTS	FURNITURE MANUFACTURE	TOTAL WOOD SECTOR
2000	23,735	1,009	271	557	1,837
2001	24,846	909	264	591	1,764
2002	25,853	1,327	333	809	2,469
2003	29,514	1,591	336	985	2,912
2004	34,463	1,733	334	1,317	3,384
2005	40,884	2,047	362	1,447	3,856
2006	46,442	2,222	492	1,887	4,601
2007	50,907	2,677	567	2,263	5,507
2008	62,859	2,474	577	2,573	5,624
2009	46,554	1,832	506	1,996	4,334
2010	54,907	2,092	739	2,192	5,023
2011	68,023	2,431	845	2,968	6,244
2012	71,088	2,440	896	3,503	6,839

Source: Statistics Lithuania

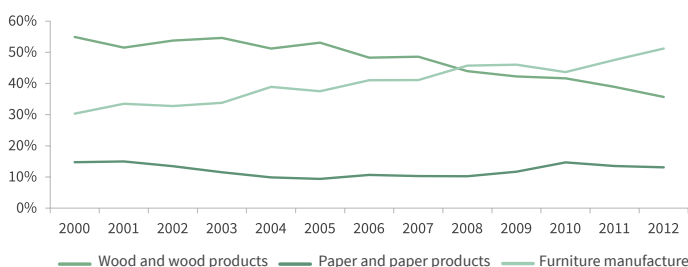
The structure of the wood sector has been changing noticeably in recent years. In 2000, more than half of all the production in the wood industry was carried out by producers of wood and wood products. In 2012, this segment amounted to only 39%, and the segment of furniture manufacturing rose from 30% in 2000 to 47% in 2012. It is likely that as the Lithuanian furniture manufacturers continue to strengthen their positions in international markets and continue to develop and strengthen their trademarks, the trend will continue to move from trade in raw wood to manufacturing furniture and producing other products of higher added value.

## Wood, paper and furniture export, LTL million



Source: State Forest Service

## Structure of wood sector, %



Source: Statistics Lithuania

As the global economic crisis abated, the export of raw wood and its products has been growing steadily since 2010. The growth of export of wood and wood products slowed down in 2012 and was only about 4%. However, the export of paper and paper products increased by 14%, and export of furniture jumped by as much as 20%. A positive sign is that in 2012 export of higher added value products – furniture – was relatively higher, and that of raw wood was relatively lower. In 2011, furniture accounted for 53% of all wood industry exports, and in 2012 that amount increased to 56%. In addition to that, the geography of export markets also expanded. In 2012, wood and wood products were exported to 115 countries, and in 2011 they were exported to 108 foreign countries.

Export to Russia more than doubled in 2012, overtaking Germany as the main market for Lithuanian wood export. Exports to Russia and Germany amounted to LTL 523.6 and 505.5 million, respectively. The next biggest export markets are Latvia, Poland and Denmark. The total value of Lithuanian exports of wood, paper and their products

Sweden remains the biggest buyer of Lithuanian furniture for the third year in a row. The value of furniture exported to Sweden in 2012 was LTL 628.6 million. Export to Germany was slightly lower – LTL 599.9 million. Export of furniture to Russia grew the most, by 49% to LTL 473 million. Total furniture export was LTL 4,275 million.

#### Wood, paper and furniture export by export market, LTL million

WOOD AND PAPER EXPORT, LTL MILLION				FURNITURE EXPORT, LTL MILLION			
Country	2011	2012	Change	Country	2011	2012	Change
Russia	339.1	523.7	54%	Sweden	518.5	628.6	21%
Germany	458.6	505.5	10%	Germany	482.3	599.9	24%
Latvia	235.6	287.1	22%	Russia	317.6	473.6	49%
Poland	297.3	216.1	-27%	Norway	336.1	417.4	24%
Denmark	224.7	210.5	-6%	Other countries	1,623.5	1,834.0	13%
Other countries	1,645.8	1,662.6	1%	<b>Total</b>	<b>3,549.5</b>	<b>4,275.9</b>	<b>20%</b>
<b>Total</b>	<b>3,201.1</b>	<b>3,405.5</b>	<b>6%</b>				

Source: Statistics Lithuania

The biggest exporter of wood products in 2012 was UAB Boen Lietuva, which increased its export by 24%. It should be noted that enterprises of Lithuanian capital are the most prominent among the biggest exporters.

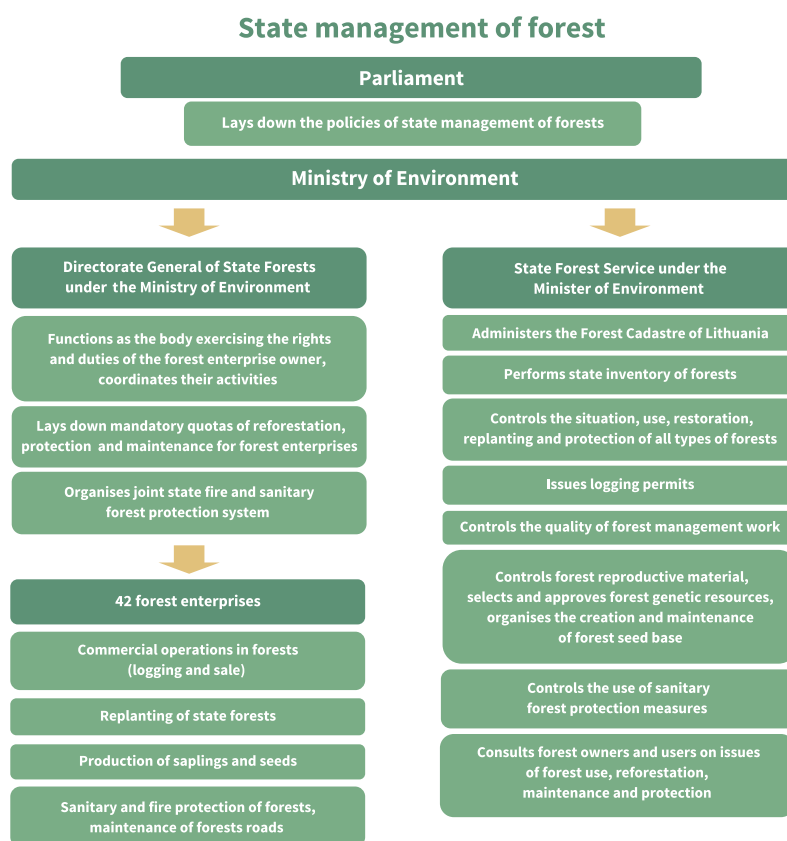
#### Largest exporters of wood products, LTL million

COMPANY	2009	2010	2011	2012
<b>Boen Lietuva</b>	139.0	176.4	218.5	270.8
<b>Vilniaus Baldai</b>	148.5	194.1	232.4	225.6
<b>Freda</b>	100.5	138.3	194.4	218.9
<b>Klaipėdos Mediena</b>	137.9	162.2	175.8	218.7
<b>Klaipėdos Kartonas</b>	42.4	73.6	94.0	101.4
<b>Šilutės Baldai</b>	67.0	79.5	87.5	98.8
<b>Sakuona</b>	45.6	67.2	76.3	78.9
<b>Grigiškės</b>	59.1	75.8	100.7	46.6
<b>Swedspan Girių Bizonas</b>	92.5	29.1	23.3	28.0

Source: Association Lietuvos Mediena

## Management Structure of the Forestry Sector

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.



## Forestry Enterprises' Contribution to State Budget

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.

As the forestry enterprises control assets that belong to the state and are entrusted to the enterprises, according to the Law on the Usage of Entrusted State Assets, they have to pay a tax on the assets that amounts to 2% of the capital of the enterprise owner. The capital of the owner of forestry enterprises at the end of 2012 was LTL 250.4 million.

With a Government resolution of 12 December 2012, financial goals for 2013-2015 were set to all the SOEs that are involved in commercial activities (enterprises in groups 1A and 1B): an average return on equity (at least 5% for all SOEs) or an indicator of average net yearly profit. In the resolution, the forestry enterprises were ordered to ensure that the average yearly profit for all forestry enterprises after eliminating non-standard taxes shall be no less than LTL 97 million. Should this indicator be achieved, the return on equity for forestry enterprises (estimated on the equity at the end of 2012 and including the value of the forests) would be about 2.8%.



## 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. First sales on AMEPS were carried out in March 2012. During that long-term and half a year short-term auction, 520 buyers bought wood for almost LTL 170 million. Auctions like that are organized every half a year. The development of the program cost around LTL 200,000 in 2012. In 2013, about LTL 300,000 are set to be used for further development of AMEPS program and its administration.

2.4 million cubic meters of wood were sold on AMEPS system in 2012 and, which is 67% of all the wood harvested in a year. 705 wood buyers were using the system at the end of 2012. In an auction at the end of 2012, 1.1 million cubic meters of wood were sold, and that amounts to about 90% of all wood that was offered. In 2013, it is aimed that no less than 2 million cubic meters, or half of all the wood sold by the forestry enterprises would be sold on AMEPS.

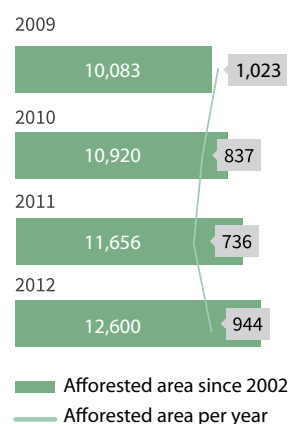
Some participants in Lithuanian wood market expressed concerns that as middle men who are exporting wood to foreign countries are winning the auctions the local producers are hurt, as their needs are not fully satisfied. Thus taking into account the suggestion by the Association of wood processors, the Directorate General of State Forests prepared a project of rules for sales of wood according to which only those buyers who can declare production capabilities in Lithuania will be able to get long-term contracts. Additionally, it will be proposed to increase the amount of long-term contracts to 70% of timber harvested in a year. Hopefully, that would ensure better opportunities for local wood processors. The processors claim that neighbouring countries (Latvia, Poland) are also safeguarding the interests of local companies.

## Increasing of Forest Coverage and the Supply of Biofuel

In order to systematically and rationally increase the forest coverage in Lithuania, the Lithuanian Forest Coverage Enhancement Programme for 2004–2020 was prepared at the end of 2002. It stipulates that forest coverage of Lithuania should be increased by 3% between 2002 and 2021. It sets down that the forest area in Lithuania should increase by 11,000 hectares annually by replanting or naturally. Of that number, 6 000–7 000 hectares should be planted every year. In 2002–2012, forest enterprises planted 12 600 hectares of new forests (including 994 hectares in 2012). 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.

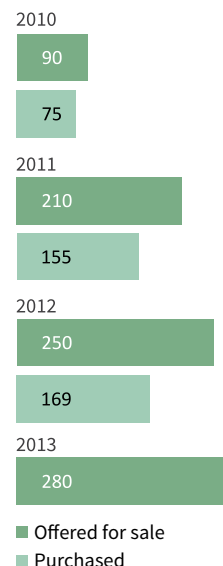
The increase of production of raw materials for biofuel is one of the priorities of the Directorate General of State Forests for 2013–2014. In 2012, a strategic plan was prepared for 2012–2015, for acquisition of equipment for processing logging waste, an arrangement was prepared on how to sell to the public the logging waste at logging sites, small trees from developed young forests and from clearing areas near roads and canals. There were 11 requests submitted for funding under the Climate Change Programme. In 2013, forestry enterprises offered 280 000 cubic meters of logging waste for sale under long-term agreements.

### Afforestation by forest enterprises in 2009–2012, ha



Source: Directorate General of State Forests

### Supply and sale of biofuel by forest enterprises in 2010–2013, '000 m³



Source: Directorate General State Forests

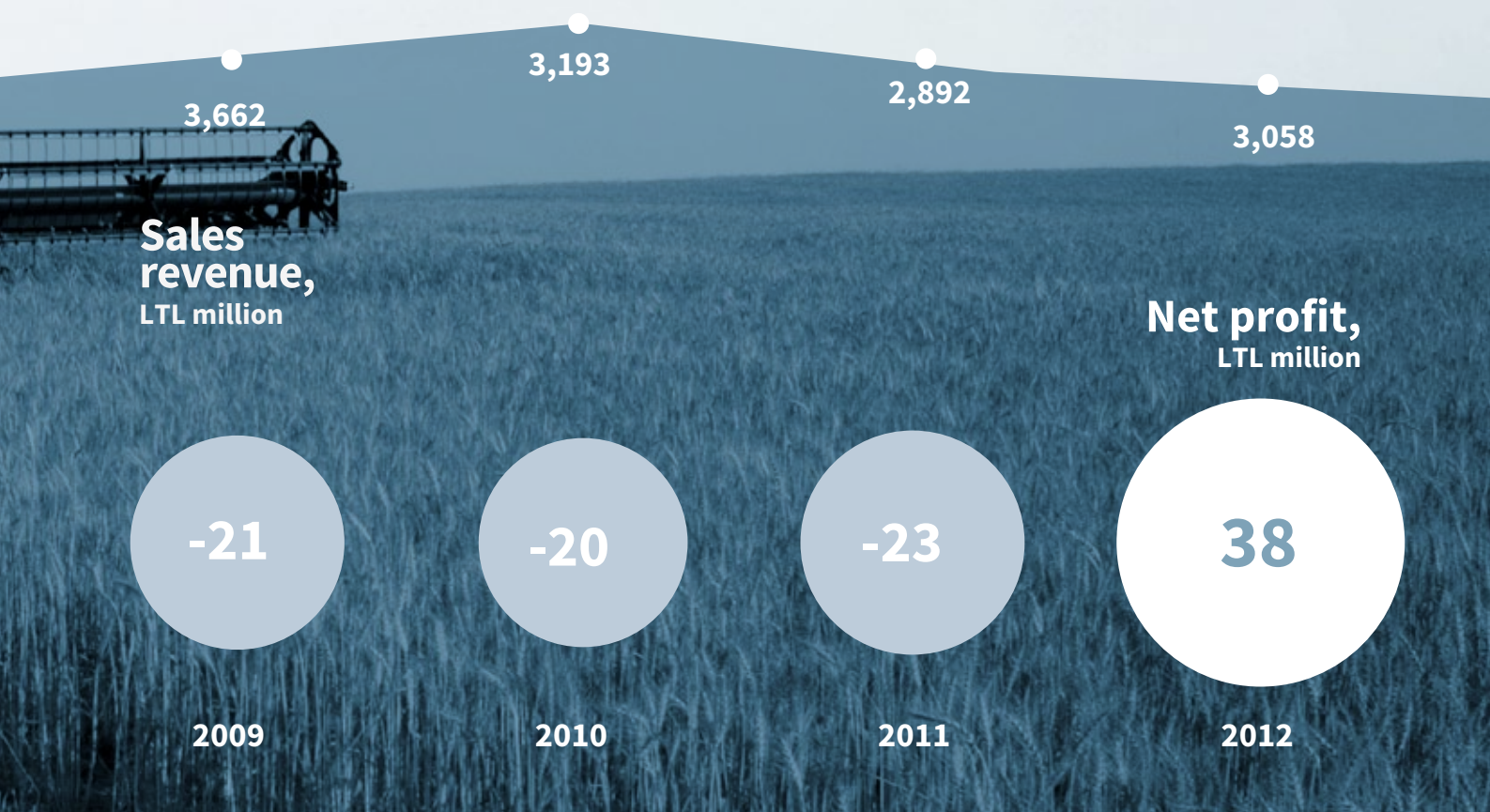


# Other Enterprises

SOEs not attributed to the sectors discussed separately, are engaged in various activities from insurance services to agriculture. The SOE portfolio includes as many as 59 such enterprises, but the total amount of revenue comprises only 9.5% of the total revenue of the SOE portfolio, and the asset represents 7.9% of the total value of the SOE assets.

SOEs discussed in this chapter 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 – Lithuania Oil Product Agency, Detonas, Lithuanian Radio and Television Centre, Jonavos Grūdai and Giraitės Ginkluotės Gamykla – are considered to be strategically important enterprises or organisations important for ensuring national security. Ten major companies attributed to the sector are listed in the table below.

Enterprise	Field of activity	Turnover in 2012, LTL '000	Assets at the end of 2012, LTL '000	Number of employees at the end of 2012	State's interest, %
Centre of Registers	Administration of Real Estate Register, Register of Legal Entities and other registers	92,967	70,321	1,561	100%
Lithuanian Oil Product Agency	Storage of oil products	79,215	396,139	10	100%
Regitra	Administration of the Road Vehicle Register and Register of Drivers	77,568	58,209	504	100%
Lithuanian Radio and Television Centre	Broadcast of radio and television programmes	74,228	136,408	377	100%
Infostruktūra	Provision of secure state data transmission network services and Internet services	30,762	22,929	56	100%
Giraitės Ginkluotės Gamykla	Manufacture of small arms ammunition	20,454	64,021	65	100%
Lithuanian Mint	Minting of circulation and collectors coins	10,977	21,138	47	100%
Mortgage Loan Insurance	Insurance of mortgage loans and credits for the modernisation of multi-apartment buildings	7,104	92,431	35	100%
Turto Bankas	Insurance of mortgage loans and credits for the modernisation of multi-apartment buildings	5,611	307,128	67	100%
Toksika	Hazardous waste management	4,105	96,139	48	92.5%



A total of 63 SOEs are attributed to the sector of other enterprises. The number of SOEs included in the sector of other enterprises decreased during 2012 as three SOEs were privatised: Palangos Žvorūnė, Vilniaus Veterinarijos Klinikinė Ligoninė and Kauno Naujamiesčio Darbo Rinkos Mokymo Centras. Moreover, at the beginning of 2012, the operating enterprises Marijampolės Regiono Veislininkystė and Šiaulių Regiono Veislininkystė were merged into a single public company Lietuvos Veislininkystė. Nemuno Žirgynas, Vilniaus Žirgynas and Sartų Žirgynas were merged into a single company Lietuvos Žirgynas on 5 June 2012. Due to the lack of comparative data, the results of these newly established companies are not included in the overview of financial results. The financial information concerning Universiteto Vaistinė, which underwent a restructuring at the end of 2011, and Lietuvos Tyrimų Centras (Lithuanian Research Centre, established in 2010) are also excluded due to the lack of data.

Twelve of the enterprises attributed to this sector are public companies, 27 of them are private limited liability companies and the remaining 24 are state-owned companies. In 2012, the largest enterprise in this sector by assets was the Lithuanian Oil Product Company, which owned assets worth over LTL 396 million, whereas was the largest enterprise by turnover and the number of employees was the Centre of Registers, which provided services accounting for LTL 93 million in 2012.

## Financial Results

In 2012, revenue of the other enterprises sector went up by 0.7% and comprised LTL 648.1 million. The largest revenue was generated by the Centre of Registers – LTL 93 million, which is 5.6% more than a year ago. The Lithuanian Oil Product Agency, which sold excess state stocks of fuel oil in 2012, earned LTL 28.8 million more and the total generated revenue accounted for LTL 79.2 million. Revenue generated by Regitra and the Lithuanian Radio and Television Centre changed insignificantly and comprised LTL 77.6 million and 74.2 million, respectively. The largest decrease of revenue (from LTL 22.6 million to LTL 0.7 million) in the sector was incurred by the Lithuanian Agricultural



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>643,757</b>	<b>648,121</b>
Cost of goods sold	543,457	487,936
<b>Gross profit (loss)</b>	<b>100,299</b>	<b>160,185</b>
Operating expenses	133,668	122,399
Profit (loss) from other activities	4,670	2,266
<b>Operating profit (loss)</b>	<b>-28,699</b>	<b>40,051</b>
<i>Operating profit margin</i>	<i>-4.5%</i>	<i>6.2%</i>
<b>EBITDA</b>	<b>21,117</b>	<b>87,913</b>
<i>EBITDA margin</i>	<i>3.3%</i>	<i>13.6%</i>
Financial and investment activities	-34,920	6,230
<b>Profit (loss) before taxes</b>	<b>-63,619</b>	<b>46,281</b>
Profit tax	6,821	12,246
<b>Net profit</b>	<b>-70,440</b>	<b>34,035</b>
minority interest	513	705
<b>Net profit excluding non-standard taxes</b>	<b>-67,354</b>	<b>36,034</b>
<b>Net profit excluding non-standard taxes and effect of bankruptcy of the banks Snoras and Ūkio Bankas</b>	<b>-22,518</b>	<b>37,843</b>
<i>Net profit margin</i>	<i>-3.5%</i>	<i>5.8%</i>

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Intangible assets	15,612	283,372
Tangible assets	940,873	625,974
Financial assets	898,256	366,516
Other non-current assets	77,910	83,680
Biological assets	2,811	3,826
<b>Non-current assets</b>	<b>1,935,463</b>	<b>1,363,369</b>
Inventories, prepayments and contracts in progress	1,196,181	415,289
Amounts receivable within one year	101,667	91,490
Other current assets	382,405	258,927
Cash and cash equivalents	96,733	174,704
<b>Current assets</b>	<b>1,776,987</b>	<b>940,409</b>
<b>TOTAL ASSETS</b>	<b>3,712,449</b>	<b>2,303,778</b>
<b>Total equity</b>	<b>1,029,701</b>	<b>1,013,714</b>
Minority shareholder equity	13,719	13,404
<b>Grants and subsidies</b>	<b>385,111</b>	<b>415,729</b>
Non-current liabilities	1,193,089	548,806
Current liabilities	1,104,548	325,529
<b>Liabilities</b>	<b>2,297,637</b>	<b>874,335</b>
Of which financial liabilities*	277,828	227,789
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,712,449</b>	<b>2,303,778</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.6%	1.3%
ROE	-2.2%	3.7%
D/E*	27.0%	22.5%

RETURN TO THE STATE (LTL '000, DATA UNTIL 1 JULY 2013)	2011	2012
Assigned dividends (only the state's share)	11,403	7,072
Assigned SE profit contributions	3,304	5,635
<b>Assigned dividends and profit contributions</b>	<b>14,707</b>	<b>12,707</b>
Property tax	3,540	2,344
<b>TOTAL CONTRIBUTIONS AND NON-STANDARD TAXES</b>	<b>18,247</b>	<b>15,052</b>

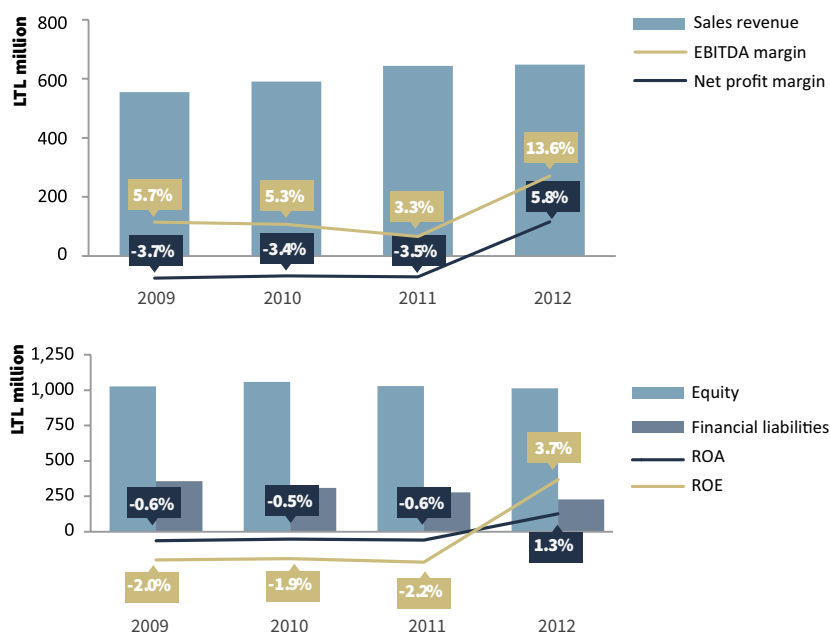
EMPLOYEE INFORMATION	2011	2012
Number of employees (at period end)	6,141	6,014
Number of executives (at period end)	165	165

\*Financial liabilities and the D/E ratio in the tables exclude the interest-free loan granted by the Ministry of Finance to the state enterprise Deposit and Investment Insurance. At the end of 2011, the balance of this loan amounted to LTL 2,979 million and to LTL 2,252 million at the end of 2012.

and Food Market Regulation Agency, as in 2011 the enterprise received one-off revenue from the sell-off of intervention barley amounting to LTL 20.2 million.

The total operating result of the sector was mostly affected by the operating profit of the Lithuanian Oil Product Company which grew to LTL 46.7 million as a result of sold fuel oil state reserves in 2012, while in 2011 the company incurred operating losses equaling LTL 10.3 million. Mortgage Loan Insurance reduced the operating loss from LTL 55.5 million to LTL 34.7 million, however, it incurred the largest loss among all enterprises in the sector. Losses of Mortgage Loan Insurance are accumulated due to high costs of insurance benefits. The operating profit of Regitra shrank by 21% to LTL 9.6 million due to the increased cost of sold goods. Upon the growth of the costs of payroll and social insurance (by 6.8% up to LTL 66.2 million) and rent of premises (by 10.9% to LTL 3.7 million), the operating profit of the Centre of Registers went down by 79.4% to LTL 0.6 million. The Lithuanian Radio and Television Centre generated a 30% lower operating profit due to increased costs (LTL 2.2 million) (based on the non-audited financial data of the company).

Changes in net profit of the sector were affected by losses incurred due to the bankruptcy of the bank Snoras. In 2011, the following enterprises incurred losses due to funds lost in this bank: Investment and Business Guarantees (LTL 15.2 million), Regitra (LTL 15 million), Centre of Registers (LTL 10.2 million), Rural Credit Guarantee Fund (LTL 2.1 million), LITEXPO (LTL 1.8 million), Detonas (LTL 354.7 thousand and Informacinio Verslo Ir Paslaugų Įmonė (LTL 100 thousand). The latter company acknowledged an additional loss amounting to LTL 831 thousand due to the bankruptcy of the bank Snoras, the amount of LTL 812.3 thousand was additionally written off by Regitra. Upon the termination of the activity of Ūkio Bankas, Turto Bankas acknowledged costs accounting for LTL 165 thousand as a result of the financial asset impairment in 2012. Excluding the effect of the bankruptcy of Ūkio Bankas and Snoras, the profit of the other enterprises sector (after taxes) comprised LTL 37.8 million in 2012, and in 2011 the net loss equalling LTL 22.5 million was incurred.



The change in the value of assets and liabilities of the other enterprises sector was mainly caused by amounts to be paid by Deposit and Investment Insurance which decreased from LTL 775.6 million to LTL 65.9 million after the majority of Snoras depositors withdrew their insurance benefits. Also, Deposit and Investment Insurance reduced its debt to the Ministry of Finance by LTL 727.4 million: the Ministry of Finance granted the company an interest-free loan amounting to LTL 2,979 million in 2011. However, the loan

was used to cover the deficit of the Deposit Insurance Fund, therefore the amount of the loan has not been included in the total financial liabilities of the sector.

Based on information collected by June 2013, Problematika declared the largest amount of dividends for 2012 (LTL 1.7 million), Rural Credit Guarantee Fund (LTL 1 million) and Jonavos Grūdai (LTL 1 million). The largest amount of profit contributions was assigned by Regitra (LTL 3.7 million).

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

## Deposit and Investment Insurance

The company was founded in 1997 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 public confidence in financial institutions.

The company seeks to ensure smooth administration of insurance funds and safe investment thereof, timely and smooth administration of insured events, raise awareness of the insured and inform the public on the insurance system of deposits and liabilities to investors. 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;
- » calculates and pays insurance benefits in cases of insured events.

At the end of 2011, the company's customer portfolio consisted of 108 insurers – 8 commercial banks and 78 credit units, 10 financial brokerage companies and 12 management companies.

At the end of 2011, after the bankruptcy of the bank Snoras depositors became entitled to insurance benefits worth LTL 4 billion. By the end of 2012, 210 thousand depositors had withdrawn insurance benefits (44% of all recipients), and the amount of withdrawn benefits stood at LTL 3,976 million (98% of all assigned insurance benefits). The Deposit Insurance Fund and interest-free LTL 3 billion loan granted by the Ministry of Finance to Deposit and Investment Insurance until 1 December 2017 were used to cover benefit payments. By the end of 2012, the company reimbursed LTL 727 million to the Ministry of Finance (24% of the entire loan amount).

In February 2013, the Bank of Lithuania suspended the activity of Ūkio Bankas and acknowledged the bank being insolvent. In order to resolve the problem associated with the insolvency of the bank as efficiently as possible and protect the interests of the clients, it was decided not to transfer the assets and liabilities of Ūkio Bankas to another bank.

On 23 February 2013 the temporary insolvency representative of Ūkio Bankas, Šiaulių Bankas and SOE Deposit and Investment Insurance concluded the trilateral agreement under which Šiaulių Bankas took over liabilities of Ūkio Bankas to its clients which did not exceed the amount of benefit payments referred to in the law and a share of the



bank assets. The difference between the liabilities and asset value was covered by Deposit and Investment Insurance by means of the pecuniary contribution. For this reason, the Ministry of Finance issued the purported government securities and granted a loan of almost LTL 800 million to Deposit and Investment Insurance. The securities emission was redeemed by Šiaulių Bankas.

## 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 EU funds 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, thus establishing a centralized state-owned property manager (CPM). This company will implement centralized management of state-owned real estate, exercise the functions of privatisation of state- and municipality-owned stock handed over in trust, collect debts to the state and administer loans, state guarantees and other property obligations transferred under agency agreements. The CPM will also take part in the management of state enterprises, public companies and private limited liability companies when implementing the state policies. The CPM will be established after adopting the law, the draft of which has been

## Lithuanian Oil Product Agency

The Lithuanian Oil Product Agency is the state enterprise and its main objective is to build up and manage state stocks of petroleum products to the extent sufficient for at least 30 days. The company collects and handles engine petroleum, diesel and fuel oil reserves. Accumulation and managements of these reserves is funded from the state budget. In 2012, the amount allocated from the state budget accounted for LTL 2.8 million; allocation of the same amount is intended for 2013 as well.

The mandatory stocks of petroleum products to be built up by the Lithuanian Oil Product Agency is determined based on annual indicators of average national consumption of petroleum products. In case the indicators change, the calculated excess of reserves is sold (the shortage is purchased). Therefore annual indicators of revenue and profitability of the company significantly fluctuate, which affects the total result of the SOE portfolio. The return on equity stood at 0.2% in 2010, in 2011 it comprised -2.6% and in 2012 it went up to 10.6% after the profit was received for sold excess stocks of fuel oil.

In 2012, when implementing a Government decision, the Lithuanian Oil Product Agency sold Subačiaus Kuro Bazė, operated in trust, to Klaipėdos Nafta and 33 employees of the Lithuanian Oil Product Agency were also transferred to this enterprise. In order to be able to continue exercising its functions, Klaipėdos Nafta undertook to rent the storages to the agency under favourable conditions for a period of at least 10 years.

## Centre of Registers

The state enterprise Centre of Registers 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. At the end of the year the company employed 1,561 people and had 46 branches: 10 units in former centres of counties and 36 units in other regional centres.

In 2012, the Centre of Registers continued to increase the number of electronic services. Since August 2012, the data of the European Business Register including over 20 million enterprises and organisations operating in Europe have become available on the website of the Centre of Registers. In October, the basket of electronic services was supplemented by an option to establish and register small communities via the Internet, and in November, the clients were provided with the virtual address service, i.e. an option to use a special e-mail account which may be logged in only by means of safe identification measures (electronic signature or e-banking system).

## Lithuanian Radio and Television Centre

The Lithuanian Radio and Television Centre ensures smooth and high quality broadcast of radio and television programmes 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 TEO, Omnitel, Bitė Lietuva and Tele 2 on the mobile internet services market. More information on this company is provided in the chapter on this company (p. 94).

## 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 2012, Regitra provided over 337,000 road vehicle registration services and issued more than 186,000 driver's licences. In order to improve the quality of provided services, the company implemented several changes in 2012: on 1 March, a new system of registering for driving exams was launched. The system enables to apply restrictions for persons who registered for an exam but did not come without any prior notice. At the beginning of May, the company opened a new driving lot in Vilnius which may be used by all residents who want to learn to drive a car.

## LITEXPO

The Lithuanian Exhibition and Congress Centre LITEXPO hosts international exhibitions, conferences, seminars and other events, provides catering services and rents conference halls. The exhibition facilities consist of five exhibition halls with a total exhibition area of 17,600 square metres and outdoor sites of 15,100 square metres. Moreover, LITEXPO has a conference centre consisting of nine halls of different types and sizes, equipped with the modern video and audio equipment.

In 2012, LITEXPO hosted 22 international exhibitions (21 in 2011) attended by 2,441 companies (2,147 in 2011), of which 440 participants came from various foreign coun-

tries. During the exhibitions, three business contact fairs and 1,074 other different event were held: conferences, seminars and presentations. Exhibitions were visited by 264,023 people. Besides, the company focused on the development of conferences. 131 events were held in the Lithuanian Exhibition and Congress Centre LITEXPO in 2012, which is 40.9% more than in 2011. The number of conference participants grew by 64.1% – up to more than 51,000 participants.

## Giraitės Ginkluotės Gamykla

Giraitės Ginkluotės Gamykla is the small arms ammunition manufacturer established in 2000. Production of the enterprise complies with the NATO quality requirements; a great part of its production is exported to the EU and the Middle East countries. In order to raise sales revenue, the company seeks to improve its trade mark and intends to introduce both military and civil ammunition products to the foreign markets. The company is currently challenged by too low production capacities; for this reason, the company is not able to attract major clients and successfully compete on the ammunition market.

## Toksika

The private limited liability company Toksika manages hazardous and non-hazardous waste, provides waste collection, transportation, storage and disposal services. Toksika collects hazardous waste in all regions of the country; collected waste is stored in special storage sites in Vilnius, Klaipėda, Šiauliai and Alytus until its final disposal. The company is able to store up to 10,000 tonnes of hazardous waste at a time. The largest branch of Toksika operates in Šiauliai district, Aukštrakiai village. The hazardous waste incineration facility is under construction and the installation of a landfill for hazardous waste is also planned.

In 2012, the company collected over 4,000 tonnes of hazardous waste. When testing the incineration facility, almost 1,000 tonnes of hazardous waste were incinerated; another 1,300 tonnes of waste that the company was not able to handle due to absent technologies were transferred to other hazardous waste managers. A major part of currently collected and stored waste is to be handled upon the completion of the incineration facility construction and the start-up of the landfill of hazardous waste.

## Other Enterprises of the Sector

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

- » construction, design and related services;
- » agricultural and related activities;
- » financial and insurance activities;
- » employment of convicts;
- » metrology;
- » recreational and health services;
- » publishing.

Seven 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 Statybininkai carries out construction works (including special design), as well as operation of the

sand and gravel quarry and dumping site of building materials. Statybos Produkcijos Sertifikavimo Centras (Certification Centre of Building Products) and Problematika test, assess and certify building materials and products and provide related services. Projektų Ekspertizė and Valstybinė Projektų Ir Sąmatų Ekspertizė assess design documentation of various construction works.

Twelve companies operate in the segment of agriculture and related activities. Lietuvos Žirgynas breeds and grows horses, nurtures and maintains a required minimum number of horses of each breed. There are also three state-owned animal breeding enterprises in Lithuania: Šilutės Veislininkystė, Panevėžio Veislininkystė and Lietuvos Veislininkystė. Breeding sheep are grown by Šeduvos Avininkystė. The state owns two experimental farms in Dotnuva and Uplytė which carry out a variety of agricultural and livestock farming activities. Agricultural and related activities are carried out by Jonavos Grūdai, Gyvulių Produktų Kontrolė, Pieno Tyrimai, Lithuanian Agricultural and Food Market Regulation Agency, and Žemės Ūkio Informacijos Ir Kaimo Verslo Centras.

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 in 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, Athlete Testing and Rehabilitation Centre, Lithuanian Athlete Training Facility. The state owns three publishing companies: Mintis, Sveikata magazine and the Parliament publisher Valstybės Žinios. The rest of the companies which are not attributed to any groups are engaged in the activity in the fields of technologies, manufacture, trading, etc. The complete list of SOEs is provided at the end of this report.





# Enterprises in Detail

- 82 The Lithuanian Railways Group
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- 93 The LESTO Group
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# The Lithuanian Railways Group

Freight and passenger railway transportation services, administration of the railway network, management, maintenance and development of the public railway



www.litrail.lt

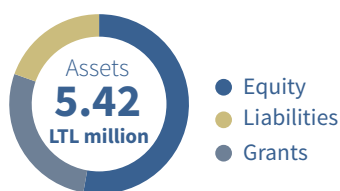
In 2012, Lithuanian Railways transported more than 49.4 million tonnes of freight, or 5.6% less than in 2011. On the internal market, the amount of the total freight transported by the major customers of the enterprise decreased by 1% to 14.9 million tonnes. This was caused by a routine maintenance of Orlen Lietuva, and a lower scale of production of Dolomitas. The amount of freight from Russia shrank by 13.1% (2.4 million tonnes) due to the decreased extent of transit, and the amount of freight from Belarus fell by 3.6% (0.5 million tonnes).

A total of 4,802 thousand passengers were transported by rail, which is 3.2% more than in 2011. Passengers travelling via local routes comprised 78.7% of all passengers. Passenger transportation via local routes was positively affected by the upgraded fleet of rolling stock and passenger loyalty programme. Compared to 2011, the number of passengers on international routes went up by 12.5%. The positive effect was made by a shortened travel time of the route Vilnius-Minsk (from 3 hours, 51 minutes to 3 hours).

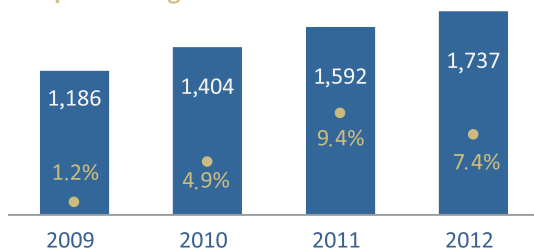
Despite the smaller amount of transported freight, revenue of the Lithuanian Railways group went up by 9.1% up to LTL 1,737 million. Revenue from freight transportation and use of railway infrastructure increased by 2.4% up to LTL 1,433.8 million, and that for passenger, luggage and mail transportation grew by 5.9% up to LTL 89.3 million. Revenue for additional services doubled up to LTL 213.9 million. This was mainly caused by the additional activities carried out: freight wagon lease, intermediation when transporting NATO freight, metal scrap selling.

Costs of the group (operating costs and cost of goods sold) comprised LTL 1,597.7 million or 12.2% more than a year ago. Due to shipping activities, the expenditure of Lithuanian Railways group for railway services in foreign countries rose (44.4% up to LTL 182.7 million). A significant impact was also made by the increased costs of materials (27.4% up to LTL 164.3 million), depreciation (7.9% up to LTL 354.5 million), payroll and social insurance (6.9% up to LTL 533.4 million). Besides, in 2011, the enterprise group included the costs of the assets impairment accounting for LTL 14.8 million due to the bankruptcy of the bank Snoras. Upon the increase of the costs, the net profit of Lithuanian Railways group shrank by 14% to LTL 129.1 million in 2012. EBITDA was 0.2% less and stood at LTL 530.5 million.

Mostly due to the investment projects under implementation, the non-current assets value grew by LTL 539.7 million (12.2%), the growth of grants and subsidies amounted to LTL 381 million (28.9%).



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	1,591,833	1,737,019
Cost of goods sold	1,249,975	1,420,736
Gross profit (loss)	341,858	316,283
Operating expenses	173,607	176,998
Profit (loss) from other activities	25,989	27,950
Operating profit (loss)	194,240	167,235
EBITDA	531,513	530,474
Financial and investment activities	-13,084	-13,063
Profit (loss) before taxes	181,156	154,172
Profit tax	31,091	25,065
Net profit	150,065	129,107
Net profit margin	9.4%	7.4%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	4,434,800	4,974,499
Current assets	449,955	444,648
Cash and cash equivalents	124,637	70,841
Total assets	4,884,755	5,419,146
Total equity	2,719,020	2,725,455
Grants and subsidies	1,319,647	1,700,604
Liabilities	846,088	993,087
Of which financial liabilities	456,885	542,364
Total equity and liabilities	4,884,755	5,419,146

RATIOS	31 Dec 2011	31 Dec 2012
ROA	3,2%	2,5%
ROE	5,6%	4,7%
D/E	16,8%	19,9%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	122,669	*29,942

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	12,166	12,329
Number of employees holding managerial positions (at the end of the reference period)	6	6
Average monthly salary of one employee holding a managerial position (gross), LTL	13,711	13,826

SHAREHOLDERS	
State-owned share	100%

MANAGEMENT	
Director General	Stasys Dailydka
Chairman of the Board of Directors	Saulius Girdauskas (Ministry of Transport and Communication)
Members of the Board of Directors	Tomas Karpavičius (Ministry of Transport and Communication) Alfonsas Macaitis (Ministry of Transport and Communication) Andrius Šniuolis (Ministry of Transport and Communication) Ričardas Čepas (Newsec/Re&Solution)

Calculated pursuant to Resolution No. 559 of the Government of 20 June 2013, under which the enterprise was obliged to allocate 21.5% of profit for allocation in 2012.



# The Lithuanian Post Group

Provision of universal and other postal services, as well as courier, financial, etc. services



LIETUVOS PAŠTAS

www.post.lt

In 2012, Lithuanian Post provided 182.9 million units of services, which is as much as 13.5% less than in 2011. However, the number of provided universal postal services (UPS) grew by 2.1% up to 49.7 million units. The total postal services provided comprised 53.3 million units which is 1.1% more than a year ago. The volumes of financial services provided went up by 9.7% and the number of such services stood at 12.4% of all provided services (22.7 million units). Courier services comprised a mere 0.6% of all provided services and changed insignificantly during the year. The number of other services decreased by 22.7% to 105.7 million units.

In 2012, sales revenue of Lithuanian Post stood at LTL 190.7 million which is 4.1% more than in 2011. UPS revenue increased by 7.3% up to LTL 97.2 million due to the growth of the registered postal correspondence shipments. A more intense competition resulted in contracted revenue from financial services, i.e. by 4.8% to LTL 37.3 million, but the decrease of this revenue was compensated by rising revenue from courier services by 17.5% up to LTL 12.5 million.

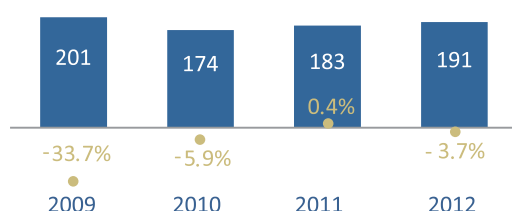
The operating costs of the Lithuanian Post group went up by 7.8% up to LTL 199.4 million. Staff-related costs comprised the largest share of all costs and grew by 2.6% up to almost LTL 120 million. The assets repair and maintenance costs rose by 63.6% up to LTL 6.2 million as a result of upgraded post offices. The growth of utility service costs accounted for 25.6% up to LTL 7.7 million, and the transport hire expenses rose by 16% up to LTL 8.5 million. Moreover, the growth of costs was caused by a difference set between the purchasing price of Baltic Post purchased in 2012 and the actual share value due to which the enterprise accounted for costs amounting to LTL 3.5 million.

Upon the growth of the costs, EBITDA of the group shrank 8 times to LTL 1.2 million. The net loss comprised LTL 7.2 million, while a year ago the group gained a net profit of LTL 735,000.

The non-current assets value went down by 14.4% to LTL 147.8 million mainly due to its sell-off, and as a result of the assets reclassification as the assets for selling, the the current assets value rose by 50.3% up to LTL 78.8 million.



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	183,209	190,695
Operating expenses	184,924	199,371
Profit (loss) from other activities	3,982	2,715
Operating profit (loss)	2,268	-5,961
EBITDA	9,409	1,181
Financial and investment activities	-1,387	-792
Profit (loss) before taxes	881	-6,752
Profit tax	146	399
Net profit	735	-7,151
Net profit margin	0.4%	-3.7%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	172,730	147,789
Current assets	52,360	78,777
Cash and cash equivalents	11,871	12,010
Total assets	225,090	226,566
Total equity	113,811	106,028
Grants and subsidies	1	1
Liabilities	111,278	120,537
Of which financial liabilities	21,912	23,889
Total equity and liabilities	225,090	226,566

RATIOS	31 Dec 2011	31 Dec 2012
ROA	0.3%	-3.2%
ROE	0.6%	-6.5%
D/E	19.3%	22.5%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	589	0

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	6,523	6,427
Number of employees holding managerial positions (at the end of the reference period)	7	10
Average monthly salary of one employee holding a managerial position (gross), LTL	8,355	9,191

SHAREHOLDERS	
State-owned share	100%

MANAGEMENT	
Director General	Lina Minderienė
Chairman of the Board of Directors	Arijandas Šliupas (Ministry of Transport and Communication)
Members of the Board of Directors	Janina Laskauskienė (Ministry of Transport and Communication) Irma Kirklytė (Ministry of Transport and Communication) Linas Sasnauskas (independent consultant) Vytautas Kudrys (Lithuanian Logistics Association)

# Klaipėda State Seaport Authority

Management of the Klaipėda seaport infrastructure: collection of charges for the use of seaport infrastructure, land lease, development and reconstruction activities

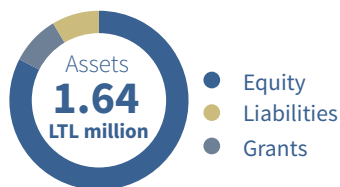


www.portofklaipeda.lt

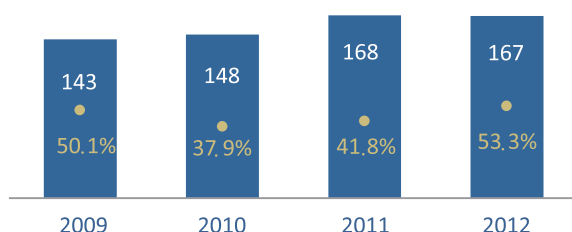
In 2012, the seaport revenue stood at LTL 167 million, i.e. 0.3% less than in 2011. The Klaipėda seaport handled 35.2 million tonnes of freight in 2012 – 3.7% less than a year ago. Handled volumes of petroleum products decreased by 9.6% to 8.3 million tonnes and handling volumes of natural and chemical fertilisers shrank by 16.2% to 9.7 million tonnes. The decrease of such handling volumes was compensated by a 71.8% growth of handling volumes of agricultural products, up to 2.7 million tonnes (the record grain harvest in Lithuania was the main contributing factor).

The number of employees at the seaport stood at 243 at the end of the period concerned – 8.3% less than at the end of 2011; however, the payroll and related costs went up by 1.9% up to LTL 14.5 million. The operating costs were increased by the aquatory cleaning activities. The allocated amount for these activities comprised LTL 4.5 million, which is nearly double the amount allocated in 2011. The costs for quay repair amounted to LTL 1 million, i.e. LTL 1.5 million less. A total of operating costs stood at LTL 73.3 million – only 1.1% more than in 2011. EBITDA of the reference period constituted LTL 125.6 million, which is 18% more, and the net profit (after non-standard taxes) comprised LTL 89 million (27% more). The loss of financial activities in 2011 was significantly increased by the loss amounting to LTL 17 million due to the bankrupt bank Snoras.

The book value of the assets stood at LTL 1,637.4 million at the end of 2012, i.e. 13.4% more than at the end of 2011. This was mostly caused by a profitable activity of the enterprise and subsidised intensive development of the seaport (seaport dredging and widening, construction and renovation of quays, construction and repair of rail tracks).



Sales revenue, LTL million  
Net profit margin  
(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	167,558	167,002
Operating expenses	72,516	73,280
Profit (loss) from other activities	0	61
Operating profit (loss)	95,042	93,783
EBITDA	106,633	125,617
Financial and investment activities	-26,654	-6,460
Profit (loss) before taxes	68,389	87,324
Profit tax	0	0
Net profit	68,389	87,324
Net profit (loss) following the elimination of non-standard state taxes	70,116	89,014
Net profit (loss) following the elimination of non-standard state taxes) margin	41.8%	53.3%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	1,362,880	1,420,049
Current assets	81,545	217,310
Cash and cash equivalents	37,484	41,944
Total assets	1,444,425	1,637,360
Total equity	1,287,253	1,336,937
Grants and subsidies	37,871	202,924
Liabilities	119,300	97,498
Of which financial liabilities	89,507	68,774
Total equity and liabilities	1,444,425	1,637,360

RATIOS	31 Dec 2011	31 Dec 2012
ROA	5.0%	5.8%
ROE	5.6%	6.8%
D/E	7.0%	5.1%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	34,194	873
Property tax	1,727	1,690
Total contributions and non-standard taxes to the state	35,921	2,563

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	265	243
Number of employees holding managerial positions (at the end of the reference period)	6	5
Average monthly salary of one employee holding a managerial position (gross), LTL	11,266	11,068

SHAREHOLDERS	
State-owned share	100%

MANAGEMENT	
Director General	Eugenijus Gentvilas (until 15 Nov 2012) Arvydas Vaitkus (since 5 Feb 2013)

Chairman of the Board of Directors	not appointed
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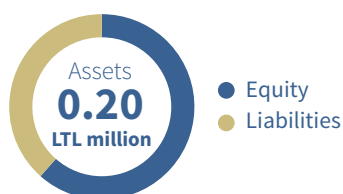
Members of the Board of Directors	Tomas Karpavičius (Ministry of Transport and Communication) Aušra Railaitė (Ministry of Transport and Communication) Andrius Šniulis (Ministry of Transport and Communication) Saulius Kerza (Ministry of Transport and Communication) Juožas Darulis (Ministry of Transport and Communication)
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In 2012, sales revenue of the enterprise stood at LTL 83.9 million which was 7.3% more than in 2011. The total growth of sales revenue was caused by a 42.5% increase in revenue from short-term agreements (up to LTL 43.4 million) as at the end of the reference period the majority of vessels were operating under short-term agreements, and at the end of 2011 the enterprise itself operated only two vessels. The cost of goods sold went up by 3.7% up to LTL 89.2 million. The cost of goods sold was mainly increased by fuel costs which were 1.8 times larger and stood at LTL 21.8 million as well as crewing costs which rose by 16.4% up to LTL 20.2 million (at the beginning of 2012 a new procedure for average salary calculation for sailors came into force). Depreciation costs due to recalculated liquidity values of vessels and revaluations of vessels fell by 24.5% to LTL 19.4 million.

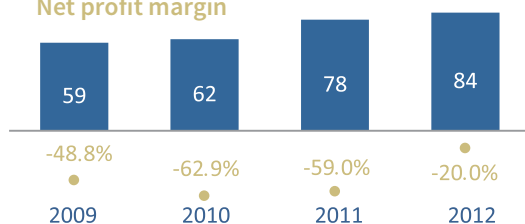
In 2012, the operating costs amounting to LTL 10.4 million were incurred, while in 2011, the operating costs accounted for LTL 35 million. Administrative costs included in operating costs (without the impairment of receivable amounts equalling LTL 1.1 million accounted for in 2011) shrank by 1.6% to LTL 4.7 million due to lower staff maintenance costs. The vessel impairment has also been included in operating costs which stood at LTL 5.8 million, while in 2011 this amount comprised LTL 29.1 million.

The net profit of the period concerned amounted to LTL 16.8 million. In 2011, the loss of LTL 46.2 million was incurred. However, due to higher fuel, crewing and other costs EBITDA of the enterprise decreased by 19.9% to LTL 9.8 million.

The total assets value fell by 5.7% to LTL 204.7 million mainly because of the vessel impairment and write-off. The enterprise reimbursed LTL 8.8 million of loans granted, and the value of financial liabilities decreased by LTL 1.4 million as a result of the positive change in the exchange rate.



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	78,169	83,874
Cost of goods sold	85,981	89,203
Gross profit (loss)	-7,812	-5,328
Operating expenses	34,989	10,415
Profit (loss) from other activities	140	184
Operating profit (loss)	-42,660	-15,560
EBITDA	12,283	9,839
Financial and investment activities	-3,432	-1,142
Profit (loss) before taxes	-46,092	-16,702
Profit tax	66	66
Net profit	-46,158	-16,768
Net profit margin	-59.0%	-20.0%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	210,394	195,789
Current assets	6,602	8,919
Cash and cash equivalents	1,793	369
Total assets	216,996	204,707
Total equity	138,582	121,814
Grants and subsidies	0	0
Liabilities	78,414	82,893
Of which financial liabilities	66,603	56,398
Total equity and liabilities	216,996	204,707

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-19.9%	-8%
ROE	-30.6%	-12.9%
D/E	48.1%	46.3%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	0	0

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	352	341
Number of employees holding managerial positions (at the end of the reference period)	5	4
Average monthly salary of one employee holding a managerial position (gross), LTL	9,270	10,231

SHAREHOLDERS	
State-owned share	56.7%
Swedbank AS Estonia	5.6%
DFDS TOR LINE A/S	5.5%
Other shareholders	32.2%

MANAGEMENT	
Director General	Audronis Lubys
Chairman of the Board of Directors	Saulius Girdauskas (Ministry of Transport and Communication)
Members of the Board of Directors	Andrius Šniuolis (Ministry of Transport and Communication) Eglė Vyšniauskaitė (Ministry of Transport and Communication) Mindaugas Utkevičius (AS LHV Capital) Stepas Telešius (ACME Group)
Members of Advisory Board	Tomas Karpavičius (Ministry of Transport and Communication) Ona Barauskienė (Ministry of Transport and Communication) Evaldas Zacharevičius (The Lithuania Maritime Safety Administration) Gytis Kaminskis (Baltic Legal Solutions Lietuva) Laimutė Tinglum (Scandinavian Accounting and Consulting)

In 2012, Vilnius International Airport served 2,208,000 passengers or 28.9% more than in 2011. The number of served aircraft grew by 8.3% up to 30,000 flights. The number of flights and passengers rose mostly due to the development of the activities of low-cost carriers Wizz Air and Ryanair, which serve the largest number of passengers at airports, and arrival of new airline companies.

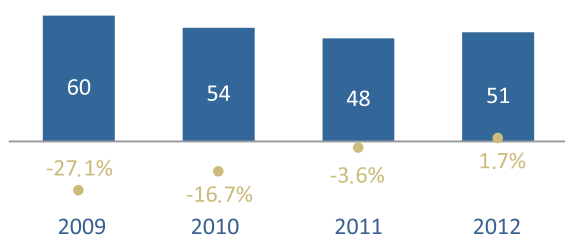
Upon the increase of the number of passengers, sales revenue of the enterprise was 6.8% larger than in 2011 and accounted for LTL 51.3 million. Revenue from the aviation activities grew by 2.9% up to LTL 31.7 million. The largest share of such revenue is represented by revenue from fees, which increased up to LTL 29.1 million (6.7%). Revenue from non-aviation activities (mainly lease) went up by 13.4% up to LTL 19.5 million.

Costs of the airport (cost of goods sold and operating costs) remained almost the same and accounted for LTL 49.9 million. Non-current assets maintenance, repair and utility costs fell by 5.9% to LTL 8.2 million, tax costs (except for profit tax) shrank by 19.7% to LTL 2.2 million, depreciation costs went up by 1.2% up to LTL 13.9 million. Due to higher revenue EBITDA was 27.6% larger during the reporting period and stood at LTL 15.6 million. In 2012, the airport earnings (net profit) comprised LTL 0.6 million (in 2011, the loss of LTL 2.4 million was incurred).

The non-current assets value of the airport fell by 4.4% to LTL 304 million as a result of lower investments and transferred or written-off assets. In 2012, the enterprise did not receive additional subsidies, therefore their value decreased from LTL 44.6 million to 40.9 million. The enterprise reduced its financial liabilities by 14.3% to LTL 32.7 million during the year concerned.



Sales revenue, LTL million  
Net profit margin  
(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>48,021</b>	<b>51,268</b>
Cost of goods sold	37,048	37,551
<b>Gross profit (loss)</b>	<b>10,973</b>	<b>13,716</b>
Operating expenses	12,652	12,307
Profit (loss) from other activities	213	118
<b>Operating profit (loss)</b>	<b>-1,466</b>	<b>1,527</b>
<b>EBITDA</b>	<b>12,264</b>	<b>15,644</b>
Financial and investment activities	-905	-445
<b>Profit (loss) before taxes</b>	<b>-2,371</b>	<b>1,082</b>
Profit tax	0	453
<b>Net profit</b>	<b>-2,371</b>	<b>628</b>
<b>Net profit (loss) following the elimination of non-standard state taxes</b>	<b>-1,746</b>	<b>895</b>
Net profit (loss) following the elimination of non-standard state taxes) margin	-3.6%	1.7%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>317,864</b>	<b>304,006</b>
<b>Current assets</b>	<b>16,443</b>	<b>23,445</b>
Cash and cash equivalents	4,912	11,374
<b>Total assets</b>	<b>334,307</b>	<b>327,451</b>
<b>Total equity</b>	<b>243,026</b>	<b>244,011</b>
<b>Grants and subsidies</b>	<b>44,558</b>	<b>40,918</b>
<b>Liabilities</b>	<b>46,723</b>	<b>42,522</b>
Of which financial liabilities	38,182	32,727
<b>Total equity and liabilities</b>	<b>334,307</b>	<b>327,451</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.5%	0.3%
ROE	-0.7%	0.4%
D/E	15.7%	13.4%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	0	314
Property tax	736	315
<b>Total contributions and non-standard taxes to the state</b>	<b>736</b>	<b>629</b>

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	308	334
Number of employees holding managerial positions (at the end of the reference period)	6	6
Average monthly salary of one employee holding a managerial position (gross), LTL	7,735	9,215

MANAGEMENT	
<b>Director General</b>	Tomas Vaišvila (until 31 Jan 2013) Gediminas Almantas (since 07 May 2013)
<b>Chairman of the Board of Directors</b>	Arijandas Šliupas (Ministry of Transport and Communication)
<b>Members of the Board of Directors</b>	Gražvydas Jakubauskas (Ministry of Transport and Communication) Jūratė Savickienė (Ministry of Transport and Communication) Algirdas Tuganauskas (Ministry of Transport and Communication) Vilius Veitas (Ministry of Transport and Communication)

## Kaunas Airport

Provision of public services when operating Kaunas International Airport, provision of aviation and non-aviation services



www.kaunas-airport.lt

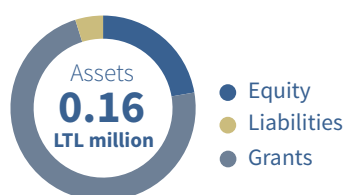
In 2012, Kaunas International Airport served 830,300 passengers, which is 4.8% less than in 2011. This change was caused by the transfer of some Ryanair flights to Vilnius Airport. Kaunas Airport also handled 20.3% less freight and postal shipments – a total of 3,364 tonnes. In February 2012, upon the bankruptcy of Jade Cargo, the freight transportation from Shanghai, which was successfully carried out in 2011, was terminated.

In 2012, sales revenue of the airport comprised LTL 9.3 million – 0.8% more than in 2011. Upon the decrease of the number of passengers, cargo and other (ad-hoc) flights, revenue from aviation activities fell by 15.2% to LTL 2.9 million. However, the successfully implemented commercial projects enabled to earn LTL 6.4 million of non-aviation revenue, which is 10.1% more than in 2011. The steepest increase of revenue was observed in the fields of advertising (two times, up to LTL 2 million) and lease of premises (15.8% up to LTL 1.5 million).

The cost of goods sold went down by 0.6% and stood at LTL 7.3 million, and operating costs fell by 12.3% to LTL 2.4 million, mostly because of payroll costs which decreased by 27%. Moreover, the operating results were positively affected by the growth of revenue from other activities, due to the revenue from the sell-off of non-current assets, amounting to LTL 259,700.

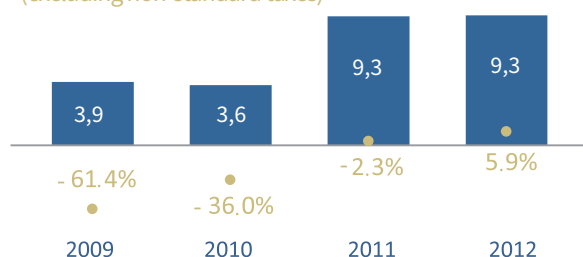
EBITDA was larger by 78.1% than in 2011 and stood at LTL 1.8 million. The net profit comprised LTL 143,000, while the net loss of LTL 626,000 was incurred in 2011.

The total assets value of the enterprise decreased by 2% to LTL 162.4 million due to depreciation of tangible assets. Under the Government decision, equity of the enterprise owner was increased by LTL 1.6 million in August 2012 (up to LTL 25.7 million) by reducing received subsidies by a relevant amount. Financial liabilities of the enterprise increased by 20% up to LTL 4 million.



### Sales revenue, LTL million

Net profit margin  
(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	9,260	9,334
Cost of goods sold	7,337	7,294
Gross profit (loss)	1,923	2,040
Operating expenses	2,791	2,448
Profit (loss) from other activities	392	647
Operating profit (loss)	-476	239
EBITDA	985	1,754
Financial and investment activities	-150	-96
Profit (loss) before taxes	-626	143
Profit tax	0	0
Net profit	-626	143
Net profit (loss) following the elimination of non-standard state taxes	-217	552
Net profit (loss) following the elimination of non-standard state taxes margin	-2.3%	5.9%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	162,993	159,869
Current assets	2,708	2,571
Cash and cash equivalents	260	1,221
Total assets	165,701	162,440
Total equity	35,440	37,226
Grants and subsidies	121,849	115,474
Liabilities	8,412	9,740
Of which financial liabilities	3,387	4,064
Total equity and liabilities	165,701	162,440

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.1%	0.3%
ROE	-0.6%	1.5%
D/E	9.6%	10.9%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	0	0
Property tax	481	481
Total contributions and non-standard taxes to the state	481	481

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	134	123
Number of employees holding managerial positions (at the end of the reference period)	2	2
Average monthly salary of one employee holding a managerial position (gross), LTL	5,833	6,917

### MANAGEMENT

Director General	Povilas Ugiaskis (since 12 Nov 2012 until 15 Mar 2013)
Acting Director General	Jūratė Baltrušaitytė
Chairman of the Board of Directors	not appointed
Members of the Board of Directors	Vilius Veitas (Ministry of Transport and Communication) Algirdas Tugauskas (Ministry of Transport and Communication) Jūratė Savickienė (Ministry of Transport and Communication)

# Palanga International Airport

Operation of the airport infrastructure suitable for medium and small aircrafts



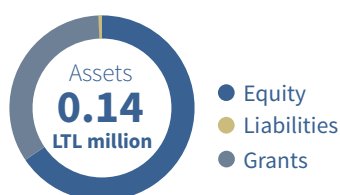
www.palanga-airport.lt

In 2012, Palanga International Airport served 3,407 airplanes which carried 128,200 passengers and 104 tonnes of freight. Compared to 2011, the number of served passengers rose by 15%, and that of served aircraft went up by 3%. Three fourths of all flights were represented by regular flights. The majority of these regular flights was conducted by SAS, which transported 59% of passengers served at the airport.

Due to the increased number of flights and passengers, sales revenue of the enterprise comprised LTL 4.7 million, which is 18.6% more than in 2011. Revenue from fees accounts for the largest share of sales revenue (LTL 4.2 million). The cost of goods sold grew by 10.5% up to LTL 3.3 million, operating costs increased by 3.7% up to LTL 1.8 million. The growth of costs was caused by increased non-current assets depreciation costs (by nearly 20% to LTL 1,018), higher electricity and heat costs (by 10%) and larger staff maintenance costs (by 8%). Moreover, additional costs were incurred for the maintenance of environmental systems (LTL 46,000) and market research (LTL 63,000). Earnings of the enterprise's financial activities stood at LTL 101,000, while the financial loss amounting to nearly LTL 563,000 was incurred in 2011, because of written-off funds held at Snoras.

EBITDA of the reference period was larger by 79.1% than in 2011 due to revenue which outpaced costs and comprised LTL 1,078. The net profit stood at LTL 161,000, while the net loss of LTL 469,000 was incurred in 2011.

The total assets value accounted for LTL 143.2 million and increased insignificantly during the year – by 1.2% – mostly due to the increase of the value of deposits of agreed maturity and receivable amounts.



Sales revenue, LTL million

Net profit margin  
(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	3,942	4,675
Cost of goods sold	2,947	3,256
Gross profit (loss)	995	1,419
Operating expenses	1,743	1,807
Profit (loss) from other activities	500	448
Operating profit (loss)	-248	60
EBITDA	602	1,078
Financial and investment activities	-221	101
Profit (loss) before taxes	-469	161
Profit tax	0	0
Net profit	-469	161
Net profit (loss) following the elimination of non-standard state taxes	-269	370
Net profit (loss) following the elimination of non-standard state taxes) margin	-6.8%	7.9%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	137,370	137,951
Current assets	4,114	5,244
Cash and cash equivalents	779	903
Total assets	141,484	143,195
Total equity	92,600	92,761
Grants and subsidies	48,501	49,661
Liabilities	383	773
Of which financial liabilities	0	0
Total equity and liabilities	141,484	143,195

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.2%	0.3%
ROE	-0.3%	0.4%
D/E	0.0%	0.0%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	0	0
Property tax	235	246
Total contributions and non-standard taxes to the state	235	246

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	71	71
Number of employees holding managerial positions (at the end of the reference period)	3	3
Average monthly salary of one employee holding a managerial position (gross), LTL	6,333	7,139

MANAGEMENT	
Director General	Jolanta Jucevičiūtė
Chairman of the Board of Directors	not appointed
Members of the Board of Directors	Jūratė Savickienė (Ministry of Transport and Communication) Algirdas Tuganauskas (Ministry of Transport and Communication) Vilius Veitas (Ministry of Transport and Communication)



## Road Maintenance Enterprises

Maintenance and repair of national roads, construction and repair of various roads, streets, and squares, as well as landscaping activities

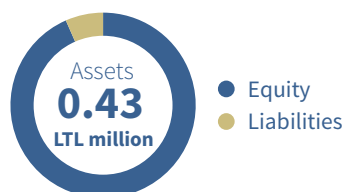
www.lra.lt

In 2012, sales revenue of ten regional road maintenance enterprises and the state enterprise Automagistralė went down by 2.5% and stood at LTL 254.3 million. Due to a lower extent of contracting activities and lower funding for road maintenance, the greatest fall in revenue was experienced by Šiaulių Regiono Keliai and Automagistralė, by 15% to LTL 35.9 million and by 9.9% to LTL 29.8 million, respectively. Due to the fall of the cost of goods sold of said enterprises by 15.1% to LTL 33 million and 12.5% to LTL 27.1 million, respectively, the total cost of goods sold of all regional road maintenance enterprises went down by 2.8% to LTL 233.2 million. Operating costs amounted to LTL 21.5 million, which is 5.2% more than in 2011. The greatest effect on the growth of costs was made by the 31.8% rise of Automagistralė operating costs (to LTL 2.3 million). Operating costs of Klaipėdos Regiono Keliai and Šiaulių Regiono Keliai went up by 8.2% and 6.9%, respectively. This was caused by an increase of prices of the main resources (fuel, diesel fuel, chips and other resources). As a result of reduced costs related to payroll, social insurance and lower cost of reserves, the operating costs of Telšių Regiono Keliai went down by 8.9% to LTL 1.5 million.

EBITDA of road maintenance enterprises stood at LTL 34.9 million during the reference period – 2.4% less than in 2011. The net profit (after non-standard taxes) comprised 15.2% less (LTL 8.5 million). The sharpest fall of the net profit after elimination of profit tax was nominally registered in Alytaus Regiono Keliai and Šiaulių Regiono Keliai: 61.5% to LTL 0.2 million and 32.9% to LTL 1.3 million, respectively.

The total assets of road enterprises excluding the value of roads shrank by 2.2% to LTL 434.2 million. In 2012, four road maintenance enterprises accounted for funds held at Snoras as receivable amounts (Klaipėdos Regiono Keliai – LTL 2.3 million, Panevėžio Regiono Keliai – LTL 1.7 million, Tauragės Regiono Keliai – LTL 3.2 million, Telšių Regiono Keliai – LTL 1.2 million). Based on the audit conclusions, the recovery of these funds is doubtful, therefore the assets value of enterprises should be respectively lower. Financial liabilities of the enterprises decreased to zero as Tauragės Regiono Keliai reimbursed financial debts.

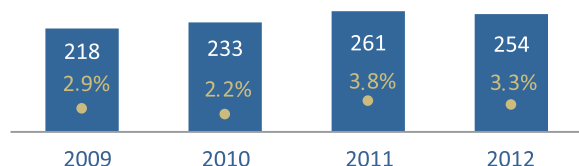
The total book value of roads eliminated from the balance sheets of enterprises comprised LTL 6.7 billion in 2012 and LTL 6.5 billion in 2011.



### Sales revenue, LTL million

#### Net profit margin

(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	260,958	254,346
Cost of goods sold	239,982	233,236
Gross profit (loss)	20,976	21,110
Operating expenses	20,386	21,453
Profit (loss) from other activities	2,658	2,419
Operating profit (loss)	3,248	2,076
EBITDA	35,803	34,934
Financial and investment activities	786	339
Profit (loss) before taxes	4,034	2,415
Profit tax	659	478
Net profit	3,375	1,937
Net profit (loss) following the elimination of non-standard state taxes	10,026	8,506
Net profit (loss) following the elimination of non-standard state taxes margin	3.8%	3.3%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	351,166	335,631
Current assets	92,804	98,543
Cash and cash equivalents	22,428	34,775
Total assets	443,970	434,174
Total equity	420,404	414,864
Grants and subsidies	0	0
Liabilities	23,566	19,310
Of which financial liabilities	587	0
Total equity and liabilities	443,970	434,174

RATIOS*	31 Dec 2011	31 Dec 2012
ROA	2.3%	1.9%
ROE	2.4%	2.0%
D/E	0.1%	0.0%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	1,669	1,054
Property tax	7,825	7,728
Total contributions and non-standard taxes to the state	9,494	8,782

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	2,869	2,741
Number of employees holding managerial positions (at the end of the reference period)	47	47
Average monthly salary of one employee holding a managerial position (gross), LTL	7,299	7,571

The balance sheet excludes the book value of roads and current liabilities, which were accounted for in the end of 2012 when ownership of road maintenance enterprises was transferred to the Lithuanian Road Administration.

## Klaipėdos Nafta

Storage of crude oil and petroleum products, loading and related services, implementation of the LNG terminal project



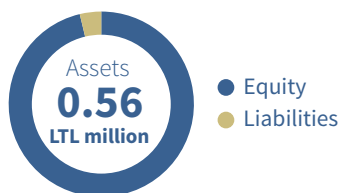
www.oil.lt

In 2012, Klaipėdos Nafta loaded 6.9 million tonnes of petroleum products, which is 9.9% less than a year ago. 60.6% of the total handling volumes were represented by heavy petroleum products (oil, fuel oil, etc.). Due to modernisation of refineries, production of heavy petroleum products decreased. As a result flows of Belarusian and Russian petroleum products shrank by 27.1% to 2.6 million tonnes compared to 2011. Handling volumes of Orlen Lietuva, the main customer of the enterprise, constituted 60.3% of the entire handling volumes and, compared to 2011, grew by 3.6%. The enterprise has concluded a long-term agreement with Orlen Lietuva, which will ensure stable flows of petroleum product handling volumes till the end of 2024.

In 2012, sales revenue of Klaipėdos Nafta stood at LTL 138.9 million – 1.7% less than in 2011. Revenue from loading of petroleum products shrank by 0.5% to LTL 131.5 million. Sales revenue from heavy petroleum products collected in treatment facilities accounted for LTL 3.2 million, while the amount of LTL 5.7 was received at the same time last year. Other revenue related to handling of petroleum products comprised LTL 4.1 million or 22.4% more than a year ago.

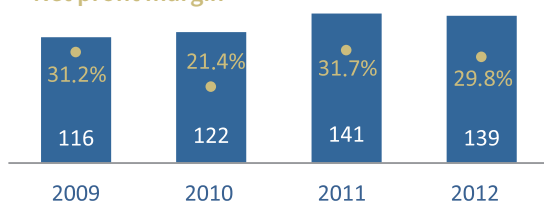
The cost of goods sold of Klaipėdos Nafta shrank by 1.9% to LTL 81.3 million. The sharpest decrease was observed in the cost of stocks sold (51.4% to LTL 1.5 million) and expenses for railway services (19.2% to LTL 6 million). A negative effect on the cost of goods sold was made by expenses for gas which rose by 8.9% up to LTL 19.6 million. Operating costs grew by 38.8% up to LTL 10.7, million mainly due to LNG terminal administrative costs equalling LTL 1 million. EBITDA of the enterprise went down by 4.8% to LTL 69.8 million, and the net profit – by 7.6% to LTL 41.4 million.

The values of assets and equity went up to LTL 536.4 million and 560 million, respectively, mostly because of the authorised capital increase by LTL 38.6 million in June 2012 and related selling of Subačius Fuel Base of the value amounting to LTL 45.5 million. Moreover, the value of the unfinished construction of LNG terminal has increased the non-current assets value by LTL 35.6 million.



### Sales revenue, LTL million

#### Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>141,276</b>	<b>138,881</b>
Cost of goods sold	82,913	81,336
<b>Gross profit (loss)</b>	<b>58,363</b>	<b>57,545</b>
Operating expenses	7,733	10,734
Profit (loss) from other activities	42	108
<b>Operating profit (loss)</b>	<b>50,672</b>	<b>46,919</b>
<b>EBITDA</b>	<b>73,327</b>	<b>69,818</b>
Financial and investment activities	2,099	1,839
<b>Profit (loss) before taxes</b>	<b>52,771</b>	<b>48,758</b>
Profit tax	7,919	7,321
<b>Net profit</b>	<b>44,852</b>	<b>41,437</b>
Net profit margin	31,7%	29,8%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>389,643</b>	<b>447,650</b>
<b>Current assets</b>	<b>129,207</b>	<b>112,360</b>
Cash and cash equivalents	9,983	79,834
<b>Total assets</b>	<b>518,850</b>	<b>560,010</b>
<b>Total equity</b>	<b>499,838</b>	<b>536,412</b>
<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>19,012</b>	<b>23,598</b>
Of which financial liabilities	0	0
<b>Total equity and liabilities</b>	<b>518,850</b>	<b>560,010</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	9.0%	7.7%
ROE	9.4%	8.0%
D/E	0.0%	0.0%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	56,981	410

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	308	360
Number of employees holding managerial positions (at the end of the reference period)	6	6
Average monthly salary of one employee holding a managerial position (gross), LTL	18,980	20,909

SHAREHOLDERS	
State-owned share	72.3%
UAB Achema Group	10.2%
Other shareholders	17.5%

MANAGEMENT	
<b>Director General</b>	Rokas Masiulis
<b>Chairman of the Board of Directors</b>	not appointed
<b>Members of the Board of Directors</b>	Inga Černiuk (Ministry of Energy) Rytis Ambrazevičius (Omnitel) Mindaugas Jusius (Swedbank Life Insurance) Rokas Masiulis
<b>Members of Advisory Board</b>	Romas Švedas (Independent expert) Agnė Amelija Kairytė (Ministry of Energy) Eimantas Kiudulas (Klaipėdos LEZ)

# The Visagino Atominė Elektrinė Group

Visagino Atominė Elektrinė (VAE) controls energy enterprises and is responsible for the execution of preparatory activities subject to the design documentation of a new nuclear power plant



www.vae.lt

**When implementing the EU Third Energy Package, the shares of Litgrid, the electricity transmission system operator controlled by VAE, were sold at the market value to the newly established private limited liability company EPSO-G. Because of this, the VAE group accounted for LTL 731.2 million of sales losses from the terminated activity. Losses were accumulated due to a difference between the book value of 97.5% of Litgrid shareholders' property accounted for in VAE financial statements (which, based on the audited data, comprised LTL 1,481.2 million) and the share market value set by independent evaluators on the day of the transaction (equalling LTL 750 million).**

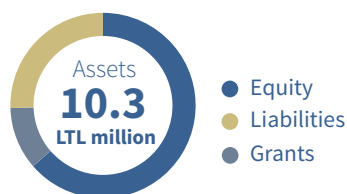
**In 2012, the VAE subsidiaries generated 2.2 TWh of electricity – 9.2% more than a year ago. Electricity distribution comprised 1.6% more (8.1 TWh). When providing public and guaranteed supply services, supplied electricity constituted 13.4% less (3.6 TWh); however, the amount of electricity sold on the free market grew by 19.3% up to 2.5 TWh.**

**Due to a larger amount of generated and transmitted electricity, revenue of the continued activity of the VAE group went up by 3.5% and stood at LTL 2,799.1 million in 2012. The increase of consolidated revenue of the VAE group was also caused by the liberalisation of the electricity market due to which the extent of electricity trading on the free market went up significantly.**

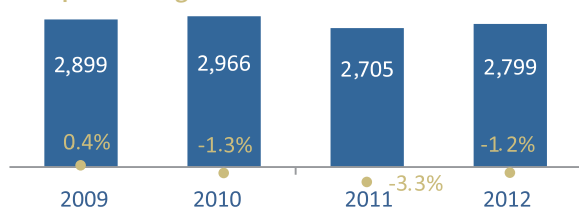
**Costs of the VAE subsidiaries grew by 0.8%, which was mostly caused by increased costs of purchasing electricity and related services by 6.9% up to LTL 1,376.5 million. Depreciation costs went down by 3.2% to LTL 488.2 million, repair and maintenance costs shrank by 9.5% to LTL 68.7 million. Other costs decreased by LTL 49 million (29.9%). The sharpest decrease was observed in the costs of carbon pollution allowances (CPA) revaluation and provisions.**

**EBITDA of the continued activity of the VAE group grew by 8.9% up to LTL 542.2 million in 2012. The net loss comprised LTL 34.7 million in 2012, and in 2011 it stood at LTL 90.4 million.**

**The VAE group assets value decreased by 11.3% to LTL 10.3 billion, the value of equity went down by 14.2% to LTL 6.5 billion mostly because of selling of Litgrid. The decrease of the equity value was also caused by dividends amounting to LTL 275 million paid out in the middle of 2012. Due to larger loans from the banks the financial liabilities of the VAE group rose by 15.4% up to LTL 1,255 million, but the ratio of financial liabilities and equity stood at 19.2% only.**



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Continued activity</b>		
Sales revenue	2,705,463	2,799,090
Operating expenses	2,805,977	2,827,565
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>-100,514</b>	<b>-28,475</b>
<b>EBITDA</b>	<b>497,633</b>	<b>542,168</b>
Financial and investment activities	-8,230	-8,490
<b>Profit (loss) before taxes</b>	<b>-108,744</b>	<b>-36,965</b>
Profit tax	-18,340	-2,289
<b>Net profit</b>	<b>-90,404</b>	<b>-34,676</b>
Net profit margin	-3.3%	-1.2%
<b>Terminated activity</b>		
Sales losses from terminated activity*		-731,183
Net profit of terminated activity**	-18,560	16,507
<b>Net profit</b>	<b>-108,964</b>	<b>-749,352</b>
Minority share in net profits	-10,832	-6,379

\* Losses subject to selling of the Litgrid group.

\*\* Operating result of the Litgrid group from January–December 2011 and January–September 2012.

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>10,561,355</b>	<b>9,267,018</b>
<b>Current assets</b>	<b>1,049,475</b>	<b>1,028,803</b>
Cash and cash equivalents	161,944	122,176
<b>Total assets</b>	<b>11,610,830</b>	<b>10,295,821</b>
<b>Total equity</b>	<b>7,630,430</b>	<b>6,549,783</b>
Minority shareholder equity	792,426	726,362
<b>Grants and subsidies</b>	<b>1,214,937</b>	<b>1,125,450</b>
<b>Liabilities</b>	<b>2,765,463</b>	<b>2,620,588</b>
Of which financial liabilities	1,087,797	1,255,012
<b>Total equity and liabilities</b>	<b>11,610,830</b>	<b>10,295,821</b>

\* Consolidated with the values of the assets, equity and liabilities of the Litgrid group.

RATIOS	31 Dec 2011*	31 Dec 2012
ROA	-0.9%	-0.3%
ROE	-1.4%	-0.5%
D/E	14.3%	19.2%

\* Calculated with the results of the Litgrid group.

RETURN TO THE SHAREHOLDERS (LTL '000)	2011*	2012
Allocated dividends (in total)	275,000	0

\* In 2012, dividends were assigned when distributing the 6-month profit of VAE in 2012.

EMPLOYEE INFORMATION	2011*	2012
Number of employees (at the end of the reference period)	5,413	4,612
Number of employees holding managerial positions (at the end of the reference period)	72	55
Average monthly salary of one employee holding a managerial position (gross), LTL	12,338	13,353

\* Data of 2011 are provided with the staff of the Litgrid group.

SHAREHOLDERS	
State-owned share	100%

MANAGEMENT	
<b>Director General</b>	Rimantas Vaitkus
<b>Chairman of the Board of Directors</b>	Aušra Vičkačienė (Ministry of Finance)
<b>Members of the Board of Directors</b>	Dalius Misiūnas (Lietuvos energija) Agnė Kairytė (Ministry of Energy) Audronė Railaitė (Ministry of Economy) Rimantas Vaitkus

# The Lietuvos Energija Group

Electricity generation, trading, import and export, electricity transmission systematic services



www.le.lt

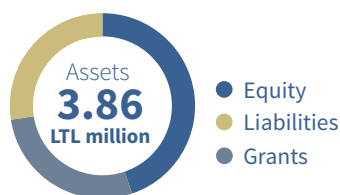
In 2012, the total amount of electricity generated by power plants controlled by Lietuvos Energija stood at 2.2 TWh or 9.2% more than in 2011. Generation of electricity by the Lithuanian Power Plant rose by 29.5% (1.42 TWh) because of fluctuations of electricity demand and testing of a new combined-cycle block. Electricity generation decreased in other power plants owned by the group.

Compared to 2011, revenue went up by 1% up to LTL 1,443.8 million. Revenue from the regulated activity represented 41.3% of all revenue of the group (electricity and heat generation by the Lithuanian Power Plant, power redundancy services) which grew by 10.3% up to LTL 596.7 million during the year. However, this change was leveraged by boosted revenue of Energijos Tiekimas, which is engaged in electricity trading on the free market: upon elimination of intra-group transactions, they rose from LTL 8.6 million to 174.9 million.

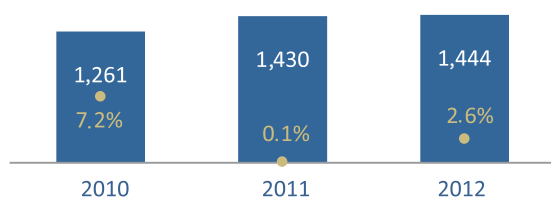
Operating costs of the group stood at LTL 1,388.2 million – 2% less than in 2011. This was greatly affected by reduced CPA revaluation and provisions (LTL 40.2 million or 76.8%) as well as lower costs (LTL 42.9 million or 6.1%) for purchasing electricity and related services. Depreciation costs rose by 30.4% up to LTL 78.9 million. Since 2012, the results of the Technology and Innovation Centre, which was merged with the group in 2011, have been included in the group results, therefore the payroll and related costs were subject to the more significant increase: 31.3% up to LTL 63.7 million.

Losses of the regulated activity decreased from LTL 92.1 million to 1.1 million due to reduced costs. However, because of the 50% lower commercial profit of Lietuvos Energija, the total operating result of the group only slightly improved – from LTL 13.2 million to 55.7 million. EBITDA comprised LTL 139.4 million or two times more than in 2011. The net profit of the group went up from LTL 1.5 million to 37.6 million.

The total assets value grew by 3.9% up to LTL 3,864.6 million mostly because of the completed construction of a new combined-cycle block and obtained CPAs.



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>1,429,507</b>	<b>1,443,814</b>
Operating expenses	1,416,346	1,388,159
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>13,161</b>	<b>55,655</b>
<b>EBITDA</b>	<b>68,410</b>	<b>139,370</b>
Financial and investment activities	-10,886	-8,835
<b>Profit (loss) before taxes</b>	<b>2,275</b>	<b>46,820</b>
Profit tax	749	9,173
<b>Net profit</b>	<b>1,526</b>	<b>37,647</b>
Net profit margin	0.1%	2.6%
Minority share in net profits	0	1,547

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>3,316,868</b>	<b>3,446,714</b>
<b>Current assets</b>	<b>403,573</b>	<b>417,862</b>
Cash and cash equivalents	27,907	34,345
<b>Total assets</b>	<b>3,720,441</b>	<b>3,864,576</b>
<b>Total equity</b>	<b>1,671,101</b>	<b>1,708,287</b>
Minority shareholder equity	39,951	41,498
<b>Grants and subsidies</b>	<b>1,008,569</b>	<b>1,100,461</b>
<b>Liabilities</b>	<b>1,040,771</b>	<b>1,055,828</b>
Of which financial liabilities	643,069	679,150
<b>Total equity and liabilities</b>	<b>3,720,441</b>	<b>3,864,576</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	0.0%	1.0%
ROE	0.1%	2.2%
D/E	38.5%	39.8%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	0	25,403

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	1,179	1,180
Number of employees holding managerial positions (at the end of the reference period)	31	27
Average monthly salary of one employee holding a managerial position (gross), LTL	10,633	11,871

SHAREHOLDERS	
Visagino atominė elektrinė (Shares indirectly owned by the state)	96.1%
Other shareholders	3.9%

MANAGEMENT	
<b>Director General</b>	Dalius Misiūnas
<b>Chairman of the Board of Directors</b>	Raimundas Petrauskas (Schmitz Cargobull Baltic)
<b>Members of the Board of Directors</b>	Laurentina Garbauskienė (Ministry of Economy) Sonata Matulevičienė (Baxter) Darius Kašauskas (Visaginas Nuclear Power Plant) Dalius Misiūnas

## The LESTO Group

Electricity transfer and supply to customers via distribution networks, connection of new customers, operation, maintenance, management and development of distribution networks



www.lessto.lt

In 2012, LESTO transmitted 8,113 GWh of electricity to customers, which is 3.3% more than in 2011. This was caused by the increased number of customers and improved economic situation. At the end of 2012 LESTO had concluded over 1.528 million agreements with private customers (0.9% more than at the beginning of the year) and over 64,600 agreements (6.2% more) with commercial customers. LESTO sold 13.4% less electricity (3,609 GWh), i.e. 44.5% of the transmitted amount of electricity, as a result of the customers' choice to use services provided by independent suppliers. The rest of customers were provided with the transmission service only.

Sales revenue of the LESTO group grew by 1.7% up to LTL 2,283.7 million. Revenue from electricity transfer and distribution represented 95.5% of revenue, which increased by LTL 25.9 million (1.2%). Costs incurred by the group stood at LTL 2,329.8 million or 0.6% less than in 2011. The insignificant increase of the costs was mostly caused by electricity purchasing costs which rose by LTL 46.6 million (3%). However, depreciation costs fell by 5.7% to LTL 407.1 million, while repair and maintenance costs shrank by 7.9% to LTL 65 million.

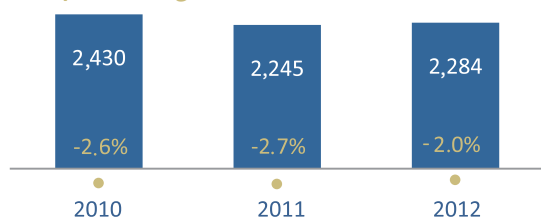
EBITDA of the group stood at LTL 391 million or 7.9% more than in 2011. The net loss comprised LTL 45.6 million (LTL 61.4 million in 2011). Accrual of the net losses is caused by the fact that the market regulator, when setting tariffs, calculates depreciation costs based on the regulatory assets base which is lower than the assets value accounted for in financial statements of LESTO.

LESTO investments in the electricity network development, modernisation and support stood at LTL 322.8 million or 9.3% more than in 2011. Investments rose due to the need to connect more new customers and ensure greater reliability of electricity supply.

The total assets of the LESTO group comprised LTL 5,170.5 million at the end of the reference period. The non-current assets represented 95% of the whole assets, the value of which went down by 1.7% to LTL 4,910.3 million because of investments which were lower than depreciation at the beginning of the year.



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
<b>Sales revenue</b>	<b>2,245,484</b>	<b>2,283,653</b>
Operating expenses	2,314,779	2,329,790
Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>-69,295</b>	<b>-46,137</b>
<b>EBITDA</b>	<b>362,246</b>	<b>390,964</b>
Financial and investment activities	-4,277	-6,797
<b>Profit (loss) before taxes</b>	<b>-73,572</b>	<b>-52,934</b>
Profit tax	-12,191	-7,348
<b>Net profit</b>	<b>-61,381</b>	<b>-45,586</b>
Net profit margin	-2.7%	-2.0%
Minority share in net profits	-6,893	346

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>4,996,193</b>	<b>4,910,270</b>
<b>Current assets</b>	<b>287,352</b>	<b>260,241</b>
Cash and cash equivalents	58,708	30,066
<b>Total assets</b>	<b>5,283,545</b>	<b>5,170,511</b>
<b>Total equity</b>	<b>3,643,342</b>	<b>3,431,430</b>
Minority shareholder equity	127,380	131,452
<b>Grants and subsidies</b>	<b>46,370</b>	<b>45,940</b>
<b>Liabilities</b>	<b>1,593,833</b>	<b>1,693,141</b>
Of which financial liabilities	444,728	576,767
<b>Total equity and liabilities</b>	<b>5,283,545</b>	<b>5,170,511</b>

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-1.1%	-0.9%
ROE	-1.7%	-1.3%
D/E	12.2%	16.8%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	170,313	102,671

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	3,564	3,384
Number of employees holding managerial positions (at the end of the reference period)	22	24
Average monthly salary of one employee holding a managerial position (gross), LTL	11,347	11,965

SHAREHOLDERS	
UAB „Visagino atominė elektrinė“ (Shares indirectly owned by the state)	82.6%
E.ON Ruhrgas International GmbH	11.8%
Other shareholders	5.6%

MANAGEMENT	
Director General	Arvydas Tarasevičius
Chairman of the Board of Directors	Darius Maikštėnas (Omnitel)
Members of the Board of Directors	Edita Jonikienė (Vilniaus investicijos) Paulius Martinkus (State Property Fund) Ramutė Ribinskienė (LESTO) Arvydas Tarasevičius



## The Litgrid Group

Litgrid is an electricity transmission system operator which controls electricity flows in Lithuania and maintains stable operation of the national electricity grid



www.litgrid.eu

**When implementing the EU Third Energy Package, the Litgrid group** was unbundled from the VAE group in September 2012 and handed over to the newly established enterprise EPSO-G, which is managed by the Ministry of Energy. This enterprise did not carry out any activities in 2012; its operating costs comprised LTL 13,000 by the end of the year; the interest costs of LTL 2,956 were accounted for as well. The information provided below concerns the results of the Litgrid group.

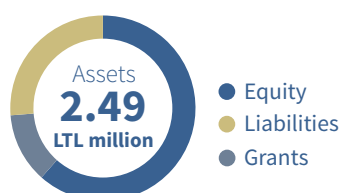
**In 2012, Litgrid transmitted 9.2 TWh of electricity via high-voltage** electrical installations – 0.4% less than in 2011. Heavy industry enterprises generated more electricity, therefore their demand for electricity reduced; moreover, one of the major enterprises Orlen Lietuva consumed less electricity due to a routine maintenance.

**In 2012, revenue of the Litgrid group stood at LTL 508.4 million** or 16.9% more than in 2011. Revenue from electricity transfer, which comprised 43.2% of the total revenue of the group, rose by 7.3% up to LTL 219.5 million. Despite the fact that less electricity was sold, the increase of revenue resulted from a higher actual electricity selling price. Revenue from balancing-regulation electricity trading went up by 25.4% up to LTL 108.8 million, which represented 21.2% of the total revenue. The growth of repair and maintenance revenue amounting to LTL 69.7 million stood at 51.2%. Revenue from the power redundancy services went up by 16.4% to LTL 64.6 million.

**Costs of the group went up by 4.5% to LTL 480 million.** This was caused by costs of purchasing electricity and related services which rose by 7.2% up to LTL 215.7 million. Depreciation costs, which represented 26.3% of the group costs, shrank by 5.5% (LTL 7.3 million), and the costs of the assets write-off were lower by LTL 11.5 million.

**EBITDA grew by 39.5% and stood at LTL 155.3 million** mostly because of higher revenue. The net profit comprised LTL 26.1 million, whereas during the same period last year the group incurred the net loss amounting to LTL 16.8 million.

**In 2012, the investments of Litgrid stood at LTL 140.3 million**, 69% of which were allocated for renovation and development of the national transmission grid. The remaining share was allocated for implementation of international electricity links with Poland and Sweden.



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	434,806	508,367
Operating expenses	459,195	480,040
Operating profit (loss)	-24,389	28,327
EBITDA	111,338	155,296
Financial and investment activities	4,675	2,708
Profit (loss) before taxes	-19,714	31,035
Profit tax	-2,935	4,921
Net profit	-16,779	26,114
Net profit margin	-3.9%	5.1%
Minority share in net profits	403	109

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	2,101,160	2,114,629
Current assets	401,558	380,041
Cash and cash equivalents	65,185	127,387
Total assets	2,502,718	2,494,670
Total equity	1,899,541	1,534,868
Minority shareholder equity	4,253	4,390
Grants and subsidies	182,359	304,971
Liabilities	420,818	325,168
Of which financial liabilities	0	184,068
Total equity and liabilities	2,502,718	2,494,670

RATIOS	31 Dec 2011	31 Dec 2012
ROA	-0.7%	1.0%
ROE	-0.9%	1.5%
D/E	0.0%	12.0%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	390,857	45,000

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	623	701
Number of employees holding managerial positions (at the end of the reference period)	15	16
Average monthly salary of one employee holding a managerial position (gross), LTL	13,077	12,919

SHAREHOLDERS	
EPSO-G (Shares indirectly owned by the state)	97.5%
Other shareholders	2.5%

MANAGEMENT	
Director General	Virgilijus Poderys
Members of the Board of Directors	Valentinas Milaknis (Alna) Virgilijus Poderys
Director of Advisory Board	Aleksandras Spruogis (Ministry of Energy)
Members of Advisory Board	Audrius Misevičius (Office of the Government) Violeta Greičiuvienė (Ministry of Energy)



## Forest Enterprises

Forest maintenance and replanting, logging and timber trading



www.gmu.lt

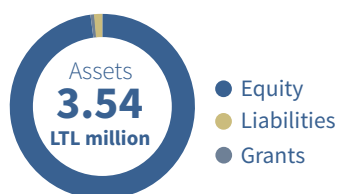
In 2012, sales revenue of 42 public forest enterprises was 9.3% lower than a year ago and stood at almost LTL 495 million. This change resulted from a 10.1% reduced revenue from the selling of round timber (down to LTL 447.3 million); due to the lower demand for timber the amount of round timber sold decreased by 0.6% (3,544,800 cubic metres), and the average price of timber fell by 9.6% to LTL 126.2 per cubic metre.

The total cost of goods sold went down by 0.7% to LTL 206.8 million, and the cost of round timber sold which constitutes the greatest share of the cost of goods sold fell by 1.8% to LTL 167.8 million. When calculating per one cubic metre of timber sold, the cost fell by 1.2% to LTL 47.3. Compared to 2011, operating costs shrank by LTL 38 million (12.6%) to LTL 264.3 million. In 2011, operating costs were increased by LTL 29.9 million because of doubtful debts written-off because of the bankruptcy procedure opened for Snoras. Moreover, forest enterprises incurred less operating tax costs (by LTL 8.1 million) as a result of lower sales of timber in 2012.

The net profit of forest enterprises, after elimination of non-standard taxes, comprised LTL 88.6 million in 2012, i.e. 30.4% less than a year ago (less the effect of the bankrupt Snoras from the result of 2011).

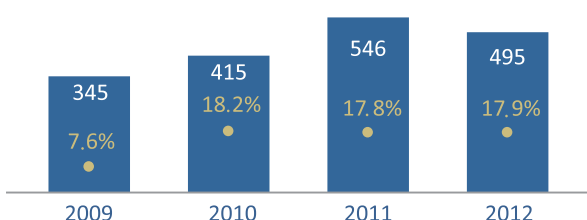
The total assets of forest enterprises (including the forest value estimated using the discounted cash flow method) decreased by 7.1% and stood at LTL 3,536 million at the end of 2012. This change was mainly caused by the forest value which shrank by 8.7% to LTL 2,971 million. This value has not been included in the balance sheets of forest enterprises and MCC (Management Coordination Centre) sets the value at the end of each year using the cash flow method. The change in the value was mostly caused by the decrease of timber prices in 2012.

The financial return indicators slightly degraded in 2012. Due to the fall of timber prices, the effect of the reduced profit was partly compensated by the shrunk value of equity and assets, therefore the return on equity (after elimination of non-standard taxes) went down from 2.7% in 2011 to 2.5% in 2012.



Sales revenue, LTL million

Net profit margin  
(excluding non-standard taxes)



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	545,529	494,694
Cost of goods sold	208,223	206,776
Gross profit (loss)	337,307	287,918
Operating expenses	302,451	264,319
Profit (loss) from other activities	2,168	5,978
Operating profit (loss)	37,024	29,577
EBITDA	70,406	70,001
Financial and investment activities	2,128	2,090
Profit (loss) before taxes	39,152	31,667
Profit tax	10,748	4,938
Net profit	28,404	26,729
Net profit (loss) following the elimination of non-standard state taxes	97,287	88,557
Net profit (following the elimination of non-standard state taxes) margin	17.8%	17.9%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets*	3,569,066	3,310,213
Current assets	239,524	226,235
Cash and cash equivalents	90,129	69,450
Total assets	3,808,590	3,536,448
Total equity*	3,734,028	3,456,801
Grants and subsidies	27,738	33,637
Liabilities	46,823	46,010
Of which financial liabilities	3,060	863
Total equity and liabilities	3,808,590	3,536,448

RATIOS	31 Dec 2011	31 Dec 2012
ROA*	2.6%	2.4%
ROE*	2.7%	2.5%
D/E*	0.1%	0.0%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Assigned profit contribution	21,076	13,191
Property tax	5,764	5,022
Raw material tax	75,276	67,717
Total contributions and non-standard taxes to the state	102,115	85,929

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	3,724	3,741
Number of employees holding managerial positions (at the end of the reference period)	125	117
Average monthly salary of one employee holding a managerial position (gross), LTL	5,976	6,077

### MANAGEMENT

Director of the Directorate General of State Forests	Benjaminas Sakalauskas
Deputy Director of the Directorate General of State Forests	Gintaras Visalga
Deputy Director of the Directorate General of State Forests	Petras Kanapienys

\* The consolidated book values of non-current assets and equity of forest enterprises are increased by means of the forest value estimated on the basis of the discounted cash flow method which, according to the conducted study, stood at LTL 3,253 million at the end of 2011 and LTL 2,971 million at the end of 2012. The indicators were estimated in accordance with the increased values of the non-current assets and equity.

## Lithuanian Radio and Television Centre

Radio and television broadcast services, hosting of the equipment of broadcasters and telecommunication operators at their sites, provision of telephony, mobile internet, data transmission services



www.telecentras.lt

**Based on the data of the Communications Regulatory Authority, the share of the electronic communications market held by the Lithuanian Radio and Television Centre (Telecentre) constituted 2.4% in 2012 and 2.3% in 2011 by revenue received. By the coverage of the broadband internet, the Telecentre is the second largest supplier. The market share held stood at 9.2% at the end of 2012, i.e. nearly 71,000 customers.**

**The Telecentre intends to develop services of the mobile internet on the computer and expanded its network in 100 Lithuanian towns and settlements. By the end of 2012, the Telecentre had established 1,151 wireless internet areas – 24.9% of the total areas.**

**On 29 October 2012, the analogue terrestrial television transmitters were switched off, thus the Telecentre has been broadcasting television programmes only via the digital network since then.**

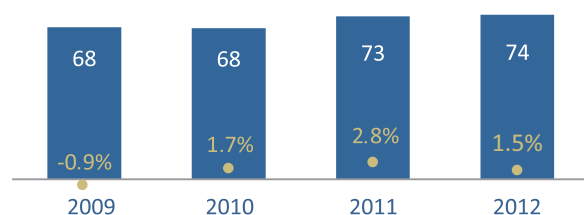
**Sales revenue of the Lithuanian Radio and Television Centre grew by 1.1% up to LTL 74.2 million during the year. Compared to 2011, the cost of goods sold was higher by 5.2% and comprised LTL 53.3 million. The change in the costs was determined by many factors: the growth of costs subject to further development of the data transmission via the internet MEZON (staff maintenance costs 6.7% higher), depreciation, telecommunications, selling area lease, internet, data transmission equipment selling, postal services, transport (fuel). Improvement and development of the digital television broadcasting resulted in the increase of the equipment depreciation, electricity and other costs.**

**Operating costs of the enterprise shrank by 6.6% and stood at LTL 19.2 million due to the decreased expenses for advertising and provisions for doubtful debts. EBITDA of the period concerned was 3.3% less than in 2011 and comprised LTL 22 million. The enterprise earned LTL 1.1 million of the net profit, which is 43.3% less than in 2011.**

**The Lithuanian Radio and Television Centre reduced its financial liabilities by 25% to LTL 28.4 million. The total value of the enterprise fell by 5.9% to LTL 136.6 million.**



Sales revenue, LTL million  
Net profit margin



PROFIT AND LOSS STATEMENT (LTL '000)	2011	2012
Sales revenue	73,425	74,228
Cost of goods sold	50,657	53,294
Gross profit (loss)	22,768	20,934
Operating expenses	20,500	19,157
Profit (loss) from other activities	828	371
Operating profit (loss)	3,095	2,147
EBITDA	22,714	21,965
Financial and investment activities	-692	-869
Profit (loss) before taxes	2,403	1,278
Profit tax	376	129
Net profit	2,027	1,149
Net profit margin	2.8%	1.5%

BALANCE SHEET (LTL '000)	31 Dec 2011	31 Dec 2012
Non-current assets	123,293	110,505
Current assets	21,845	26,090
Cash and cash equivalents	983	1,427
Total assets	145,138	136,595
Total equity	100,911	99,421
Grants and subsidies	0	0
Liabilities	44,227	37,174
Of which financial liabilities	37,915	28,439
Total equity and liabilities	145,138	136,595

RATIOS	31 Dec 2011	31 Dec 2012
ROA	1.3%	0.8%
ROE	2.0%	1.1%
D/E	37.6%	28.6%

RETURN TO THE SHAREHOLDERS (LTL '000)	2011	2012
Allocated dividends (in total)	2,639	N/A

EMPLOYEE INFORMATION	2011	2012
Number of employees (at the end of the reference period)	400	377
Number of employees holding managerial positions (at the end of the reference period)	5	5
Average monthly salary of one employee holding a managerial position (gross), LTL	9,038	9,244

### SHAREHOLDERS

State-owned share	100%
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### MANAGEMENT

Director General	Gediminas Stirbys
Chairman of the Board of Directors	Arijandas Šliupas (Ministry of Transport and Communication)
Members of the Board of Directors	Viktorija Trimbel (Quantum Capital)
	Toma Kuzmickaitė (Ministry of Transport and Communication)
	Janina Laskauskienė (Ministry of Transport and Communication)
	Justina Razgienė (Ministry of Transport and Communication)

# 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 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 Visagino Atominė Elektrinė and EPSO-G groups, Lithuanian Railways 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 the International Financial Reporting Standards. 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 2013, the value of forests was adjusted to reflect a change in market conditions. It was estimated that the value of forests fell by 8.7% from LTL 3,253 million at the end of 2011 to LTL 2,971 million at the end of 2012 because of falling prices of wood;
- » the book value of roads (LTL 6.5 billion at the end of 2011, LTL 6.7 billion at the end of 2012) was deducted from the book values of assets, equity and liabilities 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).

In this Report the total financial liabilities of the SOE portfolio and sectors as well as D/E ratio are indicated without the interest-free loan granted to Deposit and Investment Insurance by the Ministry of Finance. At the end of 2011, the outstanding amount of the loan comprised LTL 2,979 million, and at the end of 2012 it stood at LTL 2,252 million. However, this loan was used to cover the deficit of the Deposit Insurance Fund, therefore the loan amount has not been included in the total financial liabilities of the SOEs.

The aggregate earnings before interest, tax, depreciation and amortisation (EBITDA) of the SOEs portfolio and sectors were calculated by adding depreciation and amortisation costs to the operating profit or loss (which includes the result of all activities). EBITDA provided by the companies are specified in the descriptions of the enterprises.

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 (losses) 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 (by reducing the net loss) and reducing the amount of profit tax (15%), or by the entire amount of non-standard taxes provided that the enterprises did not pay profit tax following the procedure laid down in legal acts. 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 net profit (losses) of the last twelve months 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 2012 is calculated on the basis of profit earned by the company between 1 January 2012 and 31 December 2012. Accordingly, the equity average values are calculated on the basis of book values of equity on 1 January 2012 and 31 December 2012.

Financial results of the SOEs in 2011 and 2012 were affected by the losses accounted for due to bankrupt banks Snoras and Ūkio Bankas. As for the better comparability of the data, the normalised net profit after elimination of non-standard taxes and the effect of bankruptcy of Snoras and Ūkio Bankas is indicated in the overviews of the SOE portfolio and sectors of the Report. The effect of bankrupt banks is eliminated from the net profit after elimination of non-standard taxes, by adding losses

included in the financial and operating costs of the enterprises resulting from the impairment of the financial asset (write-off). As such costs are not considered allowable deductions under the Law on Corporate Income Tax (i.e. the amount of revenue taxed by profit tax is not reduced by said costs), the entire amount of costs is added when adjusting the net profit, i.e. it is not reduced by a share of profit tax.

The net profit margin, ROE and ROA indicated in the Report have been calculated by using the values of the normalised profit. Moreover, in order to unify the data, all losses related to bankruptcy of said banks referred to in the overviews of the SOE portfolio and sectors in accordance with the International Financial Reporting Standards have been included in the costs

of financial and investing activities, although some SOEs, which apply the Accounting Standards for Business Enterprises, included said losses in the operating costs. Losses indicated in the tables provided in descriptions of the enterprises resulting from bankruptcies of the banks are not eliminated from the operating costs, i.e. all groups of costs are illustrated as indicated in financial tables provided by the enterprises.

Dividends and profit contributions declared by SOEs when distributing the profit of 2012 are indicated in the Report on the basis of the data provided by SOEs by 1 July 2013, whereas the compositions of the boards of SOEs – on the basis of the data provided by 1 June 2013.

This Annual Report has been prepared by the State-Owned Enterprises Governance Coordination Department of the State Enterprise State Property Fund in accordance with the requirements and provisions of Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 on Approving the Guidelines Aimed at Ensuring the Transparency of Operations of State-Owned Enterprises and Appointing the Coordinating Body (recast effective as of 11 March 2013); and Resolution No 665 of 5 June 2012 on Approving the Specification of the Procedure for the Implementation of Property and Non-Property Rights of the State in State-Owned Enterprises.

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 Statistics Lithuania, State Forest Survey Service, National Control Commission for Prices and Energy, Communications Regulatory Authority, Lithuanian Road Administration, Directorate General of State Forests, Lithuanian Forest Cluster, Eurostat and NASDAQ OMX Vilnius Stock Exchange. Information provided in 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	Group	Category	Sales revenue in 2012, LTL '000	Assets as of 31 Dec 2012, LTL '000
1	UAB Visagino Atominė Elektrinė <sup>1</sup>	100%	Ministry of Finance	Energy	1B	I	2,826,381	11,861,371
1a	AB Lietuvos Energija	96.1%	UAB Visagino Atominė Elektrinė	Energy	1B	I	1,443,814	3,864,576
1b	AB LESTO	82.6%	UAB Visagino Atominė Elektrinė	Energy	1B	I	2,283,653	5,170,511
2	UAB EPSO-G <sup>2</sup>	100%	Ministry of Energy	Energy	1B	I	508,367	2,495,292
2a	AB LITGRID <sup>3</sup>	97.5%	UAB EPSO-G	Energy	1B	I	508,367	2,494,670
3	AB Klaipėdos Nafta	72.3%	Ministry of Energy	Energy	1B	I	138,881	560,010
4	VĮ Energetikos Agentūra	-	Ministry of Energy	Energy	2	V	0	3,373
5	VĮ Ignalinos Atominė Elektrinė <sup>4</sup>	-	Ministry of Energy	Energy	2	III	483	1,791,416
6	VĮ Radioaktyviųjų Atliekų Tvarkymo Agentūra	-	Ministry of Energy	Energy	2	V	83	1,601
7	VĮ Visagino Energija	-	Ministry of Economy	Energy	1A	I	75,428	209,228
8	UAB Geoterma	99.1%	State Property Fund	Energy	1A	IV	16,994	45,468
9	AB Lietuvos Geležinkeliai	100%	Ministry of Transport and Communication	Transport	1B	I	1,737,019	5,419,146
10	AB Lietuvos Jūrų Laivininkystė	56.7%	Ministry of Transport and Communication	Transport	1A	I	83,874	204,707
11	AB Lietuvos Paštas	100%	Ministry of Transport and Communication	Transport	1B	I	190,695	226,566
12	AB Smiltynės Perkėla	99%	Ministry of Transport and Communication	Transport	1B	IV	13,894	39,155
13	VĮ Oro Navigacija	-	Ministry of Transport and Communication	Transport	2	II	84,474	170,298
14	VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija	-	Ministry of Transport and Communication	Transport	1B	I	167,002	1,637,360
15	VĮ Kauno Aerouostas	-	Ministry of Transport and Communication	Transport	1B	III	9,334	162,440
16	VĮ Tarptautinis Palangos Oro Uostas	-	Ministry of Transport and Communication	Transport	1B	III	4,675	143,195
17	VĮ Tarptautinis Vilniaus Oro Uostas	-	Ministry of Transport and Communication	Transport	1B	I	51,268	327,451
18	VĮ Transporto Ir Kelių Tyrimo Institutas	-	Ministry of Transport and Communication	Transport	2	V	6,907	12,095
19	VĮ Vidaus Vandens Kelių Direkcija	-	Ministry of Transport and Communication	Transport	2	IV	9,972	83,204
20	VĮ Automagistralė	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	29,797	47,850
21	VĮ Alytaus Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	14,863	27,591
22	VĮ Kauno Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	31,199	53,381
23	VĮ Klaipėdos Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	19,600	32,011
24	VĮ Marijampolės Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	14,716	29,977
25	VĮ Panevėžio Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	27,445	45,382
26	VĮ Šiaulių Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	35,864	60,082
27	VĮ Tauragės Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	15,031	27,502
28	VĮ Telšių Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	13,827	30,958
29	VĮ Utenos Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	22,456	36,253

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Sales revenue in 2012, LTL '000	Assets as of 31 Dec 2012, LTL '000
30	VĮ Vilniaus Regiono Keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport	2	II	29,547	43,188
31	AB Autoūkis	87.4%	State Property Fund	Transport	1A	V	4,485	9,443
32	VĮ Valstybinis Miškotvarkos Institutas	-	Ministry of Environment	Forestry	1A	V	7,716	4,701
33	VĮ Alytaus Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	7,401	11,003
34	VĮ Anykščių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	9,708	13,280
35	VĮ Biržų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	14,087	12,649
36	VĮ Druskininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	6,638	8,544
37	VĮ Dubravos Eksperimentinė-Mokomoji Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	8,219	19,007
38	VĮ Ignalinos Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	8,124	8,393
39	VĮ Jonavos Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	9,821	11,306
40	VĮ Joniškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	8,397	10,150
41	VĮ Jurbarko Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	15,860	23,067
42	VĮ Kaišiadorių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	12,746	15,440
43	VĮ Kauno Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	9,494	12,976
44	VĮ Kazlų Rūdos Mokomoji Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,967	11,563
45	VĮ Kėdainių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,804	20,597
46	VĮ Kretingos Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	16,788	25,319
47	VĮ Kupiškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	5,925	4,469
48	VĮ Kuršėnų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	10,479	16,090
49	VĮ Marijampolės Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	10,039	7,504
50	VĮ Mažeikių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	14,670	11,441
51	VĮ Nemenčinės Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,100	11,395
52	VĮ Pakruojo Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	10,451	7,376
53	VĮ Panevėžio Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	III	20,294	22,726
54	VĮ Prienų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	11,853	14,460
55	VĮ Radviliškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	11,449	13,828
56	VĮ Raseinių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	10,114	11,018
57	VĮ Rietavo Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	10,837**	9,902
58	VĮ Rokiškio Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	10,443	7,924
59	VĮ Šakių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,164	11,884
60	VĮ Šalčininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	11,469	14,596
61	VĮ Šiaulių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,558	13,419
62	VĮ Šilutės Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	13,714	15,068
63	VĮ Švenčionių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	16,061	16,827
64	VĮ Tauragės Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	17,779	22,592
65	VĮ Telšių Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	14,785	15,638
66	VĮ Tytuvėnų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	7,639	8,126
67	VĮ Trakų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	16,470	17,350
68	VĮ Ukmergės Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	18,029	20,428
69	VĮ Utenos Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	6,310	5,344
70	VĮ Valkininkų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	10,637	13,806
71	VĮ Varėnos Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	9,349	13,725
72	VĮ Veisiejų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	9,551	9,758
73	VĮ Vilniaus Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	IV	15,185	18,775
74	VĮ Zarasų Miškų Urėdija	-	Directorate General of State Forests	Forestry	1B	V	6,356	6,680
75	UAB Projektų Ekspertizė	100%	Ministry of Environment	Other	1A	V	1,558	2,963
76	VĮ Statybos Produkcijos Sertifikavimo Centras	-	Ministry of Environment	Other	1B	V	3,277	3,711
77	VĮ Lietuvos Naftos Produktų Agentūra	-	Ministry of Energy	Other	2	I	79,215**	396,139
78	UAB Būsto Paskolų Draudimas	100%	Ministry of Finance	Other	1B	IV	7,104	92,431
79	VĮ Indėlių Ir Investicijų Draudimas	-	Ministry of Finance	Other	2	III	1,470	220,474
80	VĮ Lietuvos Prabavimo Rūmai	-	Ministry of Finance	Other	2	V	1,703	12,117



No	Enterprise	State interest*	Accountability	Sector	Group	Category	Sales revenue in 2012, LTL '000	Assets as of 31 Dec 2012, LTL '000
81	VĮ Turto Bankas	-	Ministry of Finance	Other	2	III	5,611	307,128
82	VĮ Prie Alytaus Pataisos Namų	-	Prison Department	Other	1B	V	4,238	4,533
83	VĮ Prie Marijampolės Pataisos Namų	-	Prison Department	Other	1B	V	5,222	12,168
84	VĮ Prie Pravieniškių 1-ųjų Pataisos Namų	-	Prison Department	Other	1B	IV	16,997	13,087
85	UAB Lietuvos Kinas	100%	Ministry of Culture	Other	2	V	2,098	4,894
86	VĮ Vilniaus Pilių Direkcija	-	Ministry of Culture	Other	2	III	857	267,965
87	VĮ Lietuvos Paminklai	-	Department of Cultural Heritage	Other	2	IV	33,044	2,716
88	UAB Respublikinė Mokomoji Sportinė Bazė	100%	Department of Physical Education and Sports	Other	1A	V	254	461
89	UAB Sportininkų Testavimo Ir Reabilitacijos Centras	100%	Department of Physical Education and Sports	Other	2	V	279	1,594
90	UAB Lietuvos Monetų Kalykla	100%	Bank of Lithuania	Other	1B	IV	10,977	21,138
91	VĮ Valstybės Turto Fondas	-	Government of the Republic of Lithuania	Other	2	V	3,764	12,879
92	AB Informacinio Verslo Paslaugų Įmonė	51.7%	Statistics Lithuania	Other	1A	V	2,397	3,737
93	VĮ Distancinių Tyrimų Ir Geoinformatikos Centras Gis-centras	-	National Land Service	Other	2	V	1,201	6,609
94	UAB Baldžio Šilas	70.6%	Department for the Affairs of the Disabled	Other	1A	V	2,222	7,635
95	VĮ Seimo Leidykla Valstybės Žinios	-	Office of the Parliament	Other	2	V	4,390	7,223
96	AB Detonas	100%	Ministry of Transport and Communication	Other	1B	V	6,880	14,500
97	AB Geležinkelio Apsaugos Želdiniai	100%	Ministry of Transport and Communication	Other	2	V	217	4,769
98	AB Problematika	100%	Ministry of Transport and Communication	Other	1A	IV	13,414	26,183
99	AB Lietuvos Radijo Ir Televizijos Centras	100%	Ministry of Transport and Communication	Other	1B	II	74,228	136,408
100	UAB Universiteto Vaistinė	100%	Ministry of Health	Other	1A	V	10,150	4,674
101	AB Mintis	80.7%	Ministry of Education and Science, Ministry of Economy	Other	1A	V	722	1,744
102	UAB Kauno Petrašiūnų Darbo Rinkos Mokymo Centras	54.2%	Ministry of Education and Science, Ministry of Economy	Other	2	V	1,671	2,969
103	UAB Lietuvos Tyrimų Centras	100%	Ministry of Education and Science, Ministry of Economy, Ministry of Economy	Other	2	V	0	18,179
104	VĮ Registrų Centras	-	Ministry of Justice	Other	2	II	92,967	70,321
105	AB Giraitės Ginkluotės Gamykla	100%	Ministry of Economy	Other	1A	III	20,454	64,021
106	UAB Investicijų Ir Verslo Garantijos	100%	Ministry of Economy	Other	2	IV	6,479	46,372
107	UAB Toksika	92.5%	Ministry of Economy	Other	1A	IV	4,105	96,139
108	UAB Lietuvos Parodų Ir Kongresų Centras LITEXPO	98.8%	Ministry of Economy	Other	1A	IV	12,904	44,719
109	VĮ Visagino Statybininkai	-	Ministry of Economy	Other	1A	V	1,720	9,009
110	VĮ Poilsio Namai Baltija	-	Ministry of Economy	Other	1A	V	5,671	7,411
111	AB Klaipėdos Metrologijos Centras	100%	State Metrology Service	Other	1B	V	1,720	2,880
112	AB Šiaulių Metrologijos Centras	100%	State Metrology Service	Other	1B	V	1,135	1,624
113	AB Vilniaus Metrologijos Centras	100%	State Metrology Service	Other	1B	V	5,597	10,032
114	VĮ Kauno Metrologijos Centras	-	State Metrology Service	Other	1B	V	2,504	3,640
115	VĮ Panevėžio Metrologijos Centras	-	State Metrology Service	Other	1B	V	1,384	1,367
116	UAB Senevita	100%	State Social Insurance Fund Board	Other	1A	V	5,034	3,581
117	UAB Sanatorija Pušyno Kelias	100%	State Social Insurance Fund Board	Other	1A	V	5,569	7,572
118	VĮ Infostruktūra	-	Ministry of the Interior	Other	1B	III	30,762	22,929
119	VĮ Regitra	-	Ministry of the Interior	Other	2	II	77,568	58,209
120	AB Jonavos Grūdai	70.1%	Ministry of Agriculture	Other	1B	IV	14,671	21,831
121	AB Lietuvos Veislininkystė	98.8%	Ministry of Agriculture	Other	1A	V	4,531**	9,687
122	UAB Gyvulių Produktyvumo Kontrolė	100%	Ministry of Agriculture	Other	1A	V	10,548**	3,851
123	UAB Lietuvos Žirgynas	88.6%	Ministry of Agriculture	Other	1A	V	2,495**	7,790

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Sales revenue in 2012, LTL '000	Assets as of 31 Dec 2012, LTL '000
124	UAB Panevėžio Veislininkystė	97%	Ministry of Agriculture	Other	1A	V	294	703
125	UAB Šeduvos Avininkystė	100%	Ministry of Agriculture	Other	1A	V	680**	1,820
126	UAB Šilutės Polderiai	81.0%	Ministry of Agriculture	Other	1A	V	10,623	4,478
127	UAB Šilutės Veislininkystė	96.5%	Ministry of Agriculture	Other	1A	V	1,386**	2,826
128	UAB Valstybinė Projektų Ir Sąmatų Ekspertizė	100%	Ministry of Agriculture	Other	1A	V	517	510
129	UAB Aerogeodezijos Institutas	99.8%	Ministry of Agriculture	Other	1A	V	2,474	8,120
130	UAB Dotnuvos Eksperimentinis Ūkis	100%	Ministry of Agriculture	Other	1A	V	6,505**	6,720
131	UAB Klaipėdos žuvininkystės Produktų Aukcionas	100%	Ministry of Agriculture	Other	1A	V	544	3,539
132	UAB Upytės Eksperimentinis Ūkis	100%	Ministry of Agriculture	Other	1A	V	7,028**	8,607
133	UAB Žemės Ūkio Paskolų Garantijų Fondas	100%	Ministry of Agriculture	Other	1B	III	2,404	131,991
134	VĮ Pieno Tyrimai	-	Ministry of Agriculture	Other	1B	IV	13,725	19,542
135	VĮ Lietuvos žemės ūkio Ir Maisto Produktų Rinkos Reguliavimo Agentūra	-	Ministry of Agriculture	Other	2	V	699	7,841
136	VĮ Valstybės Žemės Fondas	-	Ministry of Agriculture	Other	1B	IV	13,352	28,954
137	VĮ Žemės Ūkio Informacijos Ir Kaimo Verslo Centras	-	Ministry of Agriculture	Other	2	V	2,088	14,259

#### Enterprises that are not SOEs but have a state-owned share that is included in the SOE portfolio:

1	AB Lietuvos Dujos <sup>6</sup>	17.7%	Ministry of Energy	Energy	-	-	1,872,714	2,928,183
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#### Enterprises that have been privatized since the beginning of 2012:

1	UAB Eismo Sauga (privatized in July 2012)	100%	State Property Fund	Transport	1A	-	N/A	N/A
2	UAB Palangos Žvorūnė (privatized in June 2012)	100%	State Social Insurance Fund Board	Other	1A	-	N/A	N/A
3	UAB Vilniaus Veterinarijos Klinikinė Ligoninė (privatized in December 2012)	100%	State Property Fund	Other	1A	-	N/A	N/A
4	UAB Kauno Naujamiesčio Darbo Rinkos Mokymo Centras (privatized in December 2012)	78.5%	State Property Fund	Other	2	-	N/A	N/A

#### Enterprises undergoing liquidation or bankruptcy:

1	UAB Visagino Energetikos Remontas	100%	Ministry of Energy	Energy	1A	-	N/A	N/A
2	VĮ Pajūrio Vėtrungė	-	Ministry of Economy	Other	1A	-	N/A	N/A
3	UAB Žurnalas Sveikata	100%	Vilnius Regional Patient Fund	Other	1A	-	N/A	N/A

\* 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> Implementing the Third Energy Package Directive of the European Parliament, the shares in UAB Visagino Atominė Elektrinė were transferred from the Ministry of Energy, which had held them in trust until that date, to the Ministry of Economy on 27 September 2012. This Report contains consolidated data of the VAE group, which had also managed Litgrid until 27 September 2012.

<sup>2</sup> EPSO-G was established on 25 July 2012.

<sup>3</sup> The shares in Litgrid, which had been held by VAE until 27 September 2012, were transferred to EPSO-G.

<sup>4</sup> The state enterprise Ignalina Nuclear Power Plant is in the decommissioning stage (production was carried out until 31 December 2009).

<sup>5</sup> The state enterprise Visagino Statybininkai is an enterprise undergoing restructuring.

<sup>6</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.

# Financial Results of SOEs Not Included Into the SOE Portfolio

UAB UNIVERSITETO VAISTINĖ			UAB LIETUVOS TYRIMŲ CENTRAS		
State-owned share		100%	State-owned share		100%
<b>PROFIT AND LOSS STATEMENT (LTL '000)</b>			<b>PROFIT AND LOSS STATEMENT (LTL '000)</b>		
	2011	2012		2011	2012
<b>Sales revenue</b>	<b>10,527</b>	<b>10,150</b>	<b>Sales revenue</b>	<b>0</b>	<b>0</b>
Costs of good sold	7,894	7,413	Costs of good sold	0	0
<b>Gross profit (loss)</b>	<b>2,633</b>	<b>2,738</b>	<b>Gross profit (loss)</b>	<b>0</b>	<b>0</b>
Operating expenses	2,532	2,528	Operating expenses	3,423	723
Profit (loss) from other activities	4	0	Profit (loss) from other activities	0	0
<b>Operating profit (loss)</b>	<b>105</b>	<b>210</b>	<b>Operating profit (loss)</b>	<b>-3,423</b>	<b>-723</b>
<b>EBITDA</b>	<b>129</b>	<b>274</b>	<b>EBITDA</b>	<b>-3,409</b>	<b>-689</b>
Financial and investment activities	7	3	Financial and investment activities	-2,038	154
<b>Profit (loss) before taxes</b>	<b>112</b>	<b>213</b>	<b>Profit (loss) before taxes</b>	<b>-5,462</b>	<b>-569</b>
Profit tax	0	0	Profit tax	0	0
<b>Net profit</b>	<b>112</b>	<b>213</b>	<b>Net profit</b>	<b>-5,462</b>	<b>-569</b>
Net profit margin	1.2%	1.2%	Net profit margin	-	-
<b>BALANCE SHEET (LTL '000)</b>			<b>BALANCE SHEET (LTL '000)</b>		
	31 Dec 2011	31 Dec 2012		31 Dec 2011	31 Dec 2012
<b>Non-current assets</b>	<b>2,503</b>	<b>2,435</b>	<b>Non-current assets</b>	<b>17,713</b>	<b>17,885</b>
<b>Current assets</b>	<b>2,254</b>	<b>2,239</b>	<b>Current assets</b>	<b>791</b>	<b>294</b>
Cash and cash equivalents	84	637	Cash and cash equivalents	354	252
<b>Total assets</b>	<b>4,757</b>	<b>4,674</b>	<b>Total assets</b>	<b>18,504</b>	<b>18,179</b>
<b>Total equity</b>	<b>3,748</b>	<b>3,874</b>	<b>Total equity</b>	<b>-1,578</b>	<b>-547</b>
<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>	<b>Grants and subsidies</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>1,009</b>	<b>800</b>	<b>Liabilities</b>	<b>20,082</b>	<b>18,727</b>
Of which financial liabilities	0	0	Of which financial liabilities	12,800	2,463
<b>Total equity and liabilities</b>	<b>4,757</b>	<b>4,674</b>	<b>Total equity and liabilities</b>	<b>18,504</b>	<b>18,179</b>
<b>RATIOS</b>			<b>RATIOS</b>		
	31 Dec 2011	31 Dec 2012		31 Dec 2011	31 Dec 2012
ROA	5.5%	4.5%	ROA	-56.9%	-3.1%
ROE	7.0%	5.6%	ROE	-	-
D/E	0.0%	0.0%	D/E	-	-
<b>RETURN TO THE STATE (LTL '000)</b>			<b>RETURN TO THE STATE (LTL '000)</b>		
	2011	2012		2011	2012
Allocated dividends (in total)	86	183	Allocated dividends (in total)	0	0
<b>EMPLOYEE INFORMATION</b>			<b>EMPLOYEE INFORMATION</b>		
	2011	2012		2011	2012
Number of employees (at the end of the reference period)	50	43	Number of employees (at the end of the reference period)	8	3
Number of employees holding managerial positions (at the end of the reference period)	5	5	Number of employees holding managerial positions (at the end of the reference period)	2	1

AB LIETUVOS VEISLININKYSTĖ	
State-owned share	98.8%
<b>PROFIT AND LOSS STATEMENT (LTL '000)</b>	<b>2012</b>
Sales revenue	4,531
Costs of good sold	2,510
Gross profit (loss)	2,021
Operating expenses	1,997
Profit (loss) from other activities	35
Operating profit (loss)	59
EBITDA	108
Financial and investment activities	-8
Profit (loss) before taxes	51
Profit tax	19
Net profit	32
Net profit margin	0.7%
<b>BALANCE SHEET (LTL '000)</b>	<b>31 Dec 2012</b>
Non-current assets	5,628
Current assets	4,059
Cash and cash equivalents	1,356
Total assets	9,687
Total equity	9,229
Grants and subsidies	56
Liabilities	402
Of which financial liabilities	0
Total equity and liabilities	9,687
<b>RATIOS</b>	<b>31 Dec 2012</b>
ROA	0.7%
ROE	0.7%
D/E	0.0%
<b>RETURN TO THE STATE (LTL '000)</b>	<b>2012</b>
Allocated dividends (in total)	29
<b>EMPLOYEE INFORMATION</b>	<b>2012</b>
Number of employees (at the end of the reference period)	66
Number of employees holding managerial positions (at the end of the reference period)	2

UAB LIETUVOS ŽIRGYNAS	
State-owned share	88.6%
<b>PROFIT AND LOSS STATEMENT (LTL '000)</b>	<b>2012</b>
Sales revenue	2,495
Costs of good sold	0
Gross profit (loss)	2,495
Operating expenses	2,473
Profit (loss) from other activities	0
Operating profit (loss)	22
EBITDA	393
Financial and investment activities	-11
Profit (loss) before taxes	11
Profit tax	1
Net profit	11
Net profit margin	0.4%
<b>BALANCE SHEET (LTL '000)</b>	<b>31 Dec 2012</b>
Non-current assets	6,339
Current assets	1,451
Cash and cash equivalents	106
Total assets	7,790
Total equity	4,858
Grants and subsidies	929
Liabilities	2,003
Of which financial liabilities	356
Total equity and liabilities	7,790
<b>RATIOS</b>	<b>31 Dec 2012</b>
ROA	0.3%
ROE	0.4%
D/E	7.3%
<b>RETURN TO THE STATE (LTL '000)</b>	<b>2012</b>
Allocated dividends (in total)	9
<b>EMPLOYEE INFORMATION</b>	<b>2012</b>
Number of employees (at the end of the reference period)	75
Number of employees holding managerial positions (at the end of the reference period)	4

# Abbreviations and Definitions

AB	Public Limited Liability Company
RES	Renewable energy sources
D/E	Debt to equity ratio
EBITDA	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)
EBITDA margin	Indicator derived by dividing the EBITDA (operating profit before depreciation and amortisation) by net turnover of the enterprise
OECD	The Organisation for Economic Co-operation and Development
EU	European Union
DGSF	Directorate General of State Forests under the Ministry of Environment
Net profit margin	Indicator derived by dividing the operational profit by net turnover
CSR	Corporate social responsibility means the business principles, pursuant to which companies independently seek to achieve social and environmental objectives, thus having regard to the interests of all parties concerned
LRA	Lithuanian Road Administration under the Ministry of Transport and Communications
M	Million
Non-standard taxes	Property tax and raw material tax
Normalised profit	Net profit, following the elimination of non-standard state taxes and the effect of the bankruptcies of the bank Snoras and Ūkio Bankas
Ownership Guidelines	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
VAS	Value added statement means a report which shows how much value or assets are created through joint efforts of the enterprise's equity owners, the management and employees and how it is distributed between different interested parties (employees, creditors, shareholders, the state, etc.) during the reference period
ROA	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 the end of the period
ROE	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 Grants and subsidies at the beginning and the end of the period
Transparency Guidelines	Procedures for ensuring transparent operations of state-owned enterprises approved by Resolution No 1052 of the Government of the Lithuania 14 July 2010
Property tax	Tax paid by state enterprises for the use of entrusted state property
UAB	Private limited liability company
UPS	Universal postal services
VAE	UAB Visagino atominė elektrinė (Visaginas Nuclear Power Plant)
Governance Coordination Centre (GCC)	A legal entity or institution appointed by the resolution of the Government of the Republic of Lithuania to observe and analyse the implementation of state policy in SOEs. Under Resolution No. 665 of 6 June 2012 of the Government of the Republic of Lithuania, the corporate governance functions were assigned to the state enterprise State Property Fund
Operating profit margin	Indicator derived by dividing the operating profit by net turnover
PSO	Public service obligations
VĮ (SE)	State enterprise
NCCPE	National Control Commission for Prices and Energy
SOE	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 ½ of all votes at the general meeting of shareholders of the company)
Government	Government of the Republic of Lithuania
Wh	Energy measurement unit used to measure electricity used or generated by electrical devices (kilowatt-hour = 10 <sup>3</sup> Wh, terawatt = 10 <sup>12</sup> Wh)
Raw material tax	Mandatory deductions from roundwood and stumpage sales paid by forest enterprises

# For Notes



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