STATE-OWNED ENTERPRISES IN LITHUANIA

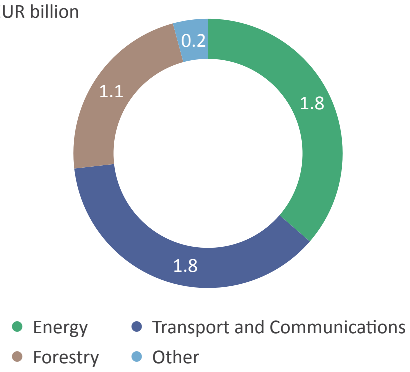
ANNUAL REPORT 2014

SOE Portfolio: Brief Overview

SOE portfolio value

31 December 2014	**4.9**	**+11.1%**
31 December 2013	4.4	

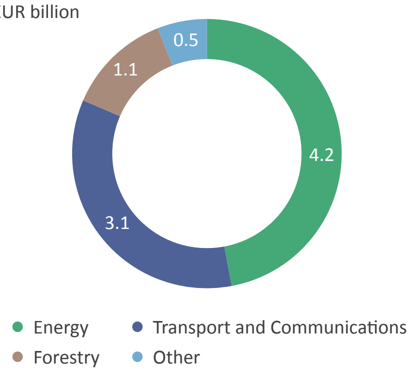
EUR billion



SOE portfolio value of book assets

31 December 2014	**9.0**	**+0.9%**
31 December 2013	8.9	

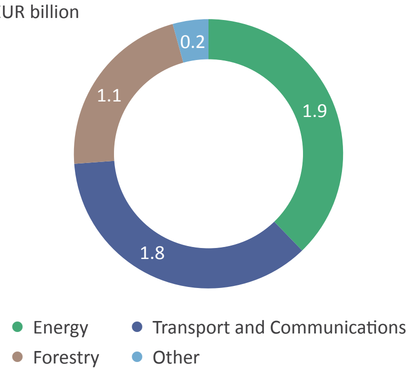
EUR billion



SOE portfolio equity value

31 December 2014	**5.1**	**-4.0%**
31 December 2013	5.3	

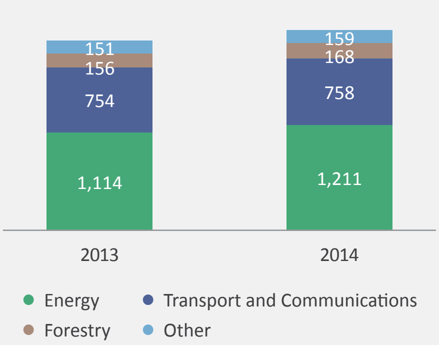
EUR billion



SOE portfolio sales revenue

2014	**2,296.1**	**+5.6%**
2013	2,175.1	

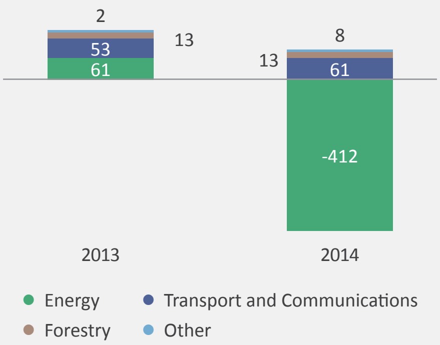
EUR million



SOE portfolio operating profit

2014	**-330.6**	**-**
2013	128.8	

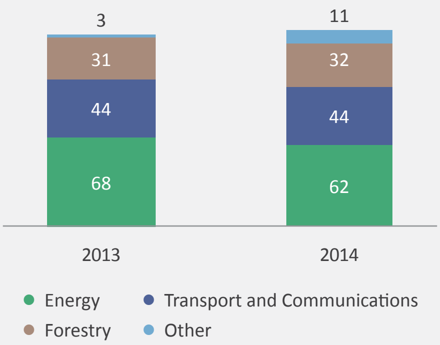
EUR million



SOE portfolio normalised net profit

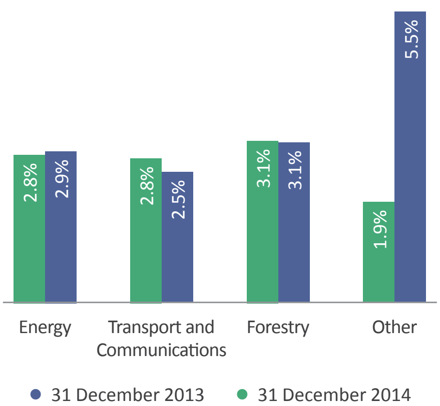
2014	**148.9**	**+1.9%**
2013	146.1	

EUR million



SOE portfolio normalised ROE

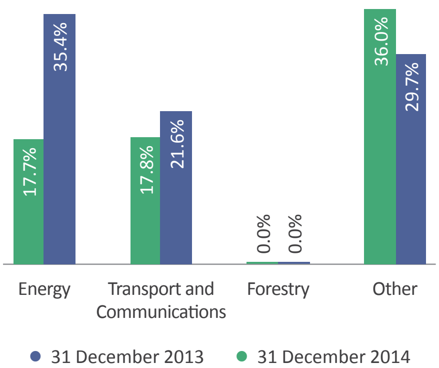
31 December 2014	**2.9%**
31 December 2013	2.8%



SOE portfolio financial leverage

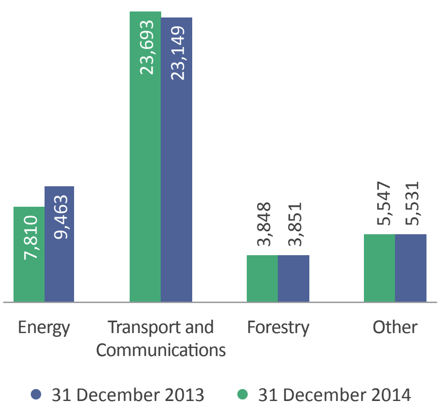
31 December 2014	**22.4%**
31 December 2013	14.9%

Excluding the interest-free loan to Deposit and Investment Insurance



SOE employees

31 December 2014	**41,994**	**+2.7%**
31 December 2013	40,898	



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The Report is available online at vkc.turtas.lt/en
State-Owned Enterprises Governance Coordination Centre
SE Turto Bankas
Vilniaus st. 16, 01402 Vilnius
Phone: 8 5 269 0025, e-mail: vkc@turtas.lt

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Dear all,

I am pleased to present the sixth annual report on state-owned enterprises, with the information which covers 131 state-owned enterprises and data on their assets, performance results and dynamics in performance efficiency.

In 2014, state-owned enterprises have remained an important element of the Lithuanian economy: the contribution to the country's economy amounted to 3% of gross domestic product. In 2014, these companies earned about EUR 2.3 billion in revenue, which is 5.6% more than in 2013. In addition, net normalized profit grew by almost 2% and amounted to nearly EUR 150 million, while estimated market value increased by 11%, up to almost EUR 5 billion.

State-owned enterprises keep performing a vitally important mission ensuring that transport and energy infrastructure promotes sustainable long-term economic development and serves the strategic interests of the state. Carrying out this mission, the enterprises have continued successful implementation of the Rail Baltica, Swedish and Polish power link, and other strategic investment projects.

Klaipėdos Nafta could be named separately; company completed the construction of liquefied natural gas terminal in 2014. LNG Floating Storage Regasification Unit Independence was successfully moored to the liquefied natural gas (LNG) terminal quay in October 2014.

To achieve successful implementation of strategic projects and sustainable long-term growth of state-owned enterprises, we have to ensure that these enterprises are transparent and accountable to the Government and the public and that their governance is compliant with the best international practice. During the implementation we are engaged in constant cooperation with the Organisation for Economic Co-operation and Development (OECD). As we strive for membership in this organisation, we are committed to further implement the enhancement of corporate governance transparency, setting of clear objectives, governance depoliticisation and other international good governance practices. Following these guidelines we continue the separation of commercial and non-commercial (special obligations) functions launched in 2013, while clearing out the benefits of separation of these functions from commercial activities to the state, market participants and state-owned enterprises themselves. In the future this will allow ensuring a transparent and efficient management of important social functions and execution of strategic national projects.

Another major step was taken in order to create professional and depoliticised boards of the enterprises. At the beginning of 2015 amendment to legislation came into force allowing not only public and private limited liability companies, but state enterprises as well to attract competent and independent professionals to their boards. This will increase the efficiency of performance of these enterprises, and thus create greater value to the State. I believe that implementation of good governance in state-owned enterprises will ensure that state-owned enterprises would become an example for all Lithuanian enterprises.

Yours sincerely,
Evaldas Gustas
Minister of Economy

Lithuanian State Ownership Policy: An Overview

Examples of many foreign countries demonstrate that state-owned enterprises (SOEs) can operate efficiently, bring benefits to their customers and compete on the market successfully, while their operating results can equal or even surpass those of private companies. Modern and effectively functioning SOEs may contribute significantly to state budgets, and the additional funds may be distributed to various areas, ranging from pensions and remuneration for teachers and doctors to important state-scale investment projects. At the same time, these companies, after establishing modern governance models, become an example of transparent and accountable business, thus promoting a sustainable development of the economy. The aim of turning state-owned enterprises into modern and effective companies requires great responsibility and long-term professional supervision of SOEs. It is important that the state has a clear ownership policy and establishes high transparency requirements for these enterprises.

State Ownership Policy

The general experience of foreign states shows that implementing good governance into SOEs is an important but complicated endeavour. Its main challenge is striking the balance between the state's commitment to actively perform its ownership functions (such as setting financial and other goals, and monitoring) and the unbiased regulation of a sector in which the enterprise operates.

For these reasons, various countries adopt legislation laying down an ownership policy that clearly defines the rights and duties of all state institutions, offices and undertakings participating in SOE governance. Documents setting the ownership policy also define a procedure used to determine remuneration for members of collegial governing bodies, formalise the principles for their selection, and indicate the expected SOE results. By establishing clear ownership functions, the state seeks to become an active owner of its property: it would set the goals for the enterprises, demand effective operations and good results from them, but would not interfere with their every-day business.

Transparency Guidelines

- Specifies information to be disclosed by all SOEs about their activities, and the time limit for the provision of such information
- Obligates SOEs to prepare interim financial statements
- Obligates all SOEs to apply International Accounting Standards to their accounting practices
- Obligates enterprises to provide information on special obligations performed
- Obligates enterprises to provide information about the previous year salary of executives, evaluation indicators for determination of variable rates applied and their implementation
- Obligates the coordinating institution (Governance Coordination Centre) to prepare aggregate reports on SOEs and their operations

Ownership Guidelines

- Defines the functions of the Governance Coordination Centre (GCC), and assigns the performance of GCC functions to SE Turto Bankas
- Obligates institutions representing the state to separate the ownership implementation and SOE regulatory functions
- Groups all SOEs, sets objectives for each group, and obligates SOEs to prepare strategies and comply with them
- Obligates the largest SOEs to have boards and key committees
- Obligates the largest state-owned limited liability companies to have independent board members on boards, sets requirements for applicants and shapes procces of their selection

OECD *Guidelines*

In 2005, the Organisation for Economic Cooperation and Development (OECD) adopted the *Guidelines on Corporate Governance of State-Owned Enterprises* (new version released on 8 July 2015), a document defining the key principles of SOE governance. These *Guidelines* represent an agreement among the most advanced and economically developed countries and have been recognised as an international benchmark. The *Guidelines* are available on the OECD website at www.oecd.org.

The OECD *Guidelines* provide concrete suggestions on how different SOE governance problems can be solved. For example, they suggest that the state should define its ownership policy and clearly separate the ownership implementation and regulatory functions. The *Guidelines* also describe the exemplary roles of members of the SOE collegial bodies (boards and supervisory boards) and provide recommendations for their composition and selection procedures. The document stresses the necessity to establish equal competition conditions for SOEs and private sector companies, to take into account the interests of all SOE shareholders and related parties, and to seek the greatest possible transparency of SOEs. These and other suggested changes would help the states to ensure professional governance of their enterprises. The principles laid down in the OECD recommendations must be implemented by all states that seek membership in this organisation. The reorganization of the SOE governance in Lithuania was also largely based on the recommendations from these *Guidelines*.

Key Legal Acts in Lithuania

For a long time after Lithuania regained independence, SOEs in the country have barely undergone any changes: there was lack of transparency, no one set high goals for the enterprises, and there was no single centralised institution that would analyse the activities of SOEs. In 2009, the Ministry of Economy prepared an overview of Lithuania SOEs, which showed that the efficiency of SOE operations was inadequate.

Based on this overview, a concept for the enhancement of efficiency of SOEs was prepared. This document established the lines for SOE governance reform in order to enhance the efficiency of enterprises and defined the principles and expected results of this reform.

Based on the OECD recommendations and on the good international practice, on 14 July 2010, the Government passed a resolution No 1052, which laid down the *guidelines* for ensuring the transparency of operations of SOEs and appointed a coordinating body (referred to as the *Transparency Guidelines*), and 6 June 2012 Resolution No 665, which approved the procedure for the implementation of property and non-property rights of the state at state-owned enterprises (referred to as the *Ownership Guidelines*). The first resolution laid down high transparency and accountability standards for all SOEs, whereas the second one defined the Government ownership policy with respect to SOEs. The *Ownership Guidelines* provided principles that should be followed in defining strategic and financial objectives, appointing board members, separating ownership implementation and regulatory functions, etc. The *Ownership Guidelines* enshrined three essential measures for enhancing SOE governance – strong shareholders, strong management and clear objectives.

Lithuanian Ownership Policy

1. Application of the Ownership Guidelines

The provisions laid down in the *Ownership Guidelines* are compulsory and must be followed by all state institutions participating in SOE governance. The rule of 'comply or explain' applies to some of the provisions of the *Ownership Guidelines*, which means that any deviation from these provisions is possible only when that is required for objective reasons: in such cases each deviation must have a rational justification and explanation.

2. Governance Coordination Centre

To ensure consistent and professional SOE governance, the Government has adopted a decision to establish the Governance Coordination Centre (GCC) – an institution which would monitor and analyse how well the state policy toward SOEs is implemented. Under the *Ownership Guidelines*, the performance of GCC functions was assigned to the State Property Fund which established a special division for this purpose in September 2012. On 1 October 2014 the State Property Fund was incorporated into Turto Bankas and Turto bankas was commissioned to carry out the functions of GCC. Before the *Ownership Guidelines*, the responsibilities of SOEs' coordination and collection of relevant information fell under the competency of the Ministry of Economy.

The *Ownership Guidelines* define the essential GCC functions. The GCC has the duty of analysing financial and non-financial information disclosed by SOEs and the trends of activities of these enterprises, and publishing aggregate SOE reports. The GCC also coordinates the implementation of the good practice of strategic planning in state-owned enterprises, assesses the ambitiousness of strategic objectives set by SOEs and monitors strategy implementation indicators. The centre takes part in the process of nominating board members: upon request from institutions representing the state, the GCC provides technical services to them in the search for and selection of board members. Finally, the GCC evaluates compliance with the *Ownership Guidelines* and the *Transparency Guidelines* and submits its opinion and recommendations to the Government.

3. Clear Objectives

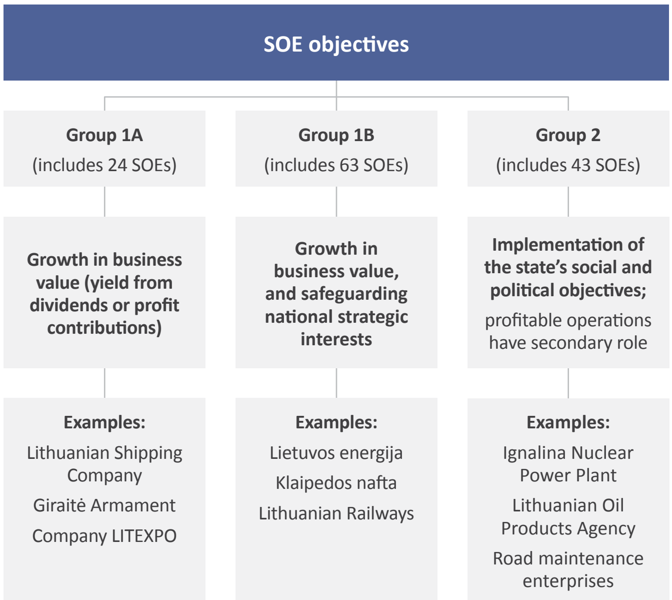
Seeking to make SOEs operate as efficiently as possible, the states must clearly identify objectives set for SOEs, while these objectives have to be harmonised with the long-term strategies of the enterprises. To the greatest extent possible, the objectives must be quantifiable, and the enterprises should be subject to regular evaluation with respect to how they achieve the set objectives. SOEs can operate efficiently only when they clearly know what the state expects from them.

3.1. State objectives for SOEs

All Lithuanian SOEs were divided into three groups by the state objectives:

- Group 1A. This group includes enterprises from which the state expects growth in their business value and a yield from dividends or profit contributions.
- Group 1B. This group comprises companies, from which the state expects, in addition to growth in their business value and a yield from dividends or profit contributions, safeguarding of national strategic interests: national economic security, implementation of strategic projects, quality infrastructure and other objectives.
- Group 2. Governing the enterprises included in this group, the state gives priority to the implementation of social and political objectives, and profitable activities have a secondary role. The enterprises of this group must engage in non-commercial operations which other profit-making companies would refuse to perform or would do that for a higher price.

Having divided all SOEs into these three groups, the state has started to expect to achieve the pre-set return on its capital invested in Group 1A and Group 1B enterprises, the rate of which is calculated by the GCC and approved by the Government every three years. For 2013–2015, the Government set the minimum 5% average target return on equity for these enterprises (except forest enterprises), and the target average gross net profit of at least EUR 28 million for forest enterprises. With respect to enterprises assigned to Group 2, the state has begun demanding the most possible transparent and efficient use of funds in their operations.



3.2. SOE strategies

SOEs must have clear strategic plans that would serve as a means of communication between the Government, an institution implementing the shareholder rights, boards of enterprises and the management. The Government has obligated all SOEs to prepare their operational strategies for the minimum of three years and to update them at least once a year. The strategies must specify the lines along which enterprises will develop their activities, long- and short-term objectives and concrete indicators that would be used to measure the targets. The plans should also specify the effect of strategic projects on the value of an enterprise, their funding sources, analysis of the environment in which the enterprise operates, its available resources, etc.

By 15 November of each year, enterprises must present the projects of their strategies to the Governance Coordination Centre which provides feedback, recommendations and suggestions for their improvement.

4. Boards

One of the essential factors for profitable and effective operations of an enterprise is a competent, motivated and independent board. The board is the key governing body that sets a company's strategic priorities, evaluates management activities and ensures accountability of executives.

4.1. Compulsory Boards in Largest SOEs

The *Ownership Guidelines* divide all Lithuanian SOEs into five categories by revenue and the value of assets owned. Category 1 includes the largest SOEs (Lietuvos Energija, Klaipėdos Nafta, etc.), while Category 5 comprises the smallest SOEs. The *Guidelines* state that all SOEs of Category 1 or 2 and all SOEs of strategic importance must have active boards. The formation of boards at smaller SOEs (assigned to Categories 3, 4 and 5) is at the discretion of institutions representing the state.

4.2. Composition of Collegial Governing Bodies

The *Ownership Guidelines* have established that at a state-owned enterprise the majority of members of the collegial body elected by a general shareholders meeting (GSM) (in most companies this means a board, but in some energy enterprises the GSM elects a supervisory board and not a board) should include persons not employed at that enterprise. It is recommended that the CEO of the enterprise is not elected the Chairman of the board (if he/she has been elected a board member), except for those cases where SOE has a supervisory board.

It is noteworthy that the provisions of the *Ownership Guidelines* on the composition of collegial governing bodies and the described process of selection of candidates only apply to state-owned limited liability companies. The composition and selection of collegial governing bodies in state enterprises is regulated by State and Municipal Enterprise Law.

According to their legal form, all state-owned enterprises (SOEs) are divided into **state enterprises** and state-owned **public** and **private limited companies**.

State enterprises are companies established using state assets or by transferring them to the state under the procedure prescribed by law, and they are owned by the state. State enterprises use and dispose of assets transferred to and acquired by them in trust. Lithuania has 79 state enterprises.

State-owned public and private limited companies are private legal entities with limited liability in which all or part of shares are owned by the state. In Lithuania, 21 SOEs have the legal form of a public limited company and 31 SOEs have the legal form of a private limited company.

The *Ownership Guidelines* lay down the general and specific criteria which each candidate to members of a SOE collegial governing body must comply with, if so determined by the Selection Committee (it is dealt with in greater detail in section 4.3 of this part). The general criteria indicate that a candidate must have university education, he/she should not be deprived of the right to perform appropriate duties or this right should not be restricted, the candidate has not been suspended definitively from his/her duties during the last five years as a result of inappropriate performance of the duties, the candidate may not have unexpired convictions for any criminal act or be a civil servant who or whose relatives may be involved in conflict of public and private interests.

The specific criteria require members of a collegial body to have certain knowledge necessary for the enterprise. The Ownership Guidelines state that each collegial body elected by the SOE general shareholders meeting must include persons with knowledge of fields such as an appropriate economic sector, financial and strategic planning and management. Separate members of the collegial body may have not all the required knowledge and skills, but the collegial body as a unit must possess them all. Therefore, in search for new members for the collegial body, account must be taken of the available and missing competences.

The above-mentioned collegial bodies must have the capacity to take objective and independent decisions, which requires having the sufficient number of members who meet the independence criteria. The *Ownership Guidelines* contain a requirement that in state-owned enterprises of Categories 1 and 2 at least 1/3 of the GSM elected members should be independent. A member is considered to be independent if he/she is not a civil servant or an employee of an institution representing the state. Also, such a person or his/her close family member may have no or for the last few years may have had no employment relationships with the enterprise (except their possible membership in the collegial body), or any business and other contractual relationships.

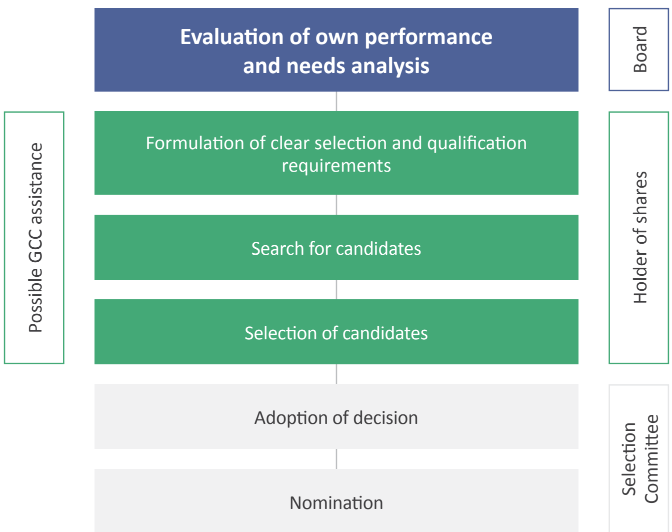
4.3. Selection of candidates in state-owned public and private limited company boards

Members of collegial bodies elected by the GSM in Category 1 and 2 state-owned enterprises must carry out their annual performance evaluation and needs analysis. This way it can be determined what competences the collegial body lacks to achieve the company's objectives. The results of the performance evaluation and needs analysis must be reported to the holder of shares and the GCC, which must forward the summary information with recommendations to the Selection Committee.

It is the Selection Committee that, under the Ownership Guidelines, is authorised to elect new members of collegial governing bodies. This committee includes the Minister of Economy, the Minister of Finance and the head of the holder of shares (an institution that owns SOE shares), which initiates the work of the Selection Committee. The number of such selection committees must be the same as that of the holders of shares assigned to Categories 1 and 2.

Where appropriate, the holder of shares may consult with the GCC concerning the evaluation of the collegial body or the activities of its members or their replacement. The GCC also may help to find candidates for members of the collegial body who would meet the general and specific criteria indicated. However, the final decision on which person or persons should be nominated in any case must be taken by the Selection Committee.

Process of selection of SOE board members defined in the *Ownership Guidelines*



5. Committees

The Law on Audit of the Republic of Lithuania stipulates that the boards of all public interest entities must have audit committees which would enhance the internal control of the company: monitor the process of preparation of the enterprises' financial statements, the efficiency of various internal systems, the auditing process, etc. Part of Lithuanian SOEs is public interest entities and audit committees are compulsory for them. However, the *Ownership Guidelines* state that even the major Lithuanian SOEs (assigned to Category 1 or 2) that need not have audit committees must set up internal control committees performing the functions of the audit committee. At least one member of the internal control committee should be an independent board member with competences in the financial field.

Each Category 1 or 2 SOE must also have a remuneration committee that would prepare proposals concerning remuneration systems for the enterprise's executives.

These committees are advisory bodies to the board. The minimum number of members of the internal control and remuneration committees at each enterprise must be three, and executives of the enterprise may not be members of these committees.

6. Remuneration

With a view to attracting as many independent professionals from the private sector to collegial bodies as possible, such persons may receive remuneration for their work. The issue of members of collegial bodies must be discussed at the general shareholders meeting of each enterprise. However, it is recommended to pay a fixed remuneration to members of the boards and supervisory boards of state-owned enterprises, not exceeding 1/4 of the salary of the chief executive of the enterprise, and remuneration to chairpersons of the boards and supervisory boards not exceeding 1/3 of the chief executive's salary.

It should be noted that no remuneration is paid to civil servants or employees of an institution representing the state for work on boards or supervisory boards as work in such bodies is part of their main duties.

SOE Transparency

Transparency of operations is especially important for state-owned enterprises as SOE owners are, although indirectly, all citizens of a state. To achieve good corporate governance, it is necessary not only to publish clear objectives for SOEs and their managers, but also to assess periodically how SOEs have achieved those objectives.

Based on the world's best practice and the OECD *Guidelines*, in July 2010 the Government adopted the *Transparency Guidelines* stipulating that SOEs must comply with transparency requirements similarly to companies listed on the stock exchange. It also issued recommendations for SOEs to follow international standards in their accounting practices and audits of annual financial statements.

In December 2013, the *Transparency Guidelines* were supplemented by a Government resolution obligating SOEs to provide, along with their annual financial statements, information on their special obligations implemented (these obligations are dealt with in greater detail in section 4 of this part).

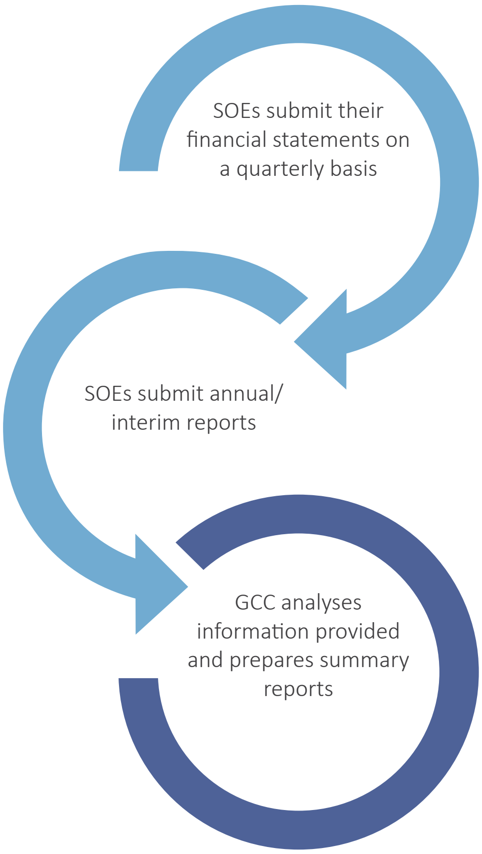
1. Application of the Transparency Guidelines

The *Transparency Guidelines* must be followed by all Lithuanian SOEs, and state-owned enterprises are recommended also to take action to make all their subsidiaries comply with these *Guidelines*. It is noteworthy that all SOEs are required to abide not only by the *Transparency Guidelines* but also by the governance code of the companies listed on NASDAQ OMX Vilnius with respect to information disclosure, regardless of whether a SOE is or is not listed on the stock exchange.

2. Information Provided

In Lithuania SOEs must prepare their financial statements on a quarterly basis. All SOEs must also draw up annual reports (public and private limited companies) or annual activity reports (state enterprises), which are documents that take annual financial and other operational indicators into account, specify the number of employees, the annual remuneration fund, salaries of top management, procurement and investments that were implemented during the financial year, are in progress or are planned, etc. Lithuania's major SOEs must also prepare four interim reports or interim activity reports.

These documents are to be submitted by the deadlines specified in the *Transparency Guidelines* and are published on the internet to make them easily accessible to the public.



3. Summary Reports

The documents indicated in the *Transparency Guidelines* are submitted to the Governance Coordination Centre which aggregates the data and prepares summary reports on SOEs. Thus a general overview of the SOE activities is presented to the public five times a year. This periodicity has been chosen with a view to establishing regular public accounting of enterprises, monitoring changes in the SOE portfolio and taking adequate response actions.

Summary reports present financial information and the SOE sector dynamics, discuss the principles of implementing these enterprises' governance and ownership functions, and the major and most important companies are reviewed separately. From 2014, the GCC also analyses and provides information on the fulfilment of special obligations and their financial information. All these reports are submitted to the Government and published on the GCC website (http://vkc.turtas.lt/en). This website also publishes all SOE financial statements, annual and quarterly reports and activity reports of enterprises.

4. Disclosure of Information on Special Obligations

Based on the OECD *Guidelines* and with a view to enhancing transparency of operations and facilitating financial analysis, Lithuanian SOEs have been obligated to separate their commercial and non-commercial activities (the so-called special obligations) in their reports. This means that SOEs must publish also the costs of all social commitments or public obligations assumed, various subsidies granted, financial support, etc. Lithuanian SOEs will have to assess the scope of these functions and their influence on the results. This is necessary in order to set clear and transparent mechanisms of financing non-commercial functions, which would prevent market distortions – in their commercial activities, enterprises must act under the conditions of fair competition.

From 2014, the Governance Coordination Centre is obligated, in addition to summary reports on SOEs, also to provide summary information on special obligations implemented by SOEs. The analysis of this kind is present in the section 'Special Obligations of SOEs' (page 21) of this report. The section contains information on special obligations, their scope in state-owned enterprises, the purposes of separating commercial and non-commercial functions and further plans for improving the financing mechanism for special obligations.

Board membership of state enterprises and designation process

(since March 1, 2015)

The Law on State and Municipal Enterprises provides for the possibility to elect a collegial enterprise management body (board) consisting of at least 3 members elected for 4 years.

After the adoption of the amendment to the Law on State and Municipal Enterprises on 30 April 2015, the board members of state-owned enterprise may be appointed civil servants and other natural persons, the number of whom in the state enterprises, holding EUR 14 million and higher-value assets and earning annual revenue of at least EUR 5.8 million, have to include at least 1/3 of board members. The boards of other enterprises can also have such persons. Prior to the amendment of the Law the members of the board of state enterprises could only be the public servants of the institution implementing the owner's rights and duties and the manager of the enterprise.

The law stipulates that board members must have a higher education, be of impeccable reputation, unrelated to other legal entities which could lead to a conflict of interest. Specific requirements for the members of the board are established by the institution implementing the owner's rights and duties which may consult with the Governance Coordination Centre.

In order to increase transparency, the state enterprises must publish on their websites and electronic public Journal of Registers Centre as well as inform the Governance Coordination Centre about the selection of board members organized. Governance Coordination Centre publishes the information received on its website and informs individuals who are registered in the database of board members.

17 June 2015 Government Resolution No 631 On the Approval of the Description of Procedure Related to the Selection of Candidates to the Board of State and Municipal Enterprises establishes a common procedure for the selection of candidate, which outlines that candidates for boards are elected by a specially formed selection committee. The selection committee is formed of regular members and three members of the state enterprise implementing the owner's rights and duties. Regular selection board members are proposed by Prime Minister, Ministers of Finance and Economy as well as a proposed member by GCC.

According to the Law on State and Municipal Enterprises, remuneration to board members of state enterprises cannot exceed 1/5 of average monthly salary of the manager of the company. In the middle of 2015 the remuneration-related procedures for board members of state enterprises were not established.

SOE Good Corporate Governance Index

For the third consecutive year the annual SOE report presents the assessment of the SOE good corporate governance practice which aims to assess how successful the implementation of key recommendations of the OECD as well as Ownership Guidelines and Transparency Guidelines by the SOE. Last year, after tightening and equalizing the criteria for all SOEs (in 2012 index some of the criteria were applied only to major enterprises or groups of enterprises, for example, the presence of independent board members required only at state-owned public and private limited companies, not all SOEs), this year the list of criteria remained almost unchanged. In general three key criteria are used for compiling the SOE good corporate governance index: transparency, boards and quality and implementation of corporate strategies. These aspects of SOE governance are constantly monitored by the Governance Coordination Centre which presents annual reports to the Government on the quality of strategic plans and publishes interim and annual summary reports on SOE activities.

The good corporate governance index has been compiled on the basis of questionnaires completed by SOEs and/or institutions exercising the rights of SOE owner or shareholder; the questionnaires were completed during the period from 24 April 2015 to 30 July 2015. In addition, the index includes the results of the SOE strategy quality assessment carried out by the Governance Coordination Centre at the end of 2014. With regard to the provisions of the Ownership Guidelines, the SOE profitability was chosen as one of the index criteria, which was evaluated on the basis of the SOE return on equity and net profit indicators for 2014.

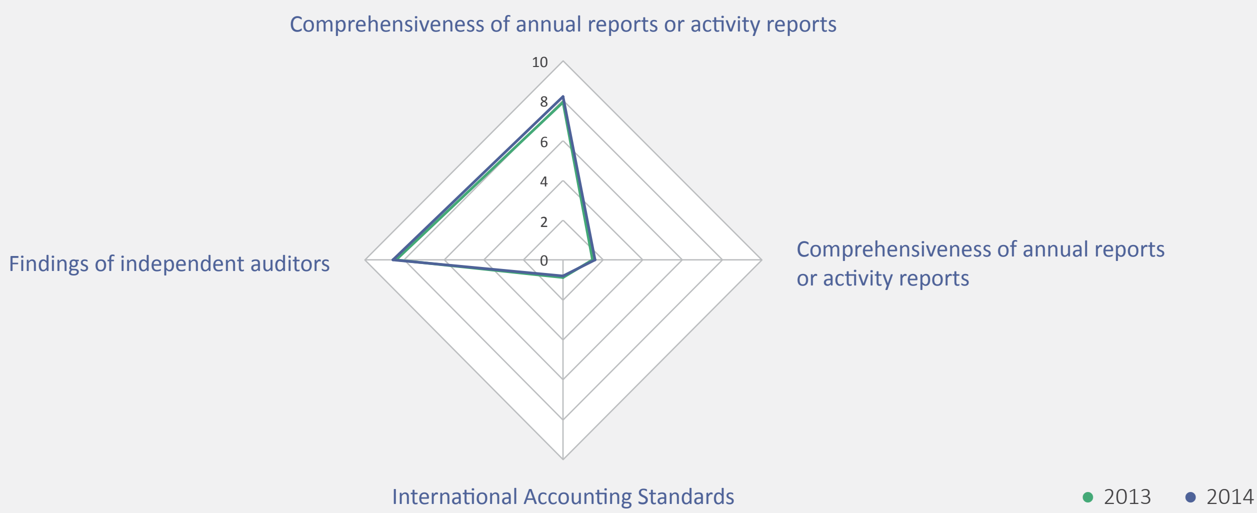
When designing the index, the size, legal form and activity objectives of the enterprises were taken into consideration (enterprises engaged in commercial operations were subject to higher profitability requirements than enterprises carrying out non-commercial activities). It is worth mentioning that the rating of enterprise depends on the existing legal environment (when drafting the index, the Law on State and Municipal Enterprises was still limiting the possibility to include independent members in the boards of state enterprises), which limits a grade of certain enterprises by constraints which can't be influenced by enterprises themselves.

The index incorporates data on all SOEs collected from the enterprises themselves and/or institutions exercising the rights of their owner or shareholder, with the exception of the **Lithuanian Athlete Training Facility**, **Giraitė Armament Factory**, **Infostruktūra**, **Science** and **Technology**, **Baldžio Šilas and sanatorium Pušyno Kelias** that provided no information. The **Athletes Testing and Rehabilitation Centre** failed to provide full information on its board. Due to the lack of data, the assessment of strategies for the enterprises **Klaipėdos Nafta**, **Geoterma**, **Mintis, Būsto Paskolų Draudimas**, **Turto Bankas**, **rest-house Baltija** and **Senevita** was omitted at the end of 2014. It is noteworthy that in the analysis the enterprise **EPSO-G** was replaced with its subsidiaries **Litgrid** and **Amber grid**.

Transparency

The transparency of the SOEs was assessed according to the following criteria:

- Comprehensiveness of the SOE summary reports (annual reports) with respect to the requirements of the Transparency Guidelines;
- SOE social responsibility reports;
- Change of independent auditors and the auditors' (unconditional or modified) opinion on the SOE financial statements, provided in the audit findings;
- Application of the International Accounting Standards in compiling the financial statements as recommended in the Transparency Guidelines.



Each SOE has to prepare annual reports (public and private limited companies) or annual activity reports (state enterprises), the comprehensiveness and publicity of which are ensured by the requirements of the Transparency Guidelines. Similarly to the previous year the SOE survey has revealed that companies consider the reports to be prepared in detail, which are publicly accessible as well (both on websites of enterprises and Governance Coordination Centre). The evaluation of survey showed that the quality of reports has slightly improved this year. Description of the goals and activities of the enterprise can be considered as strongest parts while the weakest parts remain discussion of risk factors as well as description of dividend policy and profit contributions. The lack of information on the risk factors in the activity reports prevents the shareholder from having a reasonable opinion on the possible future activities of an SOE, and indicates possible problems with SOE strategic planning and risk management. Risk factors are still the least discussed in the forestry sector, while dividend policy- in the energy sector.

Based on international good practice, enterprises should be accountable not only to the shareholder but also to all other interested parties, including creditors, employees, customers and the public. The practice when enterprises, respect the needs of all interested parties, integrate social, environmental and ethical principles in their activities is called corporate social responsibility (CSR). CSR principles are particularly important to SOEs, as they seek not only commercial, but also strategic and social goals raised by the state. When preparing this index, CSR was assessed on the basis of two criteria: comprehensiveness of information on implemented social policy provided in the enterprises' activity reports or annual reports (this requirement is set out in the Transparency Guidelines), and whether enterprises have separate CSR reports in place. In 2014 more enterprises indicated that they provide comprehensive information on the implementation of social responsibility policy; as a result the indicator has slightly increased. However separate CSR reports, as well as in 2013, are only prepared by the subsidiaries of **Lietuvos Energija: LESTO** and **Lietuvos Energijos Gamyba**, for this reason social responsibility criteria remains at very low level.

The International Accounting Standards (IAS) increase the comprehensiveness and reliability of financial statements; corporate financial statements become comprehensible and comparable on an international level, differences in the accounting practice as well as the risk of distortion are reduced. Application of IAS are recommended by the Transparency Guidelines to all SOEs (especially to the largest companies operating in international markets), however, at the end of 2014 the International Accounting Standards were used only by 10 out of 126 SOEs assessed during the formation of index. This is by two enterprises less than in 2013. This year the list is supplemented with **Amber grid**, while the decline is fixed due to the merger of airport companies (all three applied IAS before merger) and **Turto Bankas**, which after the merger with **Valstybės Turto Fondas** switched to Business Accounting Standards (BAS) instead of IAS. With regards to major enterprises (classified within categories I and II), where the application of ISA is topical, 9 enterprises out of 26 indicated IAS application in 2014. In 2014, BAS was applied by the **Lithuanian Railways**, **road companies**, **Klaipėda State Seaport Authority**, **Petroleum Products Agency**, **Visagino Energija**, **Regitra**, **Centre of Registers** and other enterprises.

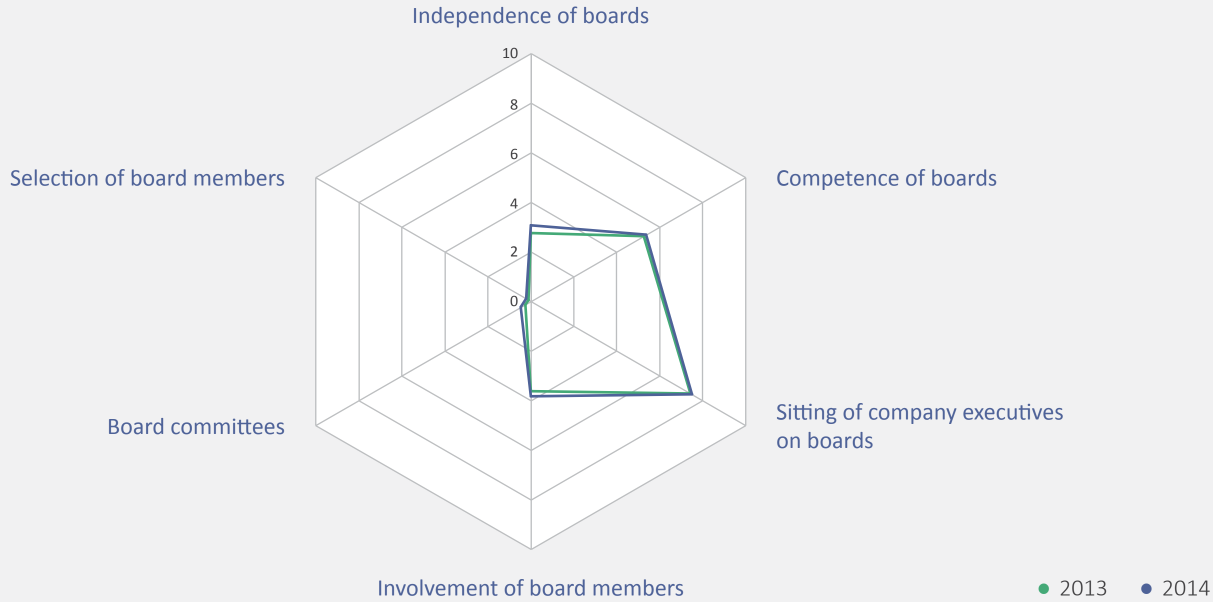
The assessment of the quality of SOE financial statements is facilitated by the opinions of independent auditors, who have conducted an enterprise's financial audit, presented in the auditors' findings. Such opinions may be unconditional (the financial statements in all significant aspects meet the requirements of the financial accounting standards applied) and conditional (significant distortions are found in the financial statements, or the audit evidence is not sufficient to justify the findings that the financial statements are not distorted). Auditors' conditional opinions have been expressed at least twice within the last three years with respect to 12 enterprises, compared with 14 SOEs in 2013. Meanwhile 10 enterprises have received conditional opinion at least once, compared with 13 SOEs in 2013. The worst results here are recorded by energy sector enterprises. It is worth noting that a better result is largely fixed due to a number of enterprises not included in this year's SOE good governance index formation. The improvement of other assessment criteria: how often an independent company auditor is changed, is also seen. In 2014, only 6 enterprises operating for more than 7 years have not changed their independent auditors even once in 7 years; it is by four SOEs less than in 2013. While another enterprises where auditor was changed only once has also decreased- from 25 enterprises in 2013 to 18 enterprises this year. The attachment to one auditor increases the possibility of corruption; therefore, the regular change of independent auditors is good practice.

Boards

In 2014, new boards in SOE were not constituted, therefore the number of enterprises without boards remained unchanged- 17 enterprises (excluding companies which did not provide answers in survey). The majority of enterprises that do not have constituted boards belong to the lowest categories IV and V, while considering the largest companies, the boards have not been constituted in Lithuanian Oil Products Agency (Category I), Visagino Energija (Category II) and EPSO-G (Category I).

The SOE boards were assessed on the basis of the following aspects:

- Independence of board members (number of independent members on company boards and the number of SOE board members not taking part in sector policy making);
- Competences of the board (competences in the fields of finance, strategic planning and the relevant sector were assessed, as indicated in the provisions of the Ownership Guidelines);
- Sitting of SOE executives on boards (supervisory boards);
- Board members' involvement in board work: sitting on several boards and the number of board meetings called;
- Formation of board committees;
- Procedure for selection of board members.



As in previous year, in cases of **Lietuvos Energija** and **Litgrid** supervisory boards were assessed instead of boards. Supervisory boards are namely the most important collegial body in these enterprises, directly elected by the shareholders and supervising the work of executives of the enterprise.

The involvement of independent members in SOE boards helps the boards to achieve a higher level of autonomy and expertise. In most European countries independent members comprise one-third or more members on SOE boards. While in Lithuania this practice is not so common, since only 11 companies indicated having independent members on the boards; it is the same number as it was last year. This year, **EPSO-G** subsidiary **Amber grid** joined the list of enterprises with independent board members, while **Litgrid** indicated that it no longer has any independent members on its supervisory board. The rest of major SOEs have independent members on the boards and comply with the Ownership Guidelines principle which requires each enterprise of Categories I and II to have at least one-third of independent board members. It should be noted that during the draft of the index, **Lithuanian Railways** finally constituted their board with 1/3 of independent members on the board (failed to meet this requirement last year). In addition to major enterprises, the **Lithuanian Mint**, **LITEXPO** and **Toksika** indicated having independent members on their boards (at least one-third of independent members were on the boards of all three enterprises).

SOEs with the legal status of a state enterprise have no independent board members so far. The reason behind it is that, in accordance with the Law on State and Municipal Enterprises of the Republic of Lithuania, 'board members of state enterprises may only include civil servants of an institution exercising the rights of that enterprise's owner and the chief executive of that enterprise'. However, after the amendment of Article 10 of Section 3 of the Law on State and Municipal Enterprises of the Republic of Lithuania in 2014, the major state enterprises must have at least 1/3 of the independent members on their boards since September 2015. Meanwhile other SEs may also constitute their boards with independent board members.

Assessing the independence of SOE boards by the participation of members of the board members in formation of the policy for economic sector, where the enterprise operates, big changes were not observed. The number of enterprises, where none of the member of the board is involved in the policy-making of economy sector, essentially remained unchanged and amounted to a little more than half of the enterprises with boards (majority constituted by **42 forest enterprises**). However, based on the principles of good practice, SOEs' right owners or shareholders should aim to fully separate the functions of the implementation of ownership of enterprises from the policy-making (sector regulation), whereas currently still a large part of the enterprises have at least some of the board members who are involved in policy-making of economy sector.

The competences of board members were assessed according to whether the boards possess all three key competences (strategic planning, finance and sector) identified in the Ownership Guidelines and where these competences were acquired (public or private sector). As in previous year, the majority of SOE boards still possess key competencies, but it is observed that in most cases key competences were gained while working in public, hence not private sector. Such situation gives a red light that SOE boards may lack the experience in business management and may not ensure successful competition in the market. This year's survey showed that biggest gap is seen in financial field, where lack of competence was identified by 16 SOEs (while in strategies field- 6 enterprises, sector- 11). It was also found that boards of enterprises of Categories I-II are assessed as more competent in all areas compared to enterprises of Categories III-V.

Based on international practice and to ensure effective work of the boards, it is recommended for a board member to avoid participation in more than four boards (if it is not his main position), thereby ensuring devotion of sufficient time to see into the enterprise's activities and problems, and prevention of being just a formal board member. This year's survey shows no significant changes observed, so the indicator estimate remained at the same level. As many as 84 enterprises noted at least one of their board members to sit on more than three other boards, most of which consisted of **forest enterprises** and **road maintenance enterprises**. Assessing the involvement of board members by the number of meetings of the board, a slight growth (an average 8 meetings per year) has been determined compared to the year 2013 (an average 7 meetings per year). However, indicator remains relatively low, since more than half of the SOEs called less than 6 board meetings during 2014 (**forest enterprises**- an average of 4.5 meeting).

Employees of the enterprise do not usually attend the SOE boards (supervisory boards), and the sole representative of enterprise in general is CEO. It should be noted that this year's survey spotted no cases then CEO would a chair of a board. Most of the enterprises (42 out of 59), where employees are board members as well are **forest enterprises**, since forest management officials sits in respective boards of forest enterprises, The analysis of the largest SOE management by the formation of committees showed similar trends in comparison to the last year: in practice the formation of committees of the boards is not widely applied. Of the major SOEs, based on survey data, Audit Committees exist only in three SOEs: **Lietuvos Energija**, **Klaipedos Nafta** and **Lithuanian Shipping Company** as well as **EPSO-G** subsidiaries **Amber grid** and **Litgrid**. Meanwhile, this year's list of enterprises with Remuneration committees was upgraded by newly merged **Lithuanian Airports**, which became second SOE after **Lietuvos energija** to form a Remuneration committee. All the rest of SOEs failed to form committees in the boards although the Ownership Guidelines establish the principle that requires the formation of committees in largest SOEs. **Lietuvos Energija**, **Lithuanian Post**, **Lithuanian Airports**, **Lithuanian Radio and Television Centre** and **Litgrid** indicated the possession of other committees without Remuneration and Audit as well.

Transparent and professional selection of board members is especially important with a view to ensuring the formation of independent and competent boards. This indicator for the assessment of the SOE boards is the weakest, since **Lietuvos Energija** is the sole enterprise that has at least one board member appointed by the Selection Committee, which, in accordance with the Ownership Guidelines, is supposed to approve candidates for all major SOEs. In addition, as in 2013, only two enterprises (**Lietuvos Energija** and **Lithuanian Mint**) held an open selection when appointing their board members. The assessment of the board member selection criterion shows that special attention should be devoted to the improvement and the enhancement of transparency of the board formation process in order to select independent and professional boards.

Strategic Planning and Execution

The assessment of strategy quality and implementation within SOEs includes:

- The results of the SOE strategy quality assessment carried out by the Governance Coordination Centre at the end of 2014;
- Information provided by the SOEs on the performance of their internal control sys¬tems and internal audit;
- The SOE assessment with regard to the profitability indicators achieved in 2014.

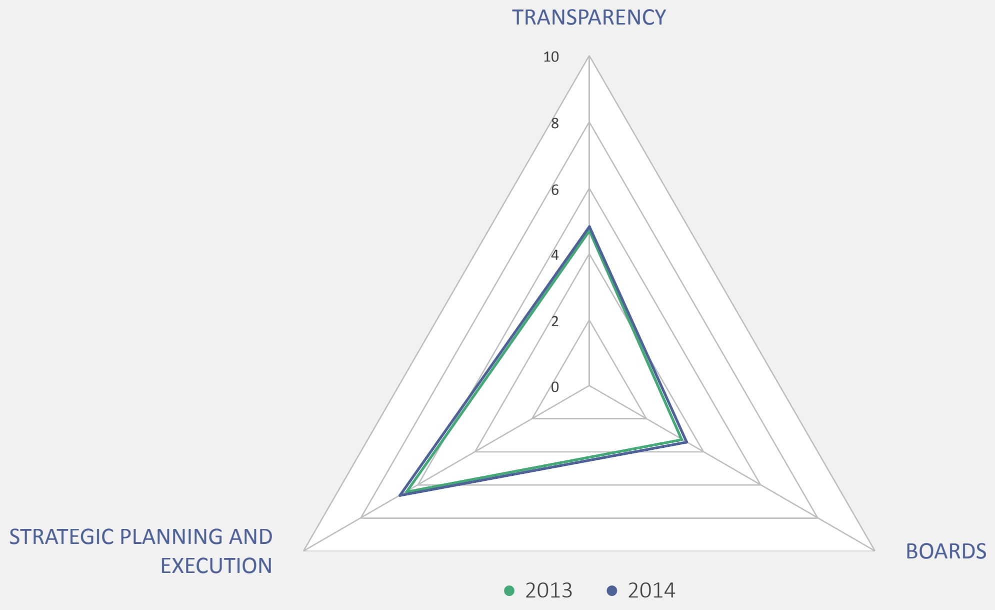
A strategic plan helps to ensure that the actions of employees and executives would be consistent with the expectations of shareholders, and provides an opportunity for the board and shareholders to assess performance results of the enterprise and make decisions on the company's financial goals, performance efficiency and management quality. SOEs preparation of strategic plans has been improving systematically for several years in a row, and this year is no exception. According to the data on the assessment of SOE's strategic plans carried out by the Governance Coordination Centre at the end of 2014, only 2 plans were graded as negative/insufficient (in 2013 there were 9). While, the number of strategic plans that received positive assessment has increased from 32 to 50 (41% of all assessed strategic plans). Improvement in the quality of this year's strategic plans has mostly been determined by fairly strong improvement in the part of mission, vision and values.

With improving strategic plans, the assurance of SOE internal strategy implementation supervision and the internal controls remains at a similar level as in the previous year. This criterion consists of three parts: strategy implementation supervision, internal control and performance audit in major SOEs. Almost all SOEs or the institutions exercising their owner or shareholder rights indicated that the enterprises conducted systematic supervision of their strategy implementation, but the greater part noted that the strategy implementation supervision is not laid down in their internal documents. The assessment of internal control assurance revealed that the internal control system fully functions in about 73% of enterprises, meaning they have internal control procedures and measures to control risk factors defined. Forest enterprises here assessed themselves with a higher grade than other sectors. According to data of the largest SOEs, all major enterprises were engaged in performance audits and 90% of performance audits were carried out periodically. To sum up, this year assessment is slightly lower, however such shift could be at least explained partially by lower number of participants in the survey.

Normalized return on equity indicator has been chosen for the assessment of SOE objectives according to the rate of return. In 2014, only 14 enterprises (35%) assigned to Groups 1A and 1B (the assessment excluded the **forest enterprises** which have an individual general profit target set for them) exceeded the 5% annual rate of return set by the Government for 2013-2015, while in 2013 there had been 19 such enterprises (37%). 32 out of 42 enterprises assigned to the Group 2 attained the target to operate profitably (a positive ROE ratio), it is almost the same number as in 2013, when a positive result was recorded by 34 out of the 43 enterprises. The results shows that enterprises assigned to Groups 1A and 1B (are subject to higher requirements), are still struggling to achieve required rate of return set by the Government.

General SOE Good Corporate Governance Index

To sum up the results of the SOE good corporate governance index, a slight improvement is observed in all three criteria. However, increase should be assessed quite cautiously because changes are too small to be regarded as significant in the implementation of good governance practices. Reduced number of the enterprises included in the index and the mergers (Lithuanian Airports and Mūsų Amatai) that took place in 2014 could be considered as one of the leading reasons for such fluctuations/growth. Nevertheless, in some cases, positive trends are observed, for example, significant improvement in the quality of strategic plans of enterprises. The boards remain the weakest part here, as the formation of board committees and public selection of board members are still not common practice. Low number of independent board members is also major case (the number of independent members will increase in 2015 when major State enterprises will be obligated and smaller ones enabled to form boards with independent board members).



With regard to the enterprises following the SOE good governance principles obvious leader remains **Lietuvos Energija Group**. The enterprise and its subsidiaries (**LESTO** and **Lietuvos Energijos Gamyba**), in most cases, conform to the requirements set in Transparency and Ownership Guidelines: apply the International Accounting Standards (IAS), are the only who issue social responsibility (CSR) reports, have the remuneration committee formed (it is also formed in **Lithuanian Airports**), as well as some other committees (audit and risks management supervision), it's independent board members accounts for one-third of supervisory board and are selected by public tender. Also it should be mentioned that high standards in strategy planning and execution were also achieved and the sole reason for a lower grade for strategic planning and execution in general comes from failure to achieve 5% required rate of return.

No	NAME OF ENTERPRISE	TRANSPARENCY	BOARDS	STRATEGIC PLANNING AND EXECUTION	GOOD CORPORATE GOVERNANCE INDEX
1.	Lietuvos Energija Group	9.00	9.67	6.67	8.44
2.	Lithuanian Mint	4.82	7.78	8.97	7.19
3.	Investicijų Ir Verslo Garantijos	8.25	4.31	8.91	7.16
4.	Oro Navigacija	7.65	4.08	8.54	6.76
5.	Lithuanian Exhibition and Congress Centre LITEXPO	4.19	6.25	9.17	6.54
6.	Lithuanian Airports	7.43	6.58	5.45	6.49
7.	Lithuanian Post Group	7.65	5.97	5.50	6.37
8.	Lithuanian Shipping Company	7.90	6.36	4.72	6.33
9.	Jonavos Grūdai	5.38	4.50	8.61	6.16
10.	State Land Fund	5.38	4.50	8.50	6.12

In addition to **Lietuvos Energija**, the top ten of the best enterprises includes a number of last year's nominees: these are **Lithuanian Post**, **Lithuanian Shipping Company** and the **Lithuanian Exhibition and Congress Centre LITEXPO** that have stronger boards, the enterprises **Investicijų Ir Verslo Garantijos** and **Oro Navigacija** that received good assessments for strategic planning and execution. The top ten this year, especially for well-assessed board, includes **Lithuanian Mint**, which also received very high grade for the strategic planning and execution and **Lithuanian Airports** established after the merger of airports which has fairly strong board especially considering its legal status as state enterprise. **Jonavos Grūdai** and the **State Land Fund** also jumped to the list for high strategic planning and execution assessment. Finally it should be noted that is some cases requirements for different category, group or legal form enterprises are set in different manner, meaning that enterprises on top ten list may not be fully comparable.

With the amendment to the Law on State and Municipal Enterprises at the end of 2014, the boards in the largest SOE with the State enterprise legal status will be formed with independent board members elected by public tender in 2015, meanwhile the way for the smaller SEs to invite independent members to the boards will be opened as well. It is therefore expected that during the calculation of the good governance index for next year, a qualitative leap in the sections of independence and public selection of boards will be felt, which will then have a positive impact on the further implementation of good governance practices in SOEs. However, it should also be stressed that majority of the provisions conforming to OECD guidelines and good practices on transparency, boards and strategic planning already exists in the Transparency and Ownership Guidelines, and the enterprises should make every effort to implement them.

Remuneration of Executives

To manage state-owned enterprises is not much less challenging than private business, as companies executives have to successfully compete both with the private sector as well as frequently exercise preferential goals set by a shareholder (owner) such as non-commercial functions. In order to properly reward executives for their work, the Government of the Republic of Lithuania adopted the 23 August 2002 Resolution No. 1341 "On the Remuneration for Work of Executives, Their Deputies and Chief Accountants in State Enterprises and State-Controlled Limited Liability Companies" (hereinafter the Resolution), which regulates the remuneration of SOEs directors, their deputies and chief accountants. The Resolution is binding on the enterprises with a legal form of state enterprises (SE), and recommended for limited liability companies.

According to the Resolution, the monthly salary of the executives consists of fixed and variable parts. Fixed part of monthly salary is determined using the ratios of minimum monthly wage (MMW) according to the category of the company. Company category is determined on the basis of indicators of previous year's revenue from sales and average number of employees in the company. Considering the indicators, the companies are classified as category I to IV. Also, if the company is authorized to perform public administration functions according to the laws, it is assigned to a higher category than would be assigned according to indicators. The table below lists the indicators set by the categories of companies.

Category	Sales revenue (EUR)	Average number of employees	Ratios (MMW)
I	≥57,924,004	≥1,000	7.6–8.6
II	Revenues ≥57,924,004 or employees ≥1,000		6.4–7.4
III	8,688,601–57,924,004	<1,000	5–6.2
IV	<8,688,601	<1,000	2.4–4.9

The higher the category of the enterprise, the higher fixed rate of monthly salary of executives is.

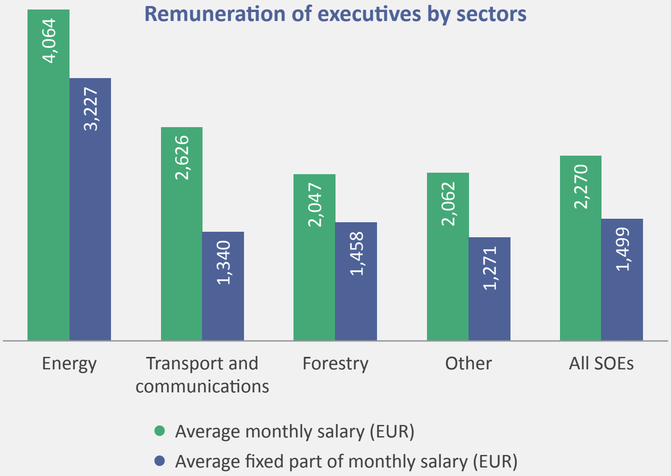
According to the Resolution, the variable part of the salary of executives cannot exceed the amount of fixed part and is determined depending on the last quarter's economic-financial performance evaluation criteria. Specific performance evaluation indicators and the variable part of the salary are determined by the institution implementing the rights of the owner of company. Also, the executive may be paid a bonus at the end of the year for good performance results from the profit of the enterprise, the amount of which shall not exceed the fixed rate of one monthly salary.

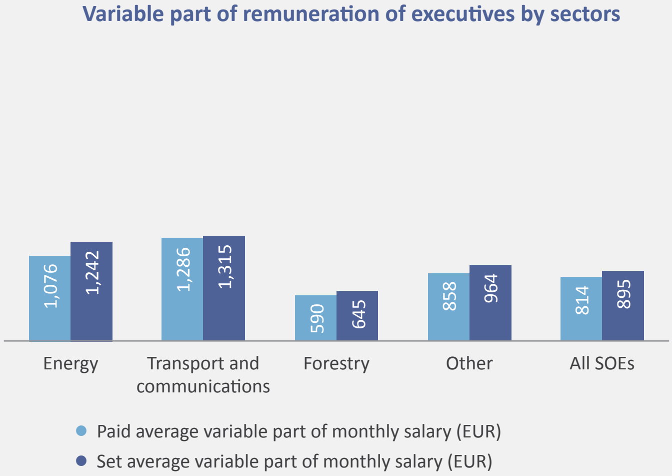
Although the Regulation is binding for all SE, but it is not applicable to the **Ignalina Nuclear Power Plant** in view of the nature of enterprise's activities and the fact that the activities of enterprise and employees' salaries are mostly financed out of the European Union funds.

Presented below is summary of the information about the remuneration to executives of SOEs in 2014. The summary information includes data of 116 enterprises out of 131. Ministry of Transport and Communications failed to provide the data of its subsidiary companies (**Lithuanian Railways**, **Detonas, Problematika**, **Lithuanian Shipping Company**, **Lithuanian Post**, **Lithuanian Radio and Television Centre**, **Smiltynes Perkėla, Klaipėda State Seaport Authority**, **Oro Navigacija**, **Lithuanian Airports**, **Inland Waterways Authority**, **Infostruktūra**) on time (data received on 7 August 2015), so their controlled enterprises are not included in the summary information. Data on the remuneration of executives was not submitted by **Mokslas ir Technika**, **Giraitė Armament Factory** and **Respublikinė Mokomoji Sporto Bazė**.

Remuneration of executives by sectors

Based on the information received from 116 companies, the average monthly salary of the companies' executives before tax amounted to EUR 2,270 in 2014, while the fixed rate of average monthly salary was EUR 1,499. In 2014, the highest salaries were received by the energy sector enterprises; the average salary outreached EUR 4 thousand, and the fixed rate of the salary was EUR 3.2 thousand. Sharply higher salaries in the energy sector are due to the fact that the enterprises assigned to this sector by the revenues and the extent of employees are one of the largest in SOE portfolio, and the fact that the salary of Ignalina Nuclear Power Plant's manager (mostly funded out of the European Union funds) significantly increases the average of the sector. Average salary of transport and communications sector's executives amounted to over EUR 2.6 thousand, but it should be noted that the figures do not include the largest enterprises of transport and communications sector, where the state is represented by the Ministry of Transport and Communications.

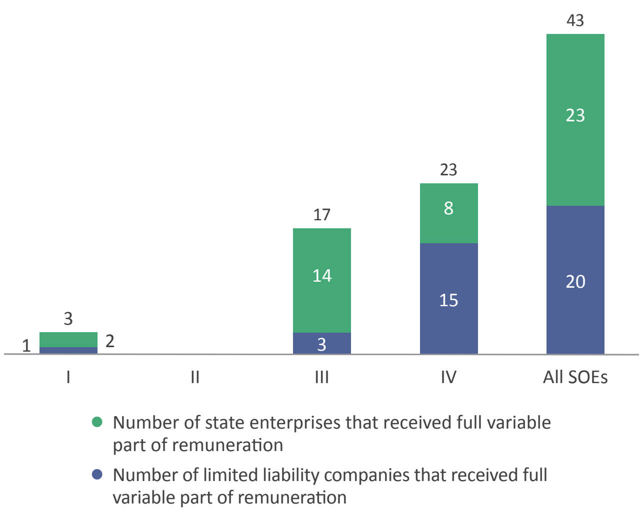




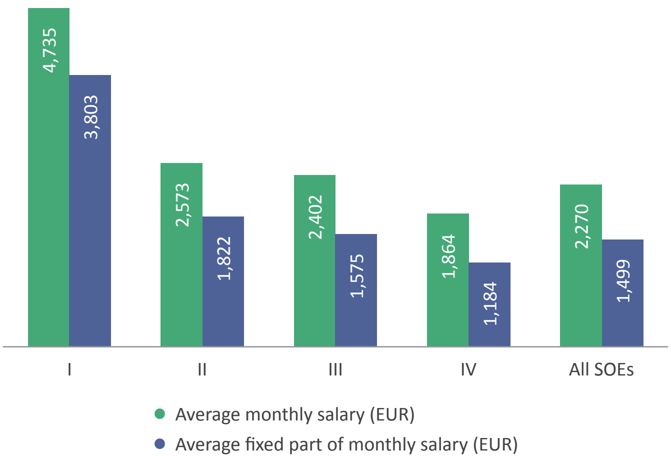
In 2014, a variable part of salary was not paid by all enterprises to their managers; therefore, the variable part of average monthly salary of SOEs executives was provided only by the enterprises which had defined it. The variable part of average salary paid in SOEs amounted to EUR 814, while the maximum variable part of average salary set was by EUR 81 higher in 2014. The biggest difference between set and paid variable part was seen in the energy sector enterprises and was 13% of estimated variable part of average salary, whereas the lowest (only 2%) was in transport and communication sector enterprises. It is noteworthy that the variable part of average monthly salary paid to the executives of transport and communications sector was the highest and amounted to almost the maximum allowable share of the fixed rate of average monthly salary (96%). The lowest variable part in 2014 was set and paid in the forestry sector. On average, the variable part of monthly salary paid to the executives of **Lithuanian Forestry Inventory and Management Institute** and **forest enterprises** was EUR 590.

Remuneration of SOEs executives by categories

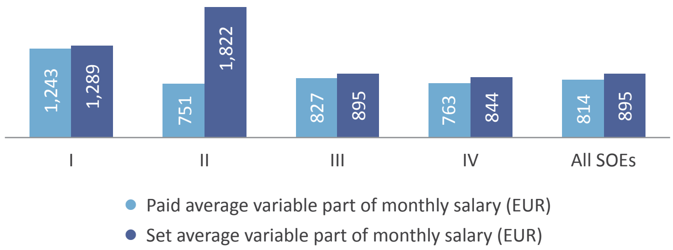
In 2014, the biggest average monthly salary of executives and fixed part of average monthly salary, as regulated by the Resolution, was in enterprises of the category I: the average monthly salary of the manager amounted to EUR 4,735. Meanwhile, in the smallest enterprises, which are assigned to category IV, the average monthly salary stood at EUR 1,864 and was two and a half times lower than in the largest SOEs. Although under the Resolution a variable part of monthly salary may constitute 100% of fixed part of monthly salary, but in practice variable rate of monthly salary is usually below the maximum value. On average, in 2014, the variable part of average monthly salary amounted to 62% of fixed part of average monthly salary. It is also noteworthy that six public limited liability companies paid their directors only fixed part of salary and had not set a variable part of the salary.



Remuneration of executives by categories

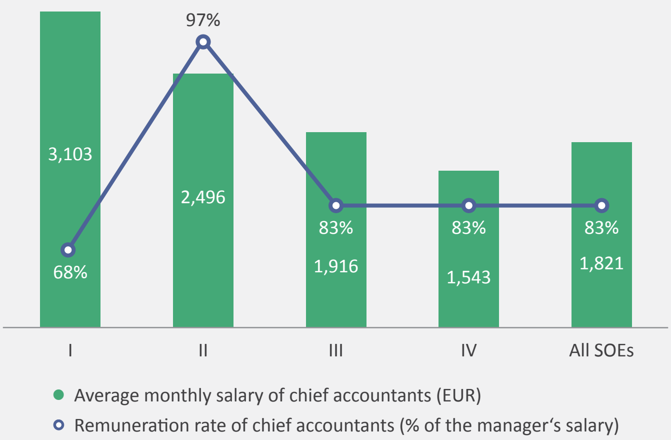


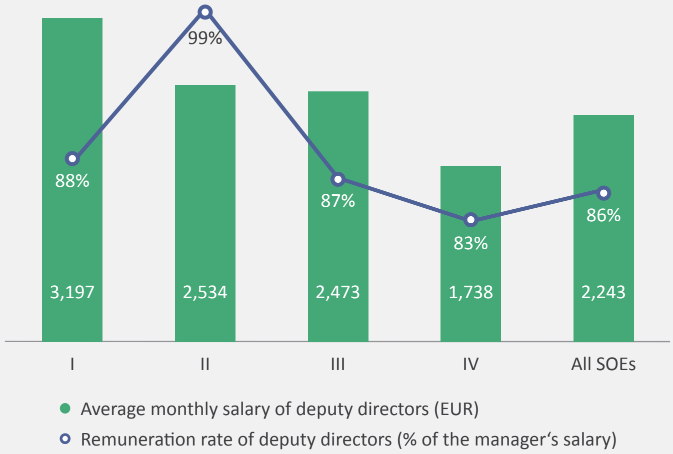
Variable part of remuneration of executives by categories



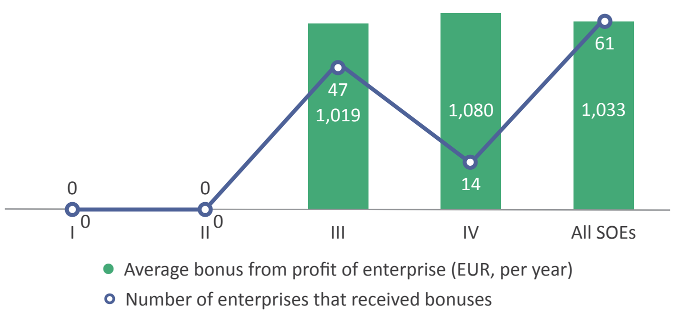
In 2014, out of 110 enterprise managers, who were subject to variable salary parts, 43 managers received the maximum variable part of monthly salary after fully implementing the goals set by the institutions implementing the owner's rights and duties. Major part of all defined performance indicators was implemented by the smallest enterprises (category IV). However, the two managers of private limited liability companies did not receive variable part of monthly salary, although it was intended, due to the failure to implement the goals set.

In 2014, the average monthly salary of SOEs' chief accountants was EUR 1,821 and accounted for 83% of the average monthly salary of the directors. Since the amount of average monthly salary of chief accountants directly depends on the average monthly salary of directors of the enterprises, the trend is that the higher the category company is attributed to, the higher the average monthly salary of chief accountants. In 2014, the highest average monthly salary of chief accountants was in the enterprises of category I and reached EUR 3,103; however, comparing in terms of percentage of the average monthly salary of the directors, it was the lowest of all categories and reached 68%.





According to the Resolution, the executive of the enterprises can be paid a bonus equal to a fixed size of monthly salary for a good performance of the year. Based on data, 61 enterprises allocated bonus to its directors in 2014, which amounted to an average of EUR 1,033. The highest bonus paid amounted to EUR 11.8 thousand (for the chief executive of the limited liability company for which implementation of the Resolution is only recommended), while other higher bonuses were below EUR 1.8 thousand. It should be noted that none of the major companies (included in I-II category) allocated annual bonus to the directors. Most bonuses were paid to the directors of category III, where forest enterprises form a majority. 37 of the 42 **forest enterprises** allocated bonuses to the directors in 2014.

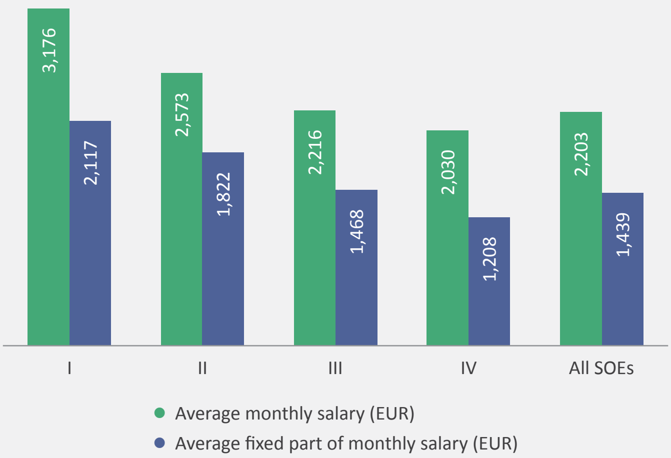


Remuneration of state enterprises executives by categories

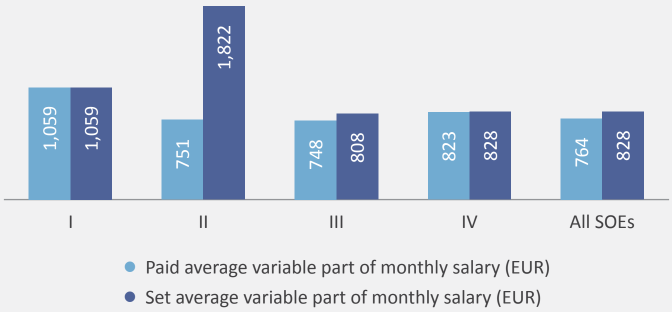
Here aggregated information on only the remuneration of the executives of state enterprises is presented, since the Resolution of the Government is binding on these enterprises.

In 2014, the average monthly salary of executives of state enterprises amounted to EUR 2,203, while the average fixed part amounted to EUR 1,439. Average monthly salary of directors in major (category I) enterprises stood at EUR 3,176, while in the smallest (category IV) enterprises directors earned an average of EUR 2,030. The variable part of average monthly salary amounted to EUR 828, and the average paid monthly variable part amounted to EUR 764 in the state enterprises. It should be noted that both set as well as paid variable parts matched in enterprises of category I; therefore, the executives of these enterprises met all performance indicators that were set. In 2014, almost the maximum of the set variable part of the salary was paid to directors of enterprises of category IV as well. One hundred per cent implementation of performance indicators may mean that the goals set were not sufficiently ambitious.

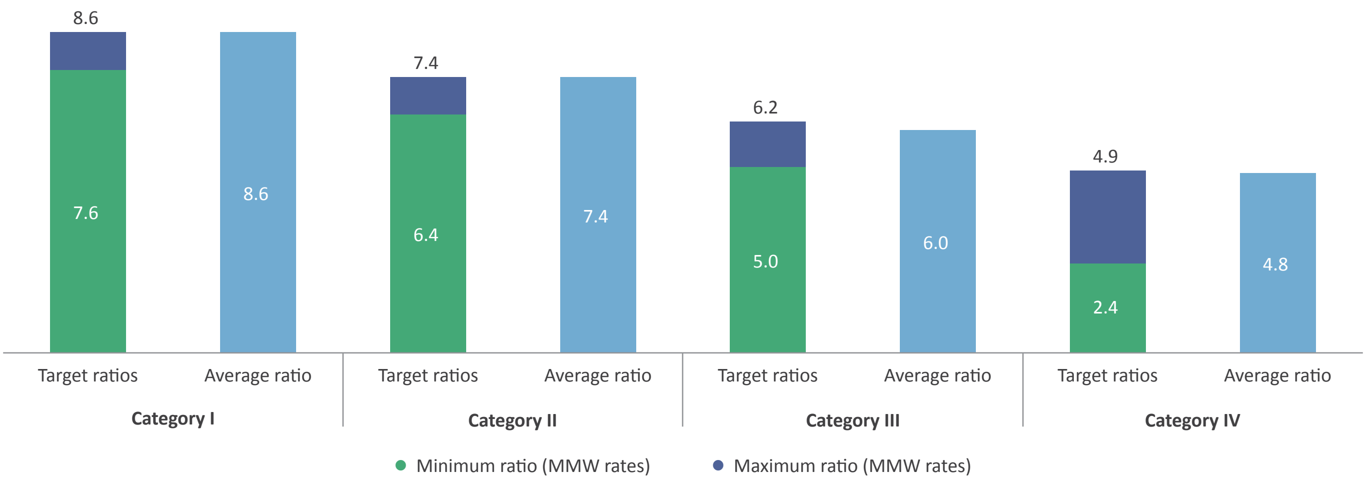
Remuneration of state enterprises directors by categories



Variable parts of remuneration of state enterprises directors by categories

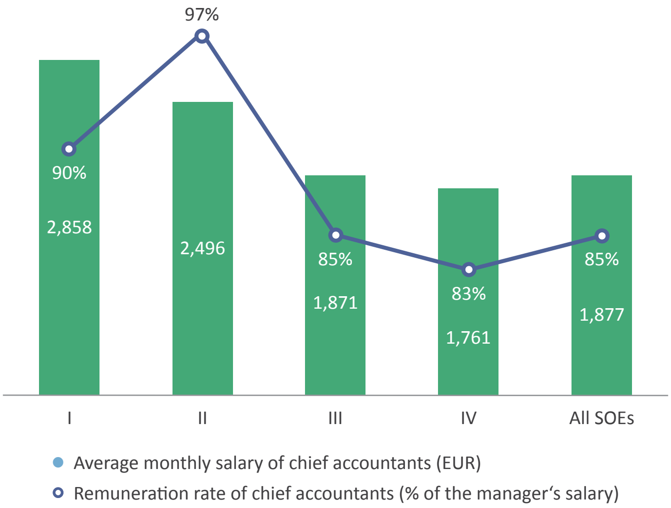


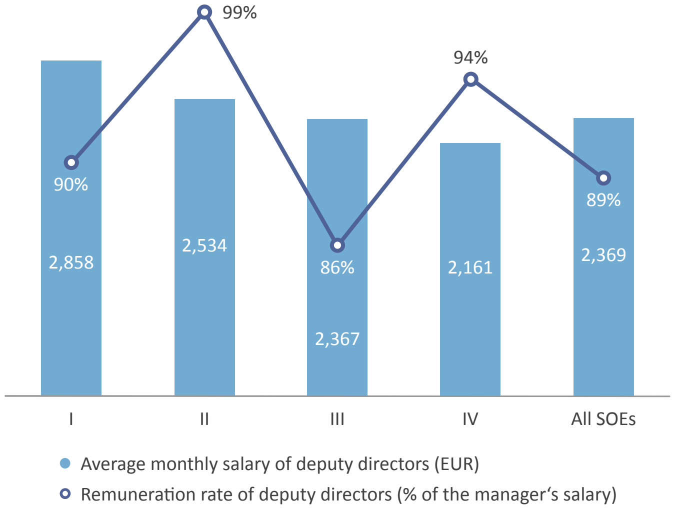
owner's rights and duties set the maximum allowable fixed rate of average monthly salary to directors of subordinate companies. In 2014, the maximum fixed rate of average monthly salary was set for the directors of enterprises of categories I and II.



In 2014, the average monthly salary of state enterprises' chief accountants was EUR 1,877 and accounted for 85% of the average monthly salary of the directors. In 2014, the highest average monthly salary of chief accountants was in companies of category I and stood at EUR 2,858. Although the average monthly salary of chief accountants in companies of category II was less than the largest companies in 2014; however, comparing in terms of percentage of the average monthly salary of the directors, it was significantly ahead of other companies and reached 97%.

In 2014, deputy directors of state enterprises earned EUR 2,369 per month on an average or 89% of the average monthly salary of the directors. Similarly to chief accountants, the largest salaries were received by deputy directors in companies of category I (EUR 2,858). It is noteworthy that the average monthly salary of deputy directors in companies of category II was practically identical to the salary of directors and amounted to EUR 2,534.

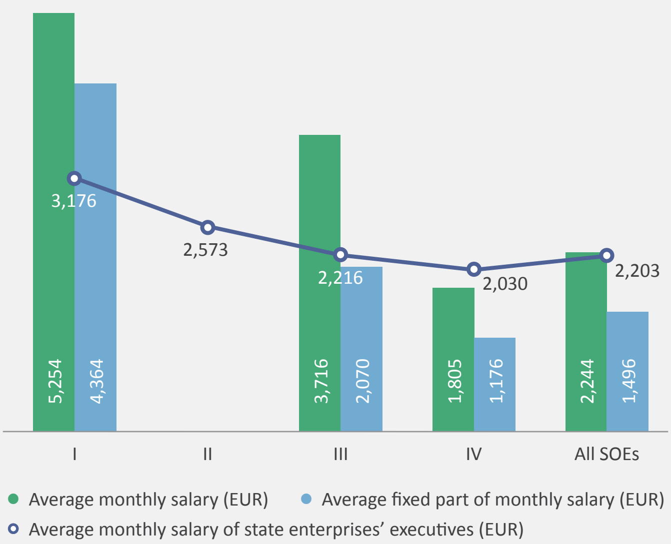




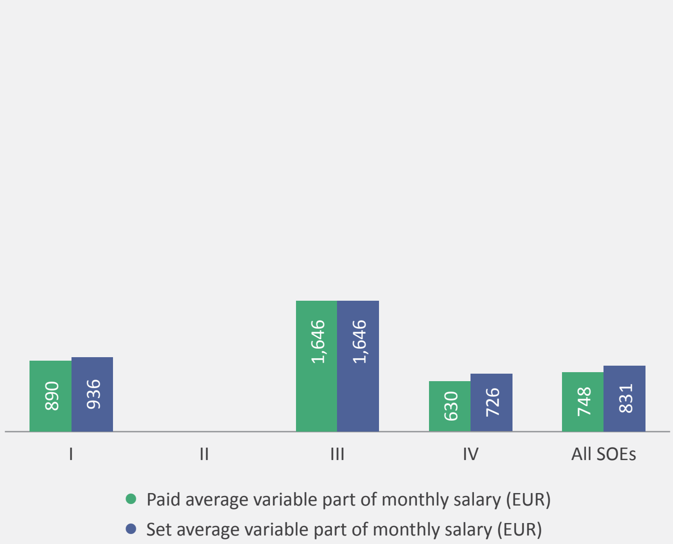
Remuneration of limited liability companies' executives by categories

Although the Resolution for limited liability companies is only of recommendatory nature, categories were indicated by a number of companies provided the data. The Governance Coordination Centre attributed the relevant category to the companies that did not indicate their category based on indicators specified in the Resolution. There is no limited liability company attributed to category II.

Remuneration of executives of limited liability companies by categories



Variable part of remuneration of executives of limited liability companies by categories



In 2014, the average monthly salary of companies' executives amounted to EUR 2,244 and was almost the same as average monthly salary of state enterprises' executives. However, a clear difference in the remuneration of executives in the largest companies (category I) is seen. In 2014, an average monthly salary of executives in companies stood at EUR 5,254 and were more than EUR 2 thousand higher than the average monthly salary of executives in state enterprises of the same category. In limited liability companies as well as in state enterprises, the remuneration of executives depends on the company size. Average monthly salary of directors in the smallest companies (category IV) is almost three times lower than in companies of category I and amounted to EUR 1,805 in 2014. A variable part of average monthly salary paid to directors of the limited liability companies amounted to EUR 748, while the target variable part of average monthly salary was by EUR 83 higher. It should be noted that in companies of category III, the set and paid variable part of average monthly salary of the executives were equal.

Summary

- In 2014, the average monthly salary of SOEs' executives amounted to EUR 2,270. Comparing by sectors, it ranged from EUR 4.1 thousand in the energy sector down to EUR 2 thousand in the forestry sector.
- The assessment of fixed rate margins of the salaries set under the Resolution with actually attributed fixed rate showed that, in most cases, the maximum allowable fixed rate of monthly salary is set to the state enterprises' executives.
- The average variable part of monthly salary paid to state enterprises' executives was only by 8% lower than the average set, and 23 of 79 state enterprises' executives received the maximum variable part of salary in 2014. There is a trend suggesting that the performance indicators to set the variable part are not ambitious enough and do not motivate to achieve better performance results. In individual cases, it may be related to the fact that the remuneration limits defined by the Resolution do not meet the current market conditions; therefore, it is difficult to attract and retain qualified executives of the companies and, at the same time, to motivate them by setting ambitious goals.
- Although there is no significant difference between the average salary of state enterprises and limited liability companies' directors, but there is a clear trend that the directors of the largest (I-III) state enterprises, where remuneration margins are regulated by the Resolution of the Government, earn significantly less than the directors of limited liability companies whom the conditions of Resolution are for guidance only. In some cases, this may be related to remuneration limitations applied to state enterprises' directors discussed above.
- In 2014, only 61 companies awarded a bonus to the directors, which amounted to EUR 1,033 on an average. The highest paid bonus amounted to EUR 11.8 thousand, and other higher bonuses were below EUR 1.8 thousand. The companies that paid the greatest amount of bonuses were **forest enterprises**. In 2014, 37 of 42 enterprises awarded bonuses to directors.
- The aggregated information on the remuneration of executives in 2014 includes the data of 116 companies out of 131. Due to the delay of information from the Ministry of Transport and Communications, the SOEs portfolio did not include one of the largest enterprises of transportation and communications sector: **Lithuanian Railways**, **Lithuanian Post**, **Klaipėda State Seaport Authority**, **Lithuanian Shipping Company**, **Oro Navigacija** and **Lithuanian Airports**.

Special Obligations of SOEs

Implementing the state asset management policy, Lithuanian state-owned enterprises are often engaged in both commercial activities and special activities and functions assigned by the state so as to ensure the implementation of the state's social and strategic objectives or the provision of public services (for example, the Lithuanian Post has an obligation to ensure the provision of universal postal services and the delivery of periodicals to subscribers in rural areas). The special functions of national importance performed by SOEs incorporate non-commercial special obligations (hereinafter 'special obligations') that bring no profit to the enterprises and their fulfilment entails losses which are financed from the state budget or from profit of commercial activities.

Special obligations are functions performed by SOEs that a company would not assume on a commercial basis (or would do that for a price higher than the set price) and that are assigned to enterprises by decisions of the shareholder/owner, i.e. the state.

The performance of special obligations, unless compensated from the state budget, has a negative effect on an enterprise's overall financial results (including its commercial activity). An illustrating example could be the passenger transportation on local routes by the **Lithuanian Railways**: this activity is loss-making and is covered by profit from the company's commercial activities. Therefore, when evaluating SOEs and work of their governing bodies as well as determining operational objectives and the required rates of return, it is important to ensure due separation and elimination of the special obligations effect on an enterprise's financial results.

This part of SOE performance report revealing the aggregated information on non-commercial functions allows an objective evaluation of:

- Influence of non-commercial functions assigned by the state on the profitability of the SOE portfolio and other financial indicators;
- The extent of the expenses related to the performance of non-commercial functions financed from the budget and not reflected in the profit and loss statements.

The financial information on special obligations is presented in accordance with the data provided by enterprises and analysis of Governance Coordination Centre. It should is noteworthy that the analysis excludes the functions assigned to state-owned enterprises, whose regulated pricing provides cost recovery from the consumers, i.e. special commercial obligations (for example, electricity generation, distribution, transmission and other related services). Also, the functions, which, taken individually, are not financially attractive, but are necessary in order to obtain financial benefits from other commercial functions (such as reforestation and enlargement of forest resources) are not included. It is expected that this analysis will help to increase the efficiency of mechanisms of funding special obligations and ensuring their qualitative performance, and will enable the enterprises to set more accurate financial objectives in the future, taking into account their burden of performance of non-commercial functions placed on them.

Financial Results of SOE Special Obligations

Based on information received from 131 SOEs, more than a half of them perform special obligations. In 2014, 76 enterprises had special obligations, but as many as 42 of them were **forest enterprises** and 11 were **road maintenance undertakings**. Of the enterprises that performed special obligations, 11 enterprises that incurred costs from special obligations did not account for such costs in part or in full in the profit and loss statements; instead, these costs were directly compensated from the state budget or other sources of funding, reducing the cost of goods sold or operating expenses by the amount of the compensation.

Presented below is the aggregate financial information of all SOEs, divided into the segments of special obligations and commercial functions. Aggregated financial data does not match the SOE portfolio data, because of different number of enterprises, which were included in the special obligations portfolio.

Profit and loss statement (EUR '000)	2013			2014		
	Commercial functions	Special obligations	Total	Commercial functions	Special obligations	Total
Sales revenue	**2,052,224.9**	**120,174.7**	**2,172,399,7**	**2,166,197.2**	**120,343.0**	**2,286,540.1**
Cost of goods sold	1,192,623.2	142,847.7	1,335,470,9	1,270,042.3	140,816.9	1,410,859.2
Gross profit (loss)	**859,601.7**	**-22,672.9**	**836,928,8**	**896,154.8**	**-20,473,9**	**875,680.9**
Operating expenses	702,109.9	31,115.8	733,225.8	1,205,279.5	30,917.4	1,236,196.9
Profit (loss) from typical activities	**157,491.8**	**-53,788.7**	**103,703.0**	**-309,124.7**	**-51,391.3**	**-360,516.0**
Grants related to revenue	2,527.4	3,544.0	6,071.4	3,063.8	3,373.8	6,437.7
Other activities	13,141.0	208.0	13,349.1	14,177.1	-1,571.9	12,605.2
Financial and investment activities	-9,059.5	416.9	-8,642.6	41,459.3	287.4	41,746.7
Profit (loss) before tax	**164,100.7**	**-49,619.9**	**114,480.9**	**-250,424.5**	**-49,302.0**	**-299,726.5**
Normalised profit (loss) before tax	**168,242.3**	**-49,619.9**	**118,622.5**	**165,926.0**	**-49,302.0**	**116,624.0**
Balance sheet (EUR '000)	**31 Dec 2013**			**31 Dec 2014**		
Total assets	**7,714,727.1**	**1,177,587.2**	**8,892,574.4**	**7,776,411.4**	**1,157,458.5**	**8,932,488.2**

Sales Revenue and Profit

In 2014, the portfolio's total sales revenue amounted to EUR 2.3 billion. Most of this sum (94.7%) was earned from commercial activities. With a view to disclosing profit (loss) before tax of special obligations with greater accuracy, in 2013 and 2014 the asset depreciation deductions were eliminated from the operating expenses of the **Ignalina Nuclear Power Plant**. Moreover, the effect of one-off events (revaluation of assets, impact of companies' acquisition and other) were eliminated from the financial results of **Geoterma**, **Lietuvos Energija** and **EPSO-G**, in order to calculate the normalised net (profit) before taxes.

In 2014, the performance of SOE special obligations operations brought sales revenue of EUR 120.3 million, but the cost of goods sold and operating expenses exceeded revenue significantly, which resulted in EUR 49.3 million loss before tax from special obligations. Meanwhile, normalised profit before tax earned from commercial activities amounted to as many as EUR 165.9 million. In 2013, loss from special obligations had been almost identical to that incurred in 2014 and had stood at EUR 49.6 million. In 2013, normalised profit before tax of commercial activities had been by EUR 2.3 million lower than in 2014 and constituted EUR 168.2 million.

Assets

In 2014, the assets of enterprises included in the portfolio totalled EUR 8.9 billion, of which 13% (EUR 1.2 billion) were directly assigned to the functions of special obligations. In 2014, the assets allocated for the implementation of the functions of special obligations was by EUR 20.1 million higher. In 2014, the greatest share of assets from special obligations (EUR 576.3 billion) was recorded by the **Ignalina Nuclear Power Plant.**

Special Obligations Generating Highest Costs

Below is the information on special obligations performed by SOEs that generate the highest costs.

Enterprise	Special obligation	Revenue of special obligations (EUR '000)	Costs of special obligations EUR '000)	Costs excluded from profit and loss statement (EUR '000)	Loss of enterprises not covered from external sources (EUR '000)
Road maintenance enterprises	Maintenance of roads of national importance and implementation of traffic safety measures on such roads	**58,192.4**	**58,679.0**	**0**	**-486.6**
Lithuanian Railways Group	Public services of passenger transport by rail on local routes	**10,193.2**	**44,401.3**	**328.1**	**-33,880.0**
Lithuanian Oil products Agency	Purchase, sale and renewal (replacement) of the national oil product stock	**32,402.8**	**32,399.8**	**0**	**3.0**
Lithuanian Post Group	Sum of special obligations:	**5,722.4**	**10,808.9**	**4,209.6**	**-876.8**
	Ensuring the provision of universal postal services in rural areas at least 5 working days a week	**2,300.0**	**3,176.9**	**0**	**-876.8**
	Delivery of periodicals to subscribers in rural areas	**3,422.4**	**7,632.0**	**4,209.6**	**0.0**
Forest enterprises	Development of forest selection, conservation of genetic resources of forest, afforestation, protection of forests (fire prevention, sanitary protection) and forest adaptation to scientific and public needs	**0**	**8,896.6**	**148.4**	**-8,748.2**
Klaipėdos Nafta	Implementation and operation of the Liquefied Natural Gas Terminal project	**5,793.3**	**7,281.3**	**0**	**-1,488.1**
	Other special obligations	**11,700.2**	**25,875.7**	**10,349.8**	**-3,825.6**
	Total special obligations	**124,004.2**	**188,342.5**	**15,036.0**	**-49,302.3**

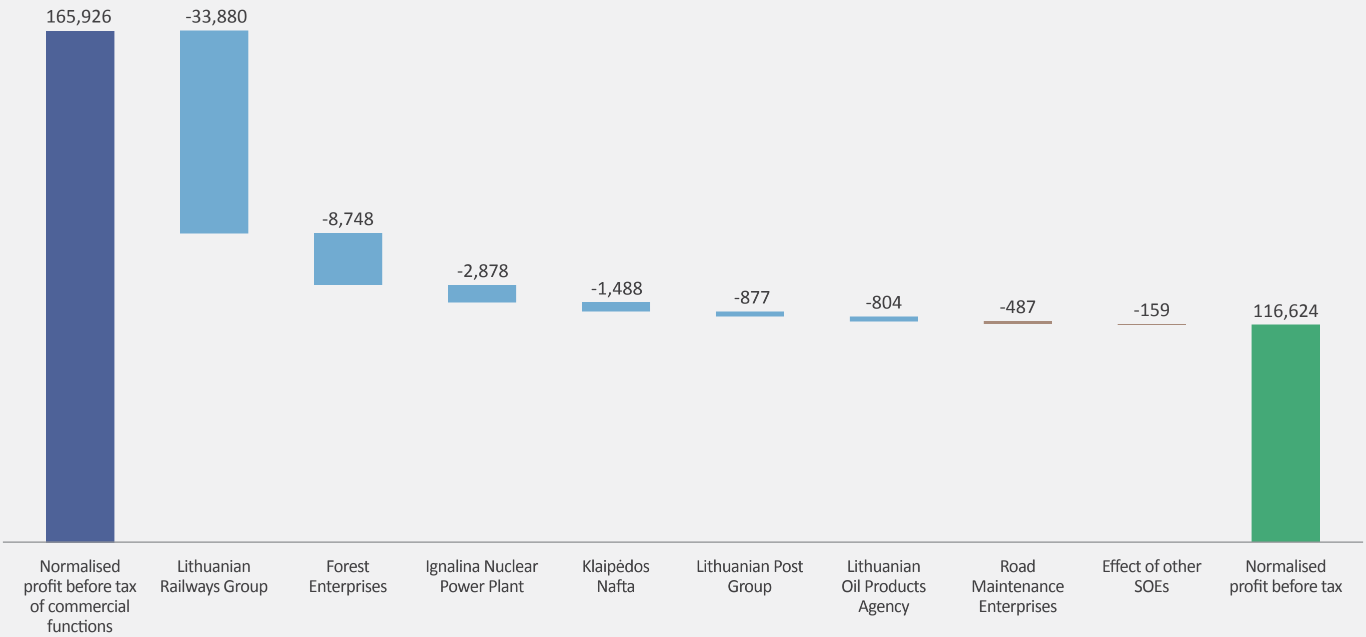
The state incurs the greatest expenses for the maintenance of roads of national importance and the implementation of traffic security. Eleven enterprises engaged in these activities incurred expenses of EUR 58.7 million in 2014. Although these activities are funded from the state budget, in 2014 the enterprises' expenses outweighed the funding received, and the loss from special obligations had to be covered using the profit earned from commercial activities.

As many as EUR 44.4 million were spent to ensure passenger transportation by rail on local routes. In carrying out these activities, the **Lithuanian Railways** earned only EUR 10.2 million worth of revenue, while the remaining expenses were covered with profit from commercial activities – freight transportation. Similarly to the **Lithuanian Railways**, many other enterprises compensate losses incurred in performing special obligations with profit from commercial operations.

Special Obligations with the Greatest Impact on Portfolio Profitability

Below is the information on profit before tax of special obligations in the SOE portfolio by the enterprises which perform special obligations.

Loss before tax of special obligations by the enterprises (EUR ‘000)



SOEs’ normalised net profit before tax from commercial activities amounted to EUR 165.9 million in 2014. However, due to the losses incurred during the implementation of special obligations, SOE portfolio net profit before tax amounted to EUR 116.6 million, i.e. by EUR 49.3 million less.

The greatest loss from the performance of special obligations was incurred by the **Lithuanian Railways**. In 2014, the enterprise posted a loss before tax of even EUR 33.9 million from passenger transport on local routes. The losses were compensated from the profit of commercial activities (mostly from freight transportation). In 2014, the passenger transportation by rail on local routes cost for the state EUR 36.4 million, both directly and indirectly. However, the state compensated only EUR 328.1 thousand worth of loss incurred by the **Lithuanian Railways** and covered costs of discounts on tickets for passengers on concessionary terms that amounted to EUR 2.2 million.

42 **forest enterprises** incurred losses of EUR 8.7 million from their special obligations. The special obligations performed by the **forest enterprises** include the development of forest selection, conservation of the genetic resources of forests, afforestation, protection of forests (sanitary protection, fire prevention), and the adaptation of forests to scientific and public needs. In 2014, the **forest enterprises** used EUR 177 thousand worth of grants for the implementation of special obligation that are not shown in the enterprises’ financial statements. Incurred losses are covered by profit from the **forest enterprises’** commercial activities.

In 2014, the **Ignalina Nuclear Power Plant** recorded a loss of EUR 2.9 million from the decommissioning of the plant and the management, storage and disposal of nuclear and radioactive materials and waste. With a view to reflecting the actual level of loss from these activities, in 2014 the restatement of asset impairment equal to EUR 1.8 million was eliminated from the company’s operating expenses.

Implementing the LNG Terminal project, in 2014, **Klaipėdos Nafta** incurred EUR 1.5 million worth of operating expenses. The LNG Terminal started operation in December 2014 and earned for the company EUR 5.8 million of revenue, which were used to cover a part of expenses incurred by the terminal.

Lithuanian Post is obliged to ensure the delivery of periodicals to the residents in rural areas and provision of universal postal services in rural areas at least 5 working days a week. In 2014, the company incurred losses of EUR 0.9 million from the performance of special obligations. Losses formed from the provision of universal postal service in rural areas, because of periodicals delivery-related costs are fully reimbursed by the state.

The special obligations performed by the **Lithuanian Oil Products Agency**, in particular the implementation of the programme on the holding and management of the national oil products stock and the purchase, sale or renewal (replacement) of the national oil products stock brought losses of EUR 0.8 million in 2014. All losses were incurred while implementing the programme on the holding and management of the national oil products stock as in 2014, the amounts of the agency’s oil product sales and purchases remained almost identical. Moreover, in the process of implementation of the programme on the holding and management of the national oil products stock, expenses amounted to EUR 810.9 thousand were directly compensated, using this amount to reduce the actual expenses incurred by the agency. The annual audited financial statements show the already reduced expenses.

The **road maintenance enterprises**, while performing their special obligations (maintenance of roads of national importance and implementation of traffic safety measures on such roads), incurred a loss of EUR 0.5 million in 2014. Compared with 2013, the enterprises accounted for almost two times less losses (in 2013, EUR 1 million). Only 2 out of 11 **road maintenance enterprises** recorded net profit before tax from the special obligations in 2014. Losses of other enterprises ranged from EUR 0.1 to EUR 0.4 million.

The result of remaining 17 companies, implementing special obligations, reduced the SOE portfolio normalised normalized profit (loss) before tax by EUR 159 thousand. Special obligations carried out by seven enterprises were loss-making for them, and for other ones – slightly profitable.

Disclosure of Special Obligations by the Sectors

Below is the financial information on special obligations by the four sectors. In providing the financial information on special obligations by the sectors, the costs incurred and their compensations, that are not reflected in the enterprises' profit and loss statements, have been added to the cost of goods sold, operating expenses and grants related to revenue. The final result (profit (loss) before tax) has remained unchanged.

Profit and loss statement (EUR '000)	Energy		Transport and communications		Forestry		Other	
	2013	2014	2013	2014	2013	2014	2013	2014
Sales revenue	**39,105**	**38,345**	**74,403**	**75,296**	**0**	**0**	**6,667**	**6,703**
Cost of goods sold	38,998	37,735	98,584	97,909	0	0	5,484	5,516
Gross profit (loss)	**107**	**610**	**-24,181**	**-22,613**	**0**	**0**	**1,183**	**1,187**
Operating expenses	7,604	5,283	18,806	19,361	7,722	8,897	11,515	12,069
Profit (loss) from typical activities	**-7,497**	**-4,674**	**-42,987**	**-41,975**	**-7,722**	**-8,897**	**-10,332**	**-10,882**
Grants related to revenue	1,172	1,185	6,557	6,731	249	148	10,315	10,345
Other activities	-122	-1,790	0	0	0	0	330	218
Financial and investment activities	400	109	0	0	0	0	17	179
Profit (loss) before tax	**-6,047**	**-5,170**	**-36,429**	**-35,243**	**-7,473**	**-8,748**	**329**	**-141**
Balance sheet (EUR '000)								
Total assets	**740,844**	**736,965**	**629,342**	**681,648**	**6,135**	**5,310**	**529,050**	**503,491**

In 2014, the greatest sales revenue from special obligations (EUR 75.3 million or as many as 62.6% of the portfolio's total revenue) was posted by the enterprises of transport and communications sector. The largest revenue (EUR 58.2 million) was earned by 11 **road maintenance enterprises**. **Lithuanian Railways** also earned EUR 8 million. Even though the transport and communications sector enterprises earned the greatest sales revenue, the cost of goods sold and operating expenses were also the highest there. For this reason, the sector's loss before tax amounted to as many as EUR 35.2 million in 2014. The largest loss (EUR 33.9 million) was reported by the **Lithuanian Railways**. Losses of **Lithuanian Post** from special obligations amounted to EUR 3 million in 2014.

The forestry sector enterprises generated no sales revenue from special obligations and only incurred operating expenses. In 2014, operating expenses of 42 **forest enterprises** (forestry sector) stood at EUR 8.9 million, and its loss before tax was EUR 8.8 million due to the reduction of expenses (grants received) by EUR 158 million.

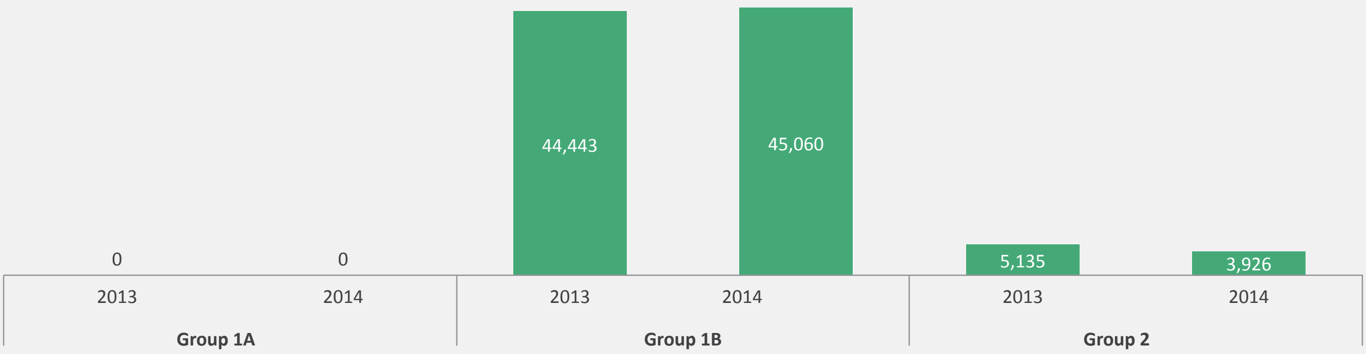
In the energy sector, the major part of sales revenue from special obligations (84.5% or EUR 32.4 million) was earned by the **Lithuanian Oil Products Agency**. The rest of the sector's revenue was almost entirely earned by **Klaipėdos Nafta** – EUR 5.7 million. However, the biggest loss before tax was incurred by the **Ignalina Nuclear Power Plant** as its losses before tax amounted to EUR 2.9 million in 2014, and **Klaipėdos Nafta** – EUR 1.5 million.

In 2014, the enterprises not classified within any of the three sectors discussed above earned revenue of EUR 6.7 million from special obligations. The cost of goods sold and operating expenses totalled EUR 17.6 million, but the sector of other enterprises incurred insignificant loss before tax (EUR 141 thousand) since as many as EUR 10.4 million of the cost of goods sold and operating expenses were excluded from the profit and loss statement and were directly compensated from the state budget or other funding sources. In 2014, operating expenses of **Žemės Ūkio Informacijos Ir Kaimo Verslo Centras** were reduced by EUR 5 million, of **Valstybės Žemės Fondas –** by EUR 2.4 million, and of the **National Centre of Remote Sensing and Geoinformatics "Gis-centras"** – by EUR 0.8 million.

The largest assets assigned to the activities of special obligations were owned by the energy sector enterprises: in 2014, the value of these assets amounted to EUR 737 million, of which as many as EUR 576.3 million were controlled by the **Ignalina Nuclear Power Plant**. While implementing special obligations in 2014, the transport and communications sector's enterprises used EUR 681.6 million worth of assets (although the major part of this, i.e. EUR 358.9 million, were amounts receivable of internal transactions of the **Lithuanian Railways**, which were not included in the consolidated financial statements of the **Lithuanian Railways Group**). The assets of special obligations in the sector of other enterprises totalled EUR 503.5 million, of which EUR 360.9 billion was the debt to the state of Lithuania taken over by **Turto Bankas**. This amount is not included in the audited annual balance sheet of **Turto Bankas**. In 2014, the forestry sector enterprises controlled EUR 5.3 million worth of assets related to special obligations. The value of Lithuania's commercial state forests (EUR 952 million) is attributed to the commercial activities carried out by the **forest enterprises**.

Disclosure of Special Obligations by the Groups of Enterprises

Loss before tax from special obligations by the groups of enterprises (EUR '000)



Of all enterprises included in the portfolio of special obligations, the majority of the enterprises (63) are assigned to Group 1B. The objective of this group's enterprises is business value growth and a yield from dividends or profit contributions, as well as the safeguarding of the national strategic interests. Of the said 63 enterprises, as many as 47 undertakings perform special obligations, and losses incurred by them account for the greater part of total losses from special obligations. In both 2014 and 2013, special obligations of Group 1B enterprises showed loss before tax: in 2014 its amount stood at EUR 45.1 million, and in 2013 it equalled EUR 44.4 million. The greatest losses were recorded by **Lithuanian Railways** and 42 **forest enterprises** (EUR 33.9 million and EUR 8.7 million, respectively).

Of the 40 enterprises assigned to Group 2 (companies that should be engaged in non-commercial activities), 13 enterprises performed no special obligations during the reference period, and 27 companies performing such obligations posted a loss before tax of EUR 3.9 million in 2014. The biggest portion of this loss (even EUR 2.9 million) was incurred by the **Ignalina Nuclear Power Plant**. Of the 13 enterprises that perform no special obligations (non-commercial special obligations), as many as five undertakings, among them **Lietuvos paminklai**, **the Centre for the Testing and Rehabilitation of Athletes**, **the Parliament Publishing House Valstybės Žinios**, **the Kaunas Petrašiūnai Labour Market Training Centre**, and **Lietuvos Veislininkystė** have indicated their engagement in purely commercial activities, although Group 2 enterprises are supposed to carry out non-commercial activities, i.e. the activities that would not be performed by for-profit entities or would be carried out by them for a higher price.

The portfolio of special obligations also includes 25 enterprises attributed to Group 1A, i.e. the group that seeks business value growth and a yield from dividends or profit contributions. All the 25 companies of this group performed no special obligations, and all their activities are considered to be commercial.

The aggregate data by category does not include the **Public Investment Development Agency**, since the company is not assigned to any group. By carrying out special obligations, the **Public Investment Development Agency** suffered losses of EUR 316 thousand in 2014.

Conclusions

More than a half of SOEs (75 out of 131) perform special obligations. Five enterprises attributed to Group 2, i.e. the companies that should be engaged mostly in non-commercial activities, have disclosed that they do not carry out any of non-commercial functions. Institutions implementing the owner's rights with respect to these enterprises should reconsider the objectives set for them.

In 2014, the total costs of non-commercial functions amounted to EUR 140.8 million. This sum includes the costs incurred by 11 enterprises (EUR 15 million) that are not accounted for in the profit and loss statements (they are compensated with cost reducing grants). In 2014, SOEs incurred a loss of EUR 49.3 million from their special obligations, which was offset mostly by profit from commercial activities. The greatest losses were posted by the **Lithuanian Railways** and the **forest enterprises**, or EUR 33.9 million and EUR 8.7 million, respectively. Meanwhile, normalised profit before tax from commercial activities of all SOEs stood at EUR 165.9 million. If special obligations were compensated in full and the enterprises did not need cover losses with profit from commercial activities, SOEs' normalised profit before taxes would increase by 29.7% to at least EUR 215.2 million.

To enhance the transparency of performance of special obligations and the use of state funds, enterprises with special obligations are recommended to ensure that the accounting systems in place allow for a qualified separation of the costs and assets for commercial and non-commercial functions, and make such information publicly available. It is noteworthy that at present not all enterprises have proper accounting systems, and the disclosure of information on grants received and non-commercial functions performed is not always adequately transparent.

Information collected on the costs of performance of special obligations will allow evaluating what amendments to legislation are required in order to improve the control of performance of non-commercial functions, the setting of objectives and the efficient use of funds. Based on the good practice, cross-subsidies should be abandoned as much as possible in the long run, and non-commercial functions should rather be financed through the state procurement of services from enterprises at a reasonable price.

Overview of Portfolio Results

At the end of 2014, the calculated market value of state-owned enterprises accounted for EUR 4.9 billion. This portfolio earned a 2.9% return on equity for the state, and the total value added created by all SOEs during the year reached EUR 1.1 billion, i.e. 3% of the gross domestic product.

The number of SOEs has decreased: the state owns 131 enterprises

On 31 December 2014 the State owned 131 enterprises, when a year ago it owned 137. The number of state-owned enterprises decreased since **State Enterprise under Alytus Penitentiary**, **State Enterprise under Marijampolė Penitentiary** and **State Enterprise under Pravieniškės Penitentiary No. 1** were reorganized and merged establishing **Mūsų Amatai** on 1 June. In addition, **Palanga International Airport** and **Kaunas Airport** were merged with the **Vilnius International Airport** and called the **Lithuanian Airports** on 1 July. On 1 October, **Turto Bankas** was merged with **State Property Fund**. Also the number of SOEs does not include **Visagino Statybininkai**, since on 9 June 2014 the enterprise was subject to bankruptcy proceedings.

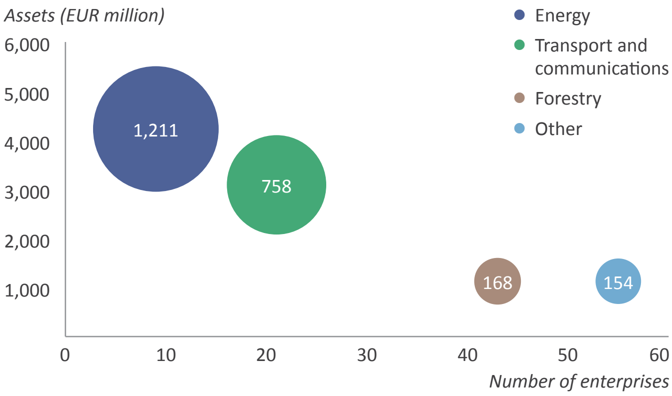
In earlier reports, SOE portfolio also included financial results of **Lietuvos Dujos** and **Amber Grid** whose 17.7% block of shares was owned by the state, but at the beginning of 2014 Ministry of Energy transferred the shares of **Lietuvos Dujos** and **Amber Grid** to the possession of the **Lietuvos Energija Group** and the **EPSO-G Group**. Therefore, financial data of **Lietuvos Dujos** and **Amber Grid** are not included separately, but they are presented together with the consolidated financial data of the **Lietuvos Energija Group** and the **EPSO-G Group**.

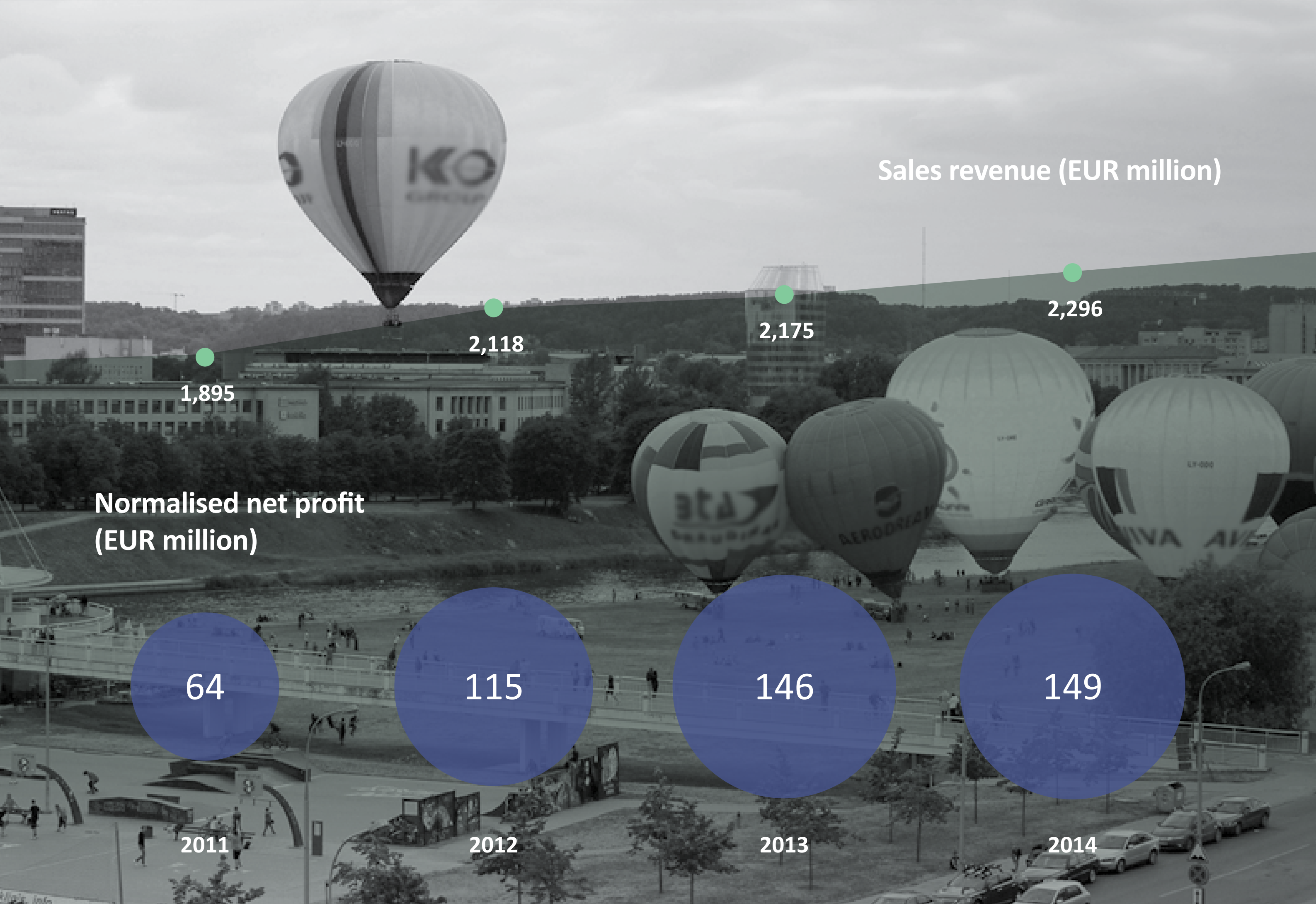
In total, the SOE portfolio that is taken into consideration in this report includes the financial results of 128 SOEs. Due to the lack of comparable data, the portfolio overview excludes the following three SOEs: **Lietuvos Žirgynas**, **Public Investment Development Agency (Viešųjų investicijų plėtros agentūra, VIPA)**, and **Recreational facility Baltija**.

All SOEs are divided into the following four sectors: transport and communications, energy, forestry, and other enterprises. The latter sector includes enterprises not classified within any of the first three sectors. The energy sector consists of nine SOEs, which owns the largest part of the portfolio assets – 47.1% (EUR 4.2 billion). The sales revenue of this sector in 2014 amounted to 52.7% (EUR 1.2 billion) of the total portfolio revenue. The transport and communications sector includes 21 enterprises, owning 34.4% of portfolio assets (EUR 3.1 billion) through the disposal of which 33% (EUR 758.5 million) of portfolio revenue was earned in 2014. The forestry sector consists of 42 **forest enterprises** and the **Lithuanian Forest Inventory and Management Institute**. The assets of the enterprises constituted 12.6% (EUR 1.1 billion, including the commercial forests estimated by the Governance Coordination Centre) of total assets of analysed SOEs, and earned revenue amounts to 7.3% (EUR 167.6 million) of total portfolio turnover. The sector of other enterprises incorporates as many as 55 undertakings, but their total sales revenue constituted only 6.9% (EUR 159 million) of the portfolio turnover, and disposable assets amounted to 5.9% (EUR 532.9 million) of the total portfolio assets.

The chart below shows the number of enterprises in the sectors, assets and volume of revenue (the sizes of the circles match sales revenue).

The number of enterprises, assets and volume of revenue (EUR million) by sectors





Changes of Lietuvos Dujos and Amber Grid shareholders

In the first half of 2014, Lithuania acquire shares of **Lietuvos Dujos** and **Amber Grid** from E.ON Ruhrgas International GmbH and Gazprom and became the controlling manager of the companies. On 21 May 2014, the shares were purchased from E.ON Ruhrgas. **Lietuvos Energija** acquired 38.9% of **Lietuvos Dujos** and 11.76% of **LESTO** shares, and **EPSO-G** acquired 38.9% of **Amber Grid** shares. In June 2014, formal obligatory procurement of **Amber Grid** and **Lietuvos Dujos** shares were carried out during which Gazprom sold 37.1% of **Lietuvos Dujos** and **Amber Grid** shares to each of them. A part of shares was also sold by the minor shareholders of these enterprises. After procurement, **Lietuvos Energija** owns 96.6% of **Lietuvos Dujos** and 94.4% of **LESTO** shares, and **EPSO-G** owns 96.5% of **Amber Grid** shares.

Revaluation of assets and other one-off events resulted in significant changes of SOE portfolio results

In 2014 **Lietuvos Energija** and **EPSO-G**, and in 2013 **Geoterma** recorded the assets-related revaluation losses, which significantly distorted the performance of enterprises and had a significant impact on the SOE portfolio performance.

In 2014, long-term tangible assets were revalued by **Lietuvos Energija** subsidiary **LESTO**. The value of long-term tangible assets of the enterprise on 31 December 2014 amounted to EUR 682.6 million, almost half as much (or EUR 618.3 million) as the residual book value of the assets before revaluation. Revaluation result increased operating expenses of **LESTO** by EUR 219.9 million, so the enterprises recorded EUR 163.8 million net losses in 2014 (in 2013 it accounted for EUR 13.8 million net profit). If the impact of property revaluation was eliminated, the net profit would reach EUR 24.6 million. The reduction of long-term tangible assets by EUR 617 million was written off in consolidated balance sheet of the **Lietuvos Energija Group** for the year 2014. During the reference period, the results of the **Lietuvos Energija Group** were also significantly affected by the acquisition of **Lietuvos Dujos** (calculation of the enterprise goodwill and resulting tax expenses) and the demand of EUR 81.4 million provisions estimated in 2014 for the reduction of gas prices for non-household consumers in 2015-2016. In total The **Lietuvos Energija Group** in 2014 recorded EUR 280 million of net losses, but after eliminating the said one-off factors (asset revaluation, acquisition of **Lietuvos Dujos** and gas price discount), net result of the Group (normalised net profit) for the year 2014 amounted to EUR 58.5 million. In 2013, The **Lietuvos Energija Group** accounted for EUR 40.8 million of net profit. In 2014, the revaluation of asset value was also carried out by **EPSO-G Group**. **Litgrid** included as much as EUR 123.2 million of asset revaluation-related losses in the operating expenses, so the recorded net result of EUR 7.3 million profit in 2013 fell to EUR 111.6 million in 2014. If the asset revaluation losses had not been recorded, the net result of the enterprise would have amounted to the losses of EUR 6.9 million. This was a key factor that determined the EUR 13.5 million net losses of the Group. During the reference period, the **EPSO-G Group** results were also significantly affected by the acquisition of **Amber Grid** (calculation of the enterprise goodwill and resulting tax expenses). If the influence of **Amber Grid** acquisition was eliminated, the net loss of **EPSO-G** would amount to EUR 3.9 million. In 2013, the Group earned EUR 4.2 million of consolidated net profit.

In 2013, **Geoterma** revalued long-term tangible assets with a net book value of EUR 3.4 million at the end of 2013. EUR 4.1 million of asset revaluation-related losses were recorded as operating expenses in 2013. Asset revaluation resulted in the fact that net losses of the enterprise in 2013 were EUR 4.8 million, but after the elimination of the effect of revaluation, the net losses of the enterprise would amount to EUR 0.6 million. In 2014 **Geoterma** incurred EUR 0.5 million net losses.

Taking into account the impact of above named one-off factors on the results, normalized net result is further calculated in the overview of the SOE portfolio performance. Normalized net profit or losses are calculated after the elimination of non-standard state taxes and the effect of bank bankruptcies as well as the deduction of revaluation losses of **Lietuvos Energija**, **EPSO-G** and **Geoterma** and the results of one-off events of **Lietuvos Energija** and **EPSO-G**.

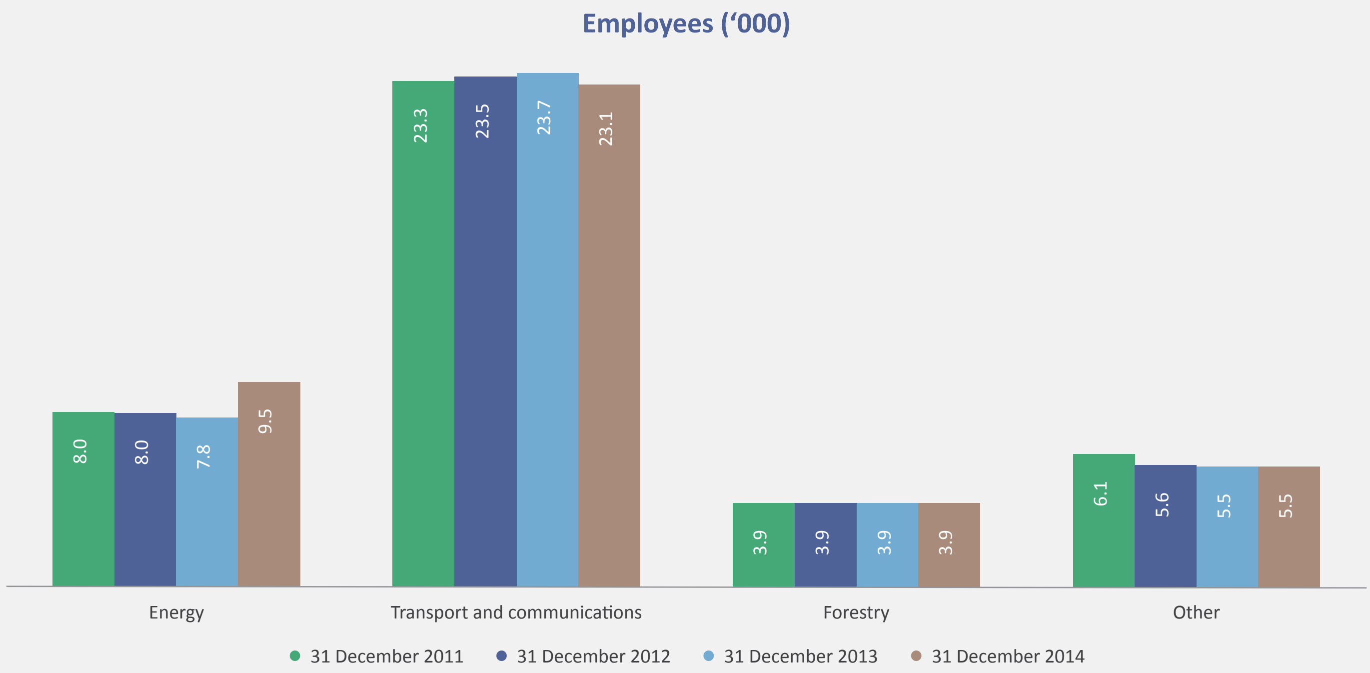
Also, it should be noted that the 2014 results of the **Lietuvos Energija Group** and the **EPSO-G Group** were, respectively, influenced by the financial results of **Lietuvos Dujos** and **Amber Grid** that are included in the consolidated results of the groups only from the second half of 2014. The Governance Coordination Centre did not have enough data to eliminate the financial results of **Lietuvos Dujos** and **Amber Grid** for better comparability of the data.

The three enterprises employed as many as 58% of all SOE employees

At the end of 2014, SOEs employed 41,994 employees, by 1,096 employees more than a year ago. More than half (55.1%) of employees worked in transport and communications sector, and the three largest employers: the **Lithuanian Railways Group**, the **Lithuania Post Group** and the **Lietuvos Energija Group**, together employed 57.6% of all SOE employees.

At the end of 2014, enterprises of energy sector employed 21.2% more employees (9,463) than in the previous year. The number of employees mostly increased in the **Lietuvos Energija Group** and the **EPSO-G Group** as a result of acquisitions of **Lietuvos Dujos** (1,280 employees) and **Amber Grid** (361 employees).

At the end of December 2014, transport and communications sector enterprises employed 2.3% less employees (23,149) than in the previous year. The number of employees in this sector mostly decreased due to the reduction of **Lithuanian Railways'** employees. At the end of December 2014, this company had 12,534 employees, i.e. less by 220 employees than at the end of 2013. Also, the number of **Lithuanian Post** fell by 170 employees, down to 6,038 employees. The number of employees in this company decreased largely due to the development of deliveries of postal items by car.



Market Value of the SOE Portfolio

Market value of the SOE portfolio increased by 11%

At the end of 2014, total market value of the SOE portfolio amounted to EUR 4.9 billion, up by 11.1% year-on-year. The book value of equity, which is equated to the market value, grew by 1% to EUR 2.5 billion compared to 2013. The growth of the total portfolio value was mostly driven by the 37.9% increase (to EUR 1.5 billion) of the market value of the listed companies of energy sector. The total market value of the energy sector went up by 23% to EUR 1.8 billion as a result of increased value of shares. The growth of the market value in transport and communications and forestry sectors was less significant – 2.1% and 6.8%, respectively. The market value of other companies during 2014 went up by 30.9%, to EUR 206 million. This change was determined by the increase of equity value of **Turto Bankas** by EUR 44.7 million.

SOE portfolio value as of 31 Dec 2014 (EUR '000)	Market value	Cash flow method	Book value	Total
Energy	1,457,238	0	322,870	**1,780,108**
Change from 31 Dec 2013	*+37.9%*		*-17.3%*	*+23.0%*
Transport and communications	387	0	1,803,933	**1,804,320**
Change from 31 Dec 2013	*-77.3%*		*+2.1%*	*+2.1%*
Forestry	0	952,271	154,230	**1,106,501**
Change from 31 Dec 2013		*+7.4%*	*+3.4%*	*+6.8%*
Other	0	0	205,976	**205,976**
Change from 31 Dec 2013			*+30.9%*	*+30.9%*
Total	**1,457,625**	**952,271**	**2,487,009**	**4,896,905**
Change from 31 Dec 2013	*+37.7%*	*+7.4%*	*+1.0%*	*+11.1%*

SOE Market Value on NASDAQ OMX Vilnius Stock Exchange

The market value of listed SOEs grew by 31.6%

In 2014, five state-owned companies and their subsidiaries as well as two limited liability companies with a controlling interest acquired by the state-owned companies during the reference period were listed on the NASDAQ OMX Vilnius Stock Exchange. The market value of all these enterprises owned by the state amounted to EUR 1,795 million at the end of 2014, and was 69.6% higher than at the end of 2013. The market value of enterprises owned by the state increased as a result of the increased number of shares owned by the state, as well as the growth in share prices.

31 Dec 2014	Share value (EUR '000)	State-owned interest		Value of the state-owned interest		Change of the share value from	Change of the state-owned interest from
		31 Dec 2013	31 Dec 2014	(EUR '000)	Percentage in the total value	31 Dec 2013	
LESTO Group	602,737	82.63%	94.39%	568,927	31.7%	+27.9%	+46.2%
Litgrid Group	334,876	97.50%	97.50%	326,513	18.2%	+12.2%	+12.2%
Lietuvos Energijos Gamybos Group	495,365	96.13%	96.13%	476,202	26.5%	+98.0%	+98.0%
Klaipėdos Nafta	118,369	72.32%	72.32%	85,600	4.8%	+6.5%	+6.5%
Lietuvos Dujos	188,946	17.70%	96.64%	182,605	10.2%	+4.3%	+469.6%
Amber Grid	160,187	17.70%	96.58%	154,707	8.6%	+23.2%	+572.1%
Lithuanian Shipping Company	684	56.66%	56.66%	387	0.0%	-77.3%	-77.3%
SOE index:	**1,901,163**	-	-	**1,794,940**	**100%**	**+31.6%**	**+69.6%**
OMXV index of all shares:							**+7.3%**

Value of shares of Lietuvos Energijos Gamyba grew the most – 98%

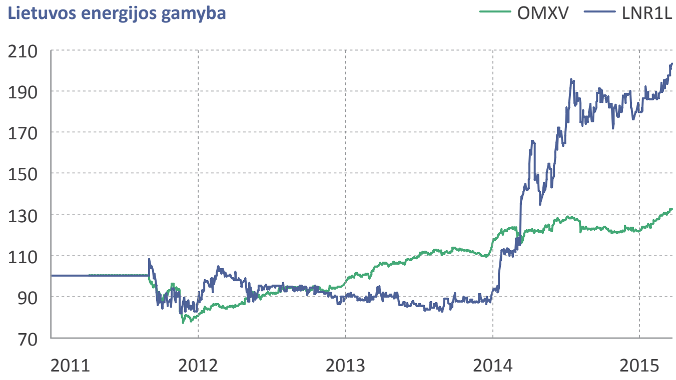
In 2014, **LESTO** accounted for the largest part of the market value of SOE shares held by the state (31.7% or EUR 568.9 million), while **Lithuanian Shipping Company** made up the smallest portion (0.02% or EUR 0.4 million). The total value of state-owned shares increased mostly due to a change in the value of the state-owned interest in **Lietuvos Dujos** and **Amber Grid**, having increased by 469.9% (to EUR 182.6 million) and 572.1% (to EUR 154.7 million) from the end of the year, respectively. During 2014 the state indirectly acquired the controlling interests of the enterprises and now owns 96.64% of **Lietuvos Dujos** shares and 96.58% of **Amber Grid** shares (formerly, the state owned 17.7% of shares of each of the enterprise). Since the beginning of this year, the price of **Lietuvos Dujos** and **Amber Grid** shares went up by 4.3% and 23.2%, respectively. The value of **Lietuvos Energijos Gamyba** shares increased the most (98%). **Litgrid** share value grew by 12.2% and **LESTO** – by 27.9%. During the reference period, the portion of **LESTO** state-owned shares grew from 82.63% to 94.39%. (**Lietuvos Energija** has acquired 11.76% of **LESTO** shares from the German concern E.ON Ruhrgas International); therefore, the value of state-owned **LESTO** shares increased by 46.2%. The value of **Klaipėdos Nafta** shares during the reference period increased by 6.5% and the only company that has experienced a decline in share value was **Lithuanian Shipping Company**. Regarding the loss-making activities and non-improving financial results, during 2014, the company's share value dropped by 77.3%.

The SOE share index shows changes in the value of state-owned enterprises listed on the Stock Exchange from the end of 2013. From the beginning till the end of 2014, the SOE index increased by 36.54%.

Increased value of **Lietuvos Energijos Gamyba** shares (by 98%) had a significant impact on the growth in the value of shares of energy sector enterprises. This growth was driven by better performance of **Lietuvos Energijos Gamyba** than in 2013 although the net profit of the enterprise decreased due to one-off factors, including revaluation of assets. It was also influenced by the dividends for 2013 paid out by the enterprise, which amounted to EUR 43.4 million (LTL 150 million). **Litgrid Group** share value compared with the end of 2013 was by 12.2% higher. Regardless of less favourable financial results reported for 2013, **Klaipėdos Nafta** share value increased by 6.5%.

The index of shares on NASDAQ OMX Vilnius was also increasing, but at a slower rate than SOE: during 2014 the index grew by 7.3%.


SOE index
OMXV
SOE
280
240
200
160
120
80
40
2011
2012
2013
2014
2015


Lietuvos energijos gamyba
OMXV
LNR1L
210
190
170
150
130
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70
2011
2012
2013
2014
2015


LESTO
OMXV
LES1L
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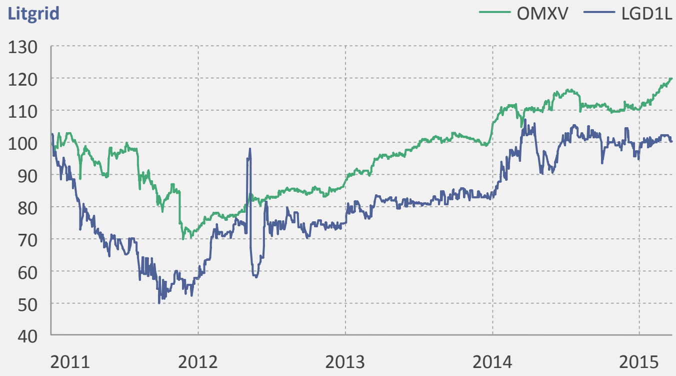
Litgrid
OMXV
LGD1L
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Klaipėdos nafta
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Lietuvos dujos
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Amber Grid
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Lietuvos jūrų laivininkystė
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LJL1L
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170
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2013
2014
2015

P/E ratio

With a view to determining the share value of listed Lithuanian SOEs, the price-to-earnings (P/E) ratio was estimated. This ratio is calculated as market capitalization to net earnings of a company and reflects investor expectations and the evaluation of the company's current and future situation. However, this ratio is more of a reference nature and is only meaningful when compared within a certain timescale and in the context of similar enterprises. To analyse comparable companies, the P/E ratios of the developing countries undertakings operating in the respective sectors were used.

The P/E ratios of listed Lithuanian SOEs within the same sectors are notably different, reflecting differences in the enterprises' operations. The P/E ratio of the shares of **Lietuvos Energijos Gamyba** operating in the energy sector is valued at 12.1. Within the context of foreign comparable companies of the energy sector (34.7) the P/E ratio of **Lietuvos Energijos Gamyba** is almost three times lower than the average and shares could be valued as cheap.

The P/E ratio of **Klaipedos Nafta** and **Lietuvos Dujos** that belong to the oil and gas distribution sector are 12.8 and 4.5, respectively. They are considerably lower than the average of comparable foreign companies operating in this sector (29.5); the shares of both companies are valued much cheaper.

P/E ratio of **Lietuvos Energijos Gamyba** during the reference period of 2012–2014 varied significantly. In 2013, the ratio value fell to 8, as earned net profit grew by almost 3 times and the share price has remained stable. In 2014, the ratio value went up to 12.1 as a result of a two-fold increase in the value of shares. P/E ratio of **Lietuvos Dujos** since 2012 declined steadily because the share price of the company has remained stable despite the increase in the net profit. In 2014 value of ratio was 4.5.

Listed Lithuanian SOEs	P/E			Comparable foreign sectors*	P/E 2014
	2012	2013	2014		
LESTO Group	-	37.5	-	Energy	34.7
Litgrid Group	34.9	40.7	-	Energy	34.7
Lietuvos Energijos Gamybos Group	21.6	8.0	12.1	Energy	34.7
Klaipėdos Nafta	11.7	10.7	12.8	Oil and gas distribution	29.5
Lietuvos Dujos	12.2	9.9	4.5	Oil and gas distribution	29.5
Amber Grid	N/A	27.7	-	Oil and gas distribution	29.5
Lithuanian Shipping Company	-	-	-	Shipping	55.6

** For comparison purposes, the averages of the sectors, which Lithuanian listed SOEs are assigned to, enterprises in developing countries located in regions like Eastern Europe, Asia, Latin America, are used.*

At the end of 2014, **LESTO**, **Litgrid** and **Amber Grid** were loss-making; therefore their P/E ratios could not be calculated then. **The Lithuanian Shipping Company** was posting losses for the last three years, so its P/E ratio is not provided either. The P/E ratio of **Amber Grid** only was estimated for 2013, a year when the enterprises launched its operations.

Aggregated SOE Financial Information

The following tables contain summarised financial information of all SOEs based on the audited financial statements for 2014.

Profit and loss statement (EUR '000)	2013	2014
Sales revenue	**2,175,056**	**2,296,063**
Cost of goods sold	1,416,698	1,463,775
Gross profit (loss)	**758,358**	**832,288**
Operating expenses	642,862	1 ,269,631
Profit (loss) from other activities	13,320	106,785
Operating profit (loss)	**128,815**	**-330,557**
Operating profit margin	*5.9%*	*-14.4%*
EBITDA	**496,380**	**537,001**
EBITDA margin	*22.8%*	*23.4%*
Financial and investment activities	-8,125	38,397
Profit (loss) before taxes	**120,691**	**-292,160**
Profit tax	11,346	-63,734
Net profit (loss)	**109,345**	**-228,426**
Minority interest	131	-21,202
Normalised net profit (loss)	**146,093**	**148,905**
Normalised net profit margin	*6.7%*	*6.5%*
Balance sheet (EUR '000)	**31 Dec 2013**	**31 Dec 2014**
Intangible assets	81,266	49,792
Tangible assets	6,116,765	5,986,454
Financial assets	116,343	140,729
Other non-current assets	306,064	341,096
Biological assets	861,995	954,056
Non-current assets	**7,482,433**	**7,472,128**
Inventories, prepayments and contracts in progress	299,420	386,489
Amounts receivable within one year	562,084	532,892
Other current assets	151,449	116,375
Cash and cash equivalents	405,732	474,886
Current assets	**1,418,686**	**1,510,643**
Total assets	**8,901,120**	**8,982,771**
Total equity	**5,261,954**	**5,052,386**
Minority shareholder equity	276,564	122,932
Grants and subsidies	**1,553,801**	**1,667,057**
Non-current liabilities	1,198,081	1,259,214
Current liabilities	1,065,571	1,004,113
Liabilities	**2,263,652**	**2,263,327**
Of which financial liabilities*	784,747	1,133,597
Total equity and liabilities	**8,901,120**	**8,982,771**
Ratios	**31 Dec 2013**	**31 Dec 2014**
Normalised ROA	1.7%	1.7%
Normalised ROE	2.8%	2.9%
D/E*	14.9%	22.4%
D/E**	29.8%	28.6%
Return to the state (EUR '000)	**2013**	**2014**
Assigned dividends (share of the state)	8,635	65,987
Assigned profit contributions	8,174	8,359
Dividends and profit contributions to the state:	**16,809**	**74,345**
Property tax	6,901	6,850
Raw material tax	21,204	22,911
Total:	**44,914**	**104,107**
Employee information	**2013**	**2014**
Number of employees	40,898	41,994
Number of executives	463	488

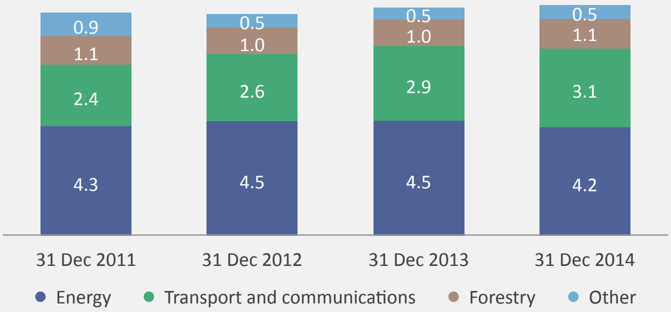
** Financial liabilities and D/E ratio in the tables exclude the interest-free loan granted by the Ministry of Finance to the state enterprise Indėlių ir Investicijų Draudimas.*

*** This D/E ratio was estimated by including the interest-free loan granted by the Ministry of Finance to the state enterprise Indėlių Ir Investicijų Draudimas in financial liabilities.*

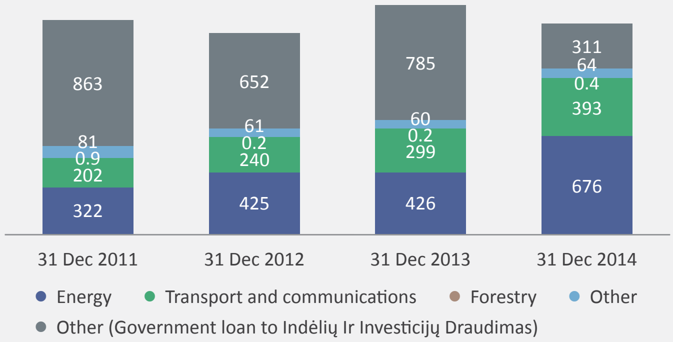
Assets and Investments

At the end of 2014, the total book value of the SOEs assets amounted to EUR 9 billion – 0.9% more than at the end of 2013. The book value of assets of the energy sector enterprises dropped by 6% to EUR 4.2 billion and accounted for a bit less than a half of the total asset value. SOEs of transport and communications grew up by 6.2% to EUR 3.1 billion in the value of its assets as a result of implementation of investment projects.

Assets (EUR billion)



Financial liabilities (EUR million)

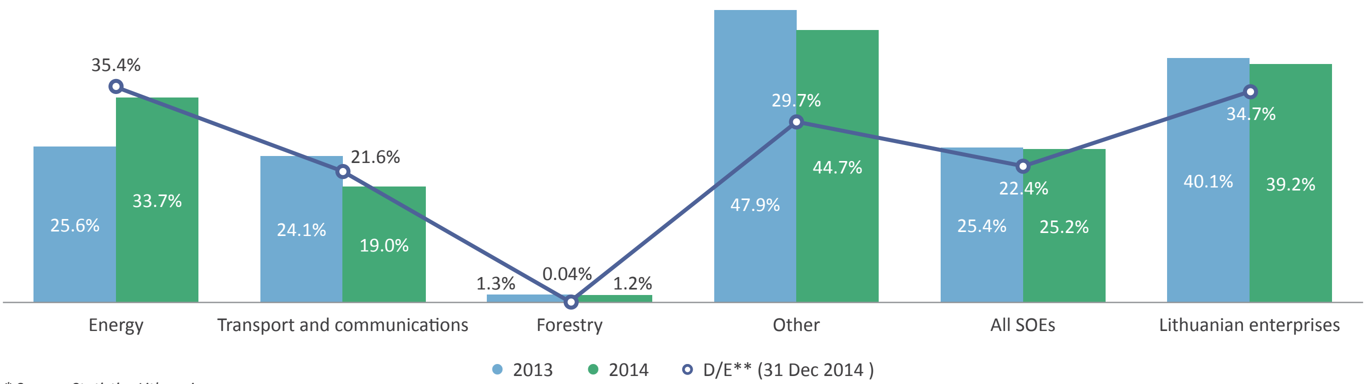


Financial liabilities of SOEs increased

The financial liabilities of the SOE portfolio, including the interest-free loan to **Indėlių Ir Investicijų Draudimas** for payment of insurance claims, went down by 7.9% to EUR 1,445 million mainly due to the fact that the interest-free loan granted by the Ministry of Finance to **Indėlių Ir Investicijų Draudimas** declined more than twice from EUR 784.7 million to EUR 311.4 million during the year 2014. After elimination of this loan, financial liabilities of SOE portfolio grew by 44.5% to EUR 1,133.6 million. Financial liabilities of SOE portfolio were mostly enhanced by the growth of **EPSO-G**'s financial debt from EUR 64.2 to 249.5 million for the redemption of **Amber Grid** shares from E.ON Ruhrgas International GmbH and Gazprom.

The ratio of SOE liabilities to assets at the end of the reference period amounted to 25.2% and was by 14 percentage points lower compared to financial indicators of all Lithuanian enterprises (Statistics Lithuania). The largest share of the liabilities in the assets was accounted for by the sector of other enterprises: the ratio exceeded the average of Lithuania. This sector covers financial services providing and loss-making enterprises, which resulted in a high level of liabilities' ratio. The ratio of liabilities to assets of transport and communications sector is twice lower than the Lithuanian average, while the assets of forestry sector are covered by the equity by 97.8%.

Liabilities to assets ratio



** Source: Statistics Lithuania*

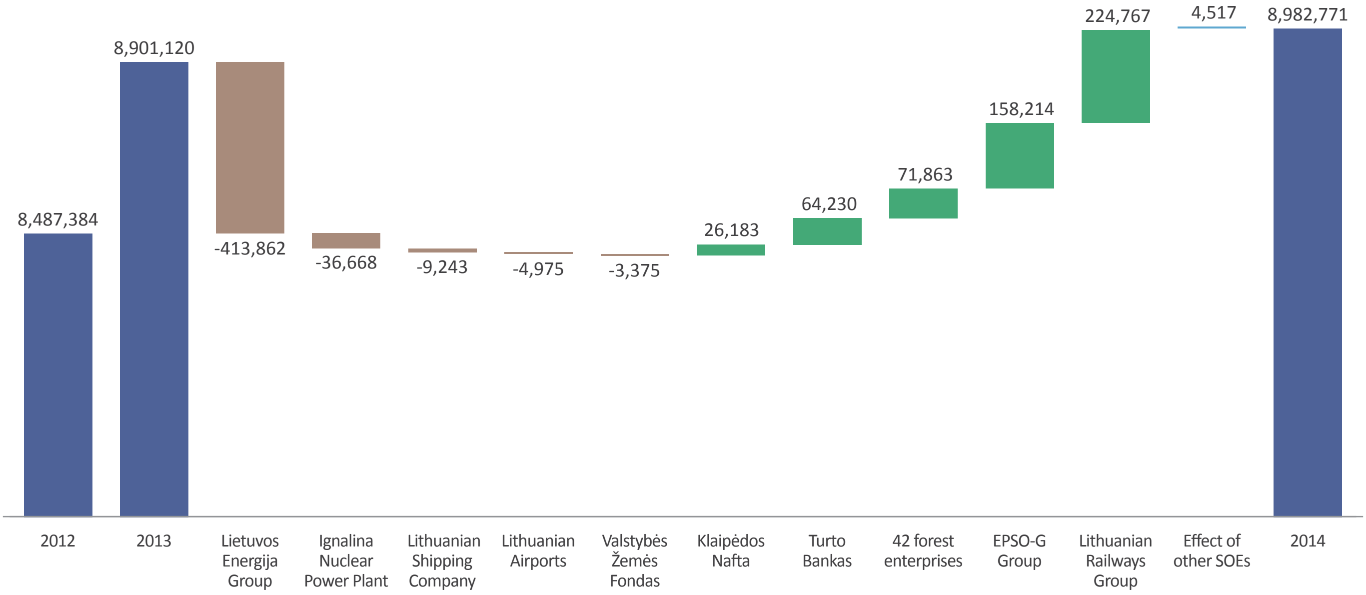
*** D/E ratio was calculated excluding the interest-free loan, granted by the Ministry of Finance to Indėlių Ir Investicijų Draudimas, from financial liabilities.*

In 2014, book value of assets of SOE portfolio decreased by 4% to EUR 5.1 billion. The book value of assets fell the most (by 20.8% to EUR 1.9 billion) in the sector of energy enterprises mainly due to reduced equity of the **Lietuvos Energija Group**. The amount of grants and subsidies in SOE portfolio increased by 7.3%, to EUR 1.7 billion.

At the end of 2014, the SOE debt-to-equity ratio (D/E) stood at 22.4% having increased by 7.5 percentage points year-on-year. This was mainly influenced by the growth of SOE financial liabilities, which was determined most by the increase in **EPSO-G**'s financial debt for the redemption of **Amber Grid** shares. Although the rate increased, the overall SOE debt level still remains conservative: comparing with the average of all Lithuanian enterprises, it was by 12.3 percentage points lower at the end of 2014 (Statistics Lithuania). The highest debt-to-equity ratio in 2014, amounting 35.4%, was recorded in the energy sector, while the forestry sector are still largely financed by equity, so their debt-to-equity ratio remains close to zero (including the estimated commercial forest value enhancing the equity).

The next page contains the information on changes in the book value of assets in the SOE portfolio by the enterprises that had the greatest effect on the results of the total portfolio.

Change in assets of the SOE portfolio by the enterprises (EUR '000)



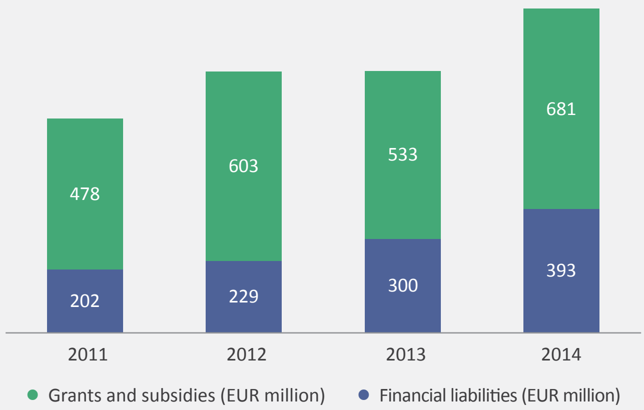
Lithuanian Railways Group's assets increased by 12.4%, up to EUR 2 billion in 2014. This was determined by financial liabilities which increased from EUR 226.6 to 311.2 million as a result of the loans received for the acquisition of rolling stock and renovation and development of railway infrastructure. The assets of the enterprise also increased due to the grants and subsidies increased by 36.2%, up to EUR 574.1 million, received in 2014. The largest grant was received from the European Union structural funds and TEN-T Fund's for increase of authorized capital. Therefore, the grants and subsidies of the transport and communications sector grew by 27.7%, up to EUR 681.1 million.

EPSO-G Group's assets grew by EUR 158.2 million during the reference period mainly due to EUR 185.4 million increase in financial obligations. Financial liabilities increased due to the loans taken for redemption of Amber Grid shares from E.ON Ruhrgas International GmbH and Gazprom. Increased financial liabilities of EPSO-G Group have significantly contributed to the total increase in debt of the energy sector.

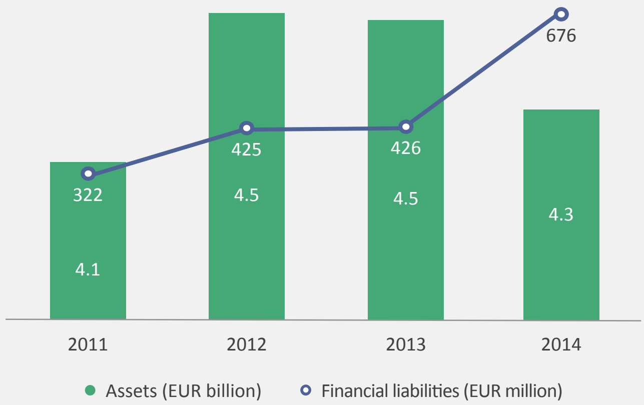
Forest enterprises posted an increase in assets by 3.7% to EUR 1.1 billion in 2014. This increase mostly depended on the revaluation of the state-owned commercial forests value calculated by the Governance Coordination Center under the discounted cash flow method. Based on the evaluation, at the beginning of 2015, the forest value accounted to EUR 952.3 million and, was by 7.4% higher year-on-year. The growth in the value of forests owned by the forest enterprises was determined by increase in timber price.

Turto Bankas' assets amounted to EUR 171.9 million in 2014, and increased by 59.7% or EUR 64.2 million compared to 2013. The main reason: after the merger of State Property Fund to Turto Bankas on 1 October 2014 and change of accounting standards, the equity capital of Turto Bankas grew by EUR 44.7 million due to EUR 43.6 million of the off-balance assets of State Property Fund, which was included in the balance sheet of Turto Bankas. Before the reorganization, Turto Bankas kept their accounts in accordance with International Accounting Standards, but now it applies with Business Accounting Standards.

Transport and communications



Energy sector



↑ **Klaipėdos Nafta's** assets went up by 13.4% to EUR 221.9 million in 2014. This change was mainly influenced by the LNG terminal resulting in the growth of non-current assets of the company by EUR 37.6 million. Moreover, the financial liabilities related to the use of European Investment Bank funds for the implementation of the LNG terminal have doubled and amounted to EUR 29.9 million in 2014

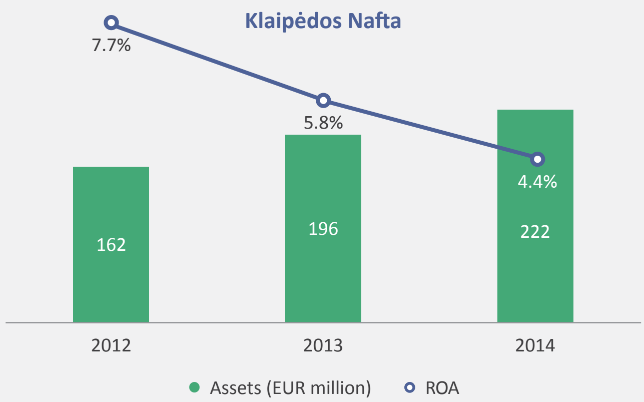
↓ **Lietuvos Energija Group's** asset value in 2014 dropped the most of all SOEs – from EUR 2.8 to EUR 2.4 billion. In accordance with international accounting standards, LESTO owned by the Group carried out the revaluation of non-current tangible assets, which revealed the real value of assets. According to the revaluation, the value of assets decreased by EUR 621 million.

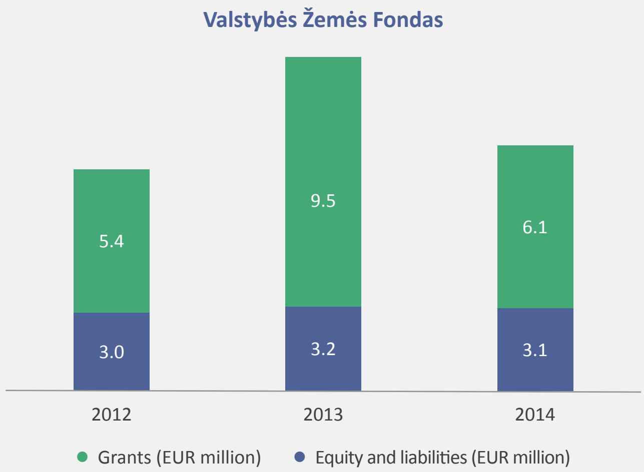
↓ **Ignalina Nuclear Power Plant's** assets fell by EUR 36.7 million mainly due to reduced company debts to suppliers (from EUR 24.5 to 5.6 million) during the reference period. It is also influenced by the grant that was lower by EUR 11.6 million and EUR 1.1 million net losses suffered resulting in the increase of retained loss up to EUR 453.4 million.

↓ **The Lithuanian Shipping Company's** assets went down by 19.6% to EUR 38 million in 2014. Assets decrease was due to reduction of the authorised capital of the company from EUR 58.2 million at the end of 2013 to EUR 24 million at the end of 2014. After the cancellation of the shares of the company, the retained losses were reduced from EUR 34.5 million to EUR 6.6 million at the end of 2014. The assets value also fell when the sales revenue of the sale of motor vessel Asta in January 2014, the sale of motor vessel Alka in April, and the sale of motor vessel Daina in July was used for the reduction of the part of short-term financial liabilities to banks.

↓ **Lithuanian Airports'** assets during 2014 decreased by EUR 5 million and amounted to EUR 165.6 million. It was mostly influenced by reduced grants by EUR 2.1 million which amounted to EUR 43.6 million at the end of 2014. Also, the decrease in the assets was influenced by reduced non-current financial debts by 26.6%, to EUR 5.1 million, and double shrinkage of commercial debts, which, at the end of the reference period, amounted to EUR 1.8 million.

↓ **Valstybės Žemės Fondas'** assets decreased by 26.7%, to EUR 9.2 million in 2014. This change was mainly influenced by a EUR 3.3 million decrease (to EUR 6.1 million) in grants. Since the company had signed 16 contracts on the measures for Lithuanian Rural Development Programme 2007-2013 in 2013, the grants were higher than in 2014. According to the contracts the company must implement the projects by July 2015.

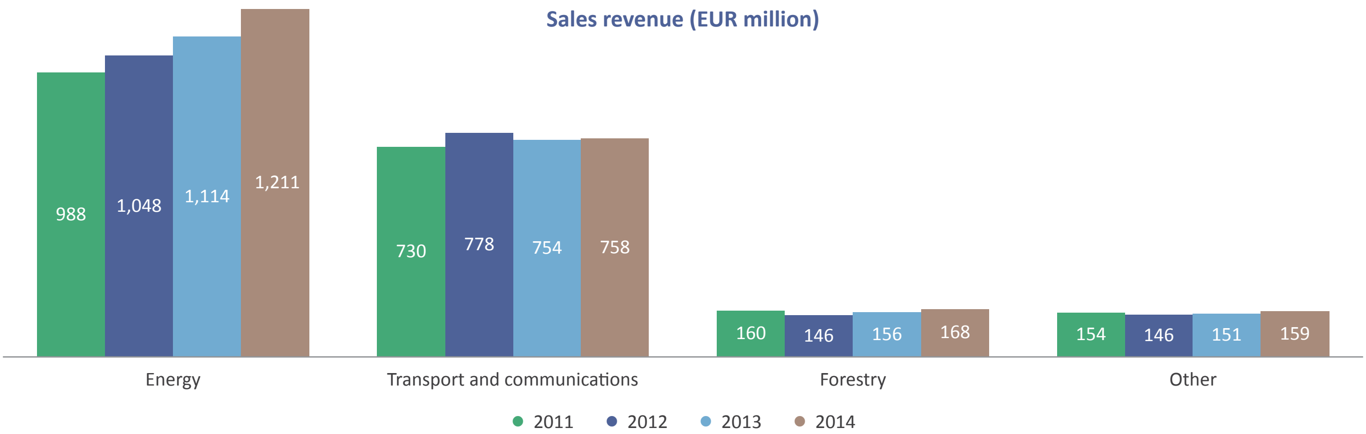




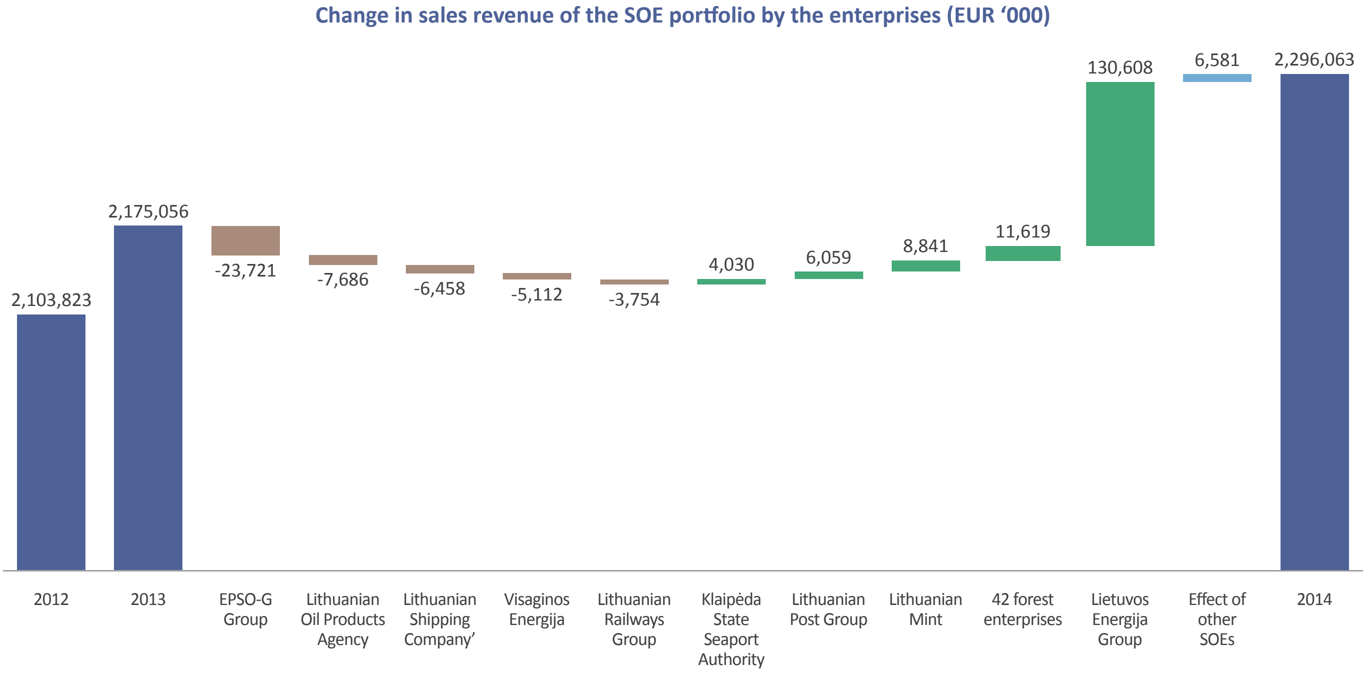
↑ **Other SOEs'** assets grew by EUR 4.5 million and also contributed to the growth of overall SOE portfolio assets. Of the 77 companies, whose changes in assets have not been explained in detail, the assets of 43 companies declined, while the assets of 34 companies grew.

Sales Revenue

In 2014, SOE portfolio sales revenue amounted to EUR 2.3 billion and, compared with 2013 results, increased by 5.6%. The total growth of portfolio revenue was determined by the increase in revenue of the major SOE sector (energy) by 8.7% from EUR 1.1 to 1.2 billion. Significant growth of revenue in 2014 was reached by the forestry sector, which enterprises earned by 7.4% more revenue than a year ago, a total of EUR 167.6 million. The revenue of the sector of other enterprises also grew by 5.2%, while the revenue of transport and communications sector remained almost unchanged.



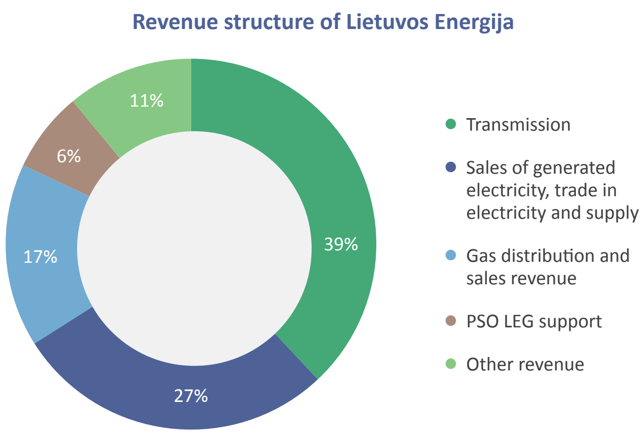
Below is provided the information on changes in the sales revenue in the SOE portfolio by the enterprises that had the greatest effect on the results of the total portfolio.



Lietuvos Energija Group earned EUR 972.7 million of revenue in 2014, i.e. by 15.5% or EUR 130.6 million more than in 2013. Revenue growth was influenced by EUR 170 million of Lietuvos Dujos' revenue included into the group's revenue. At that point, after the National Commission for Energy Control and Prices had reduced the electricity transmission service tariff, the revenue from electricity transmission services decreased by EUR 58.5 million and amounted to EUR 379.4 million. Therefore, without evaluating the impact of Lietuvos Dujos revenue, the revenue of the group in 2014 fell by 4.7% to EUR 802.7 million.

42 forest enterprises earned EUR 165.7 million in 2014, by EUR 11.6 million more than in 2013. During the reference period, sales of timber decreased by 4.9%. However, the revenue of forest enterprises increased, and the greatest influence had the round timber sales price which increased from EUR 38.6 per cubic meter in 2013 to EUR 43.9 in 2014.

Lithuanian Mint earned EUR 14 million of revenue in 2014. In comparison with 2013, the revenue of the company increased by 2.7 times or EUR 8.8 million due to the minting of euro coins.



Lithuanian Post Group's sales revenue in 2014, compared with 2013 results, went up by 10.4%, or EUR 6.1 million (up to EUR 64.5 million). Revenue from postal services, which make 53.5% of total revenue, increased by 8.8%. Courier services revenue grew up by 40.3% (up to EUR 5.4 million), financial intermediation revenue rose by 5.2% (up to EUR 11.3 million), while the revenue from other services increased by 9.7% (up to EUR 13.3 million).

Klaipėdos State Seaport Authority recorded EUR 50 million of revenue in 2014, by EUR 4 million more than in 2013. The main reason for revenue growth is the freight handling which increased by 9%, to 36.4 million tons. During 2014 the handling of fertilizers increased most – by 39.2%, to 11.9 million tons. At that point, the handling of petroleum products fell by 12.7%, to 6.2 million tons.

In 2014, **EPSO-G Group's** sales revenue, compared with 2013, fell by 13.9%, to EUR 147.1 million. The revenue of the largest group enterprise Litgrid decreased by 29%, up to EUR 121.2 million, as a result of a lower electricity transmission rate set by the National Commission for Energy Control and Prices. Balancing energy suppliers ensured a bigger share of their demand for electricity consumers through the purchase of electricity on exchange which has led to even 59% lower revenue of EPSO-G from the sale of regulatory electricity.

In 2014, **The Lithuanian Oil Products Agency's** revenue amounted to EUR 32.9 million, and compared to 2013, were by 18.9% lower. This change was mostly influenced by a 3.5 times lower revenue from the sales of state gasoline stocks, which amounted to EUR 3.1 million at the end of 2014.

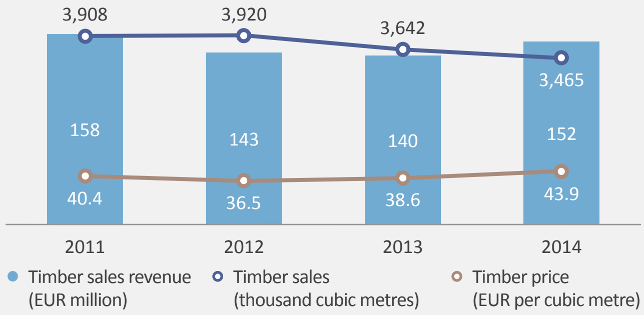
Lithuanian Shipping Company earned EUR 20.3 million of revenue in 2014. Compared with 2013 result, the revenue of the company decreased by EUR 6.5 million, or 24.1%. This was influenced by the drop in ship employment rates on the global shipping market due to the crisis and the number of vessels available that reduced to seven. At the beginning of 2013 the company operated 11 ships, at the beginning of 2014 – 10 (one ship was sold in December 2013), and at the end of 2014 – seven ships. At the end of 2014 the sale of another two ships (Audrė and Akvilė) was approved

Visagino Energija's revenue in 2014 fell by 24%, or by EUR 5.1 million, and amounted to EUR 16.2 million. The decrease in revenue – the main source of which is generation and distribution of thermal energy – was influenced by the heat prices reduced from 1 December 2013 and the fact that the amount of thermal energy sold was less by 10.8% due to the higher average outside temperature in 2014.

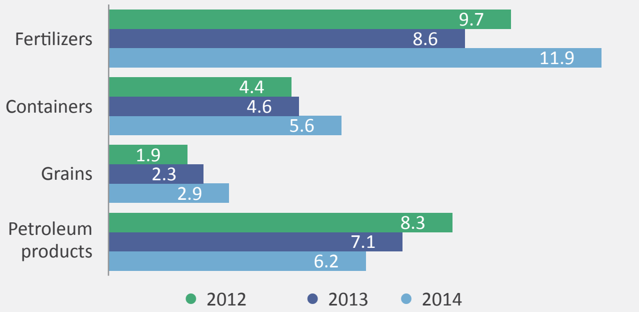
Lithuanian Railways Group earned EUR 470.4 million of revenue in 2014, by EUR 3.8 million less than in 2013. Despite that, the sales revenue of the parent company Lithuanian Railways went up by 1.1% (up to EUR 473 million) mainly due to 1.5% (or EUR 5.8 million) rise in freight transportation-related revenue. The decrease in Group's revenue was determined by the reduction of the revenue of the subsidiary Railway Construction Centre (RCC) from EUR 12.5 to 1.1 million due to decrease in external revenue of EUR 11.4 million. The following RCC revenue decrease was partially offset by external revenues of other subsidiary Vilnius Locomotive Repair Depot which increased by EUR 7.3 million.

Other SOEs' revenue was by EUR 6.6 million higher than in 2013 and pushed the growth of sales revenue of SOE portfolio. Of the 77 enterprises, of which no detailed explanations of changes in their sales revenue were provided, revenue of 35 companies went up, of 41 companies declined, and the company **Energetikos Agentūra**, whose activities are funded by direct state grants and subsidies, as in 2013, has not accounted revenue at all.

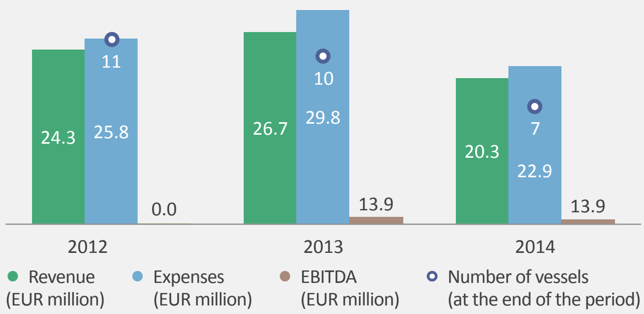
Timber sales of forest enterprises



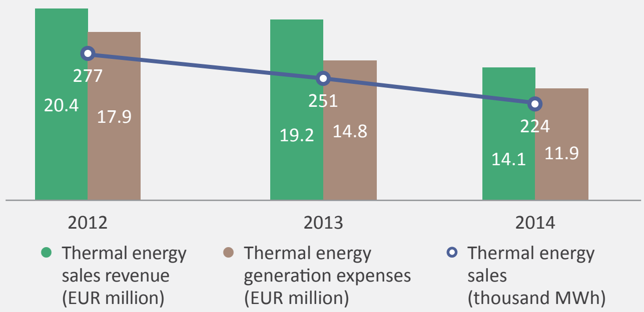
Main freight handling at Klaipeda Seaport (million tons)



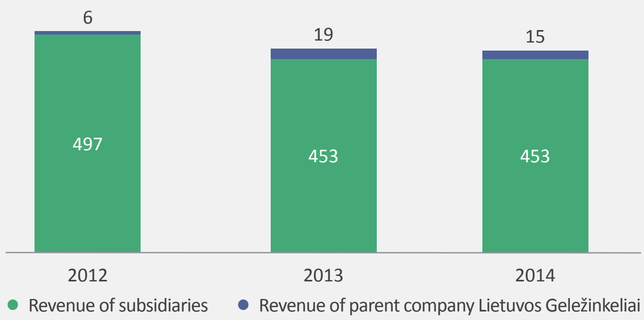
Lithuanian Shipping Company



Visagino Energija



Lithuanian Railways Group (EUR million)

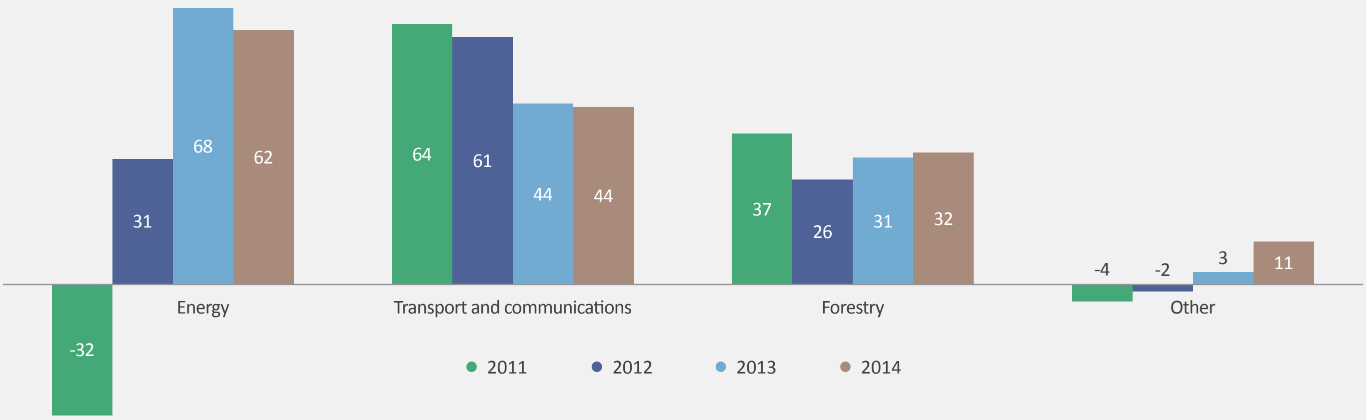


Normalised Net Profit

Normalized net profit went up by 2%

In 2014, normalised net profit of the SOE portfolio amounted to EUR 148.9 million, up by 1.9% year-on-year. A normalized net profit of the portfolio increased mainly due to the sector of other enterprises, which normalized net profit increased by 7.5 million to EUR 10.6 million. That is 3.4 times more than in 2013. Normalised net profit of energy sector decreased by 7.7% to EUR 62.4 million. Meanwhile, forestry sector enterprises earned EUR 32.4 million; it is 4.3% more than in 2013. Normalized net result of transport and communications sector slightly declined and amounted to EUR 43.6 million in 2014.

Normalized net profit/loss (EUR million)



Below is provided the information on changes in the normalised net profit in the SOE portfolio by the enterprises that had the greatest effect on the results of the total portfolio.

Change in normalised net profit of the SOE portfolio by the enterprises (EUR '000)

The Lietuvos Energija Group's normalized net profit, at the end of 2014, amounted to EUR 58.5 million and was 43.4% or EUR 17.7 million higher year-on-year. The Group's net profit growth was influenced by Lietuvos Dujos acquisition. Moreover, the profit growth was influenced by positive changes of operating results in power production, distribution and transmission, despite the fact that services were provided to consumers at lower prices. It is mainly due to the measures implemented for the improvement of efficiency. It respectively increased normalized net profit margin, which rose from 4.8 to 6% in 2014.

The Lithuanian Shipping Company suffered EUR 6.3 million net losses in 2014. In comparison with 2013, the company's net loss decreased by EUR 5.6 million. Reduced losses were mainly caused by the decrease in the number of vessels. By operating a smaller number of vessels the company has experienced a lower cost of expenses, which fell more than sales revenues (more than a quarter), up to EUR 22 million. The company`s loss was EUR 3.9 million (in 2013 – EUR 11.9 million). At the time, the negative change in exchange rates resulted in a significant increase of financial performance losses, which amounted to EUR 2.4 million in the reference period (in 2013 – EUR 0.02 million).

Būsto Paskolų Draudimas earned a net profit of EUR 3 thousand in 2014, while, in 2013, the company experienced a EUR 5.5 million net loss. The company's positive net result increased SOE portfolio normalized net profit by EUR 5.5 million. The net result of Būsto Paskolų Draudimas depends on the amounts of recovered/returned and paid difference of the claims. In 2014, the total amount of allowances decreased by 34.7% (from EUR 20.1 million in 2013 to EUR 13.2 million), while recovery volume stood unchanged.

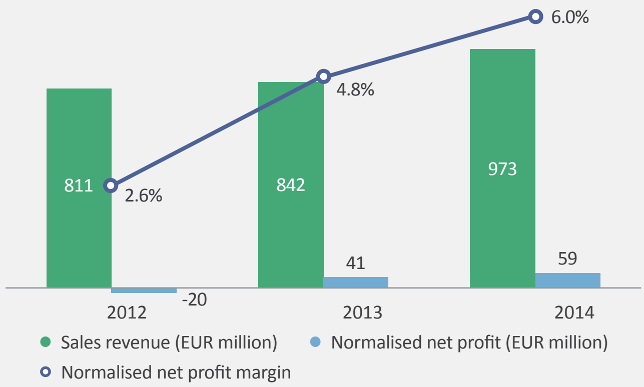
Toksika earned EUR 1.9 million net profit, while in 2013, a EUR 0.7 million loss was incurred. The company's net result increased by EUR 2.6 million mainly due to received interest of EUR 2.5 million that passed on in accordance with the signed contract agreement for hazardous waste incineration plant construction in 2008. The contractor failed to fulfil its obligations on time, delayed hazardous waste incinerator construction for more than three years.

Oro Navigacija's normalised net profit increased by EUR 1.9 million, to EUR 2.5 million during the reporting period. Normalized net profit increased mainly due to 8.6% increase in sales revenue (from EUR 25.8 million in 2013 to EUR 28.1 million). In 2014 Oro Navigacija catered 227 035 flights, it is 6.3% more than in 2013. Meanwhile, the company's net result was negative – a EUR 1.9 million loss (in 2013 the company earned EUR 0.2 million net profit), since in 2014 the company accounted for EUR 4.1 million losses for Ūkio Bankas bankruptcy.

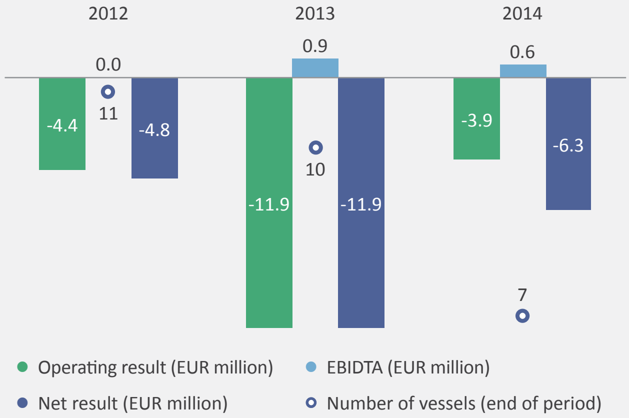
The Ignalina Nuclear Power Plant, carrying out the decommissioning of the Ignalina Nuclear Power Plant, accounted to EUR 1.1 million net losses in 2014. Negative change of the net result by EUR 3.2 million had a significant impact on the overall SOE portfolio's net result. Negative results was influenced mainly due to accounting policy; under the order of Finance Minister, from 2014, revenues from the sale of assets are transferred to the Fund of Decommissioning of the State Enterprise Ignalina Nuclear Power Plant. In 2014 the company sold assets for EUR 1.9 million, however, in the profit (loss) report, the company only accounted the cost of disposal of property which stood at EUR 2.9 million.

The Lithuanian Railways Group, during the reference period, earned EUR 19.4 million net profit (35.9% or EUR 10.9 million less than in 2013). Significant fall of the net profit of the Group was mainly influenced by the increase of operating costs (by 11.4% or EUR 6.1 million): provisions for reduction of doubtful debt value (EUR 8.3 million) of ORLEN Lithuania and for the guaranty of the European Commission's stated objection of rail track dismantling from Bugeniai to the state border (EUR 5 million) were set aside. Moreover, costs of locomotive repair and wage (due to higher monthly minimum wage) significantly increased.

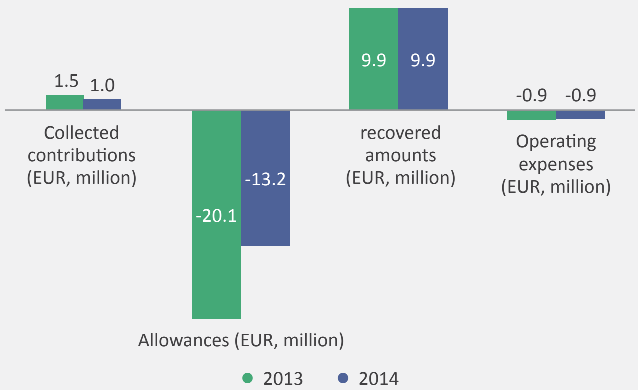
Lietuvos Energija



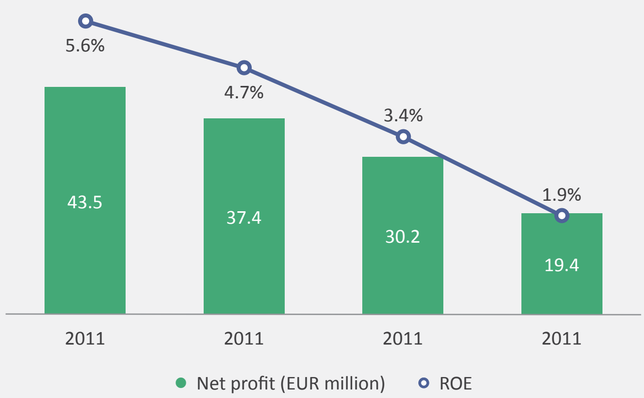
Lithuanian Shipping Company



Būsto Paskolų Draudimas



Lithuanian Railways



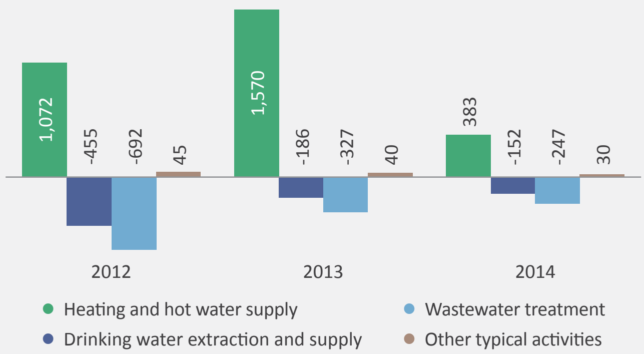
The EPSO-G Group suffered a EUR 3.9 million normalized net loss in 2014, while a year ago, it had earned EUR 4.2 million net profit. The performance was affected by the shrinkage of revenue of the subsidiary Litgrid by 29.7% (from 170.6 to 119.9 million EUR) as NCC set a 9% lower transmission rate and more than double reduced tariff of system services in 2014.

Visagino Energija earned EUR 0.5 million normalized net profit in 2014 (EUR 1.2 million less than the year before). The company`s results were influenced by the decline in revenues from the heating and hot water supply by 25.8% due to the fall of thermal energy price and a higher average annual temperature. It should be noted that losses occurred in other company`s activities are financed by the profit which was realized for heating and hot water supply.

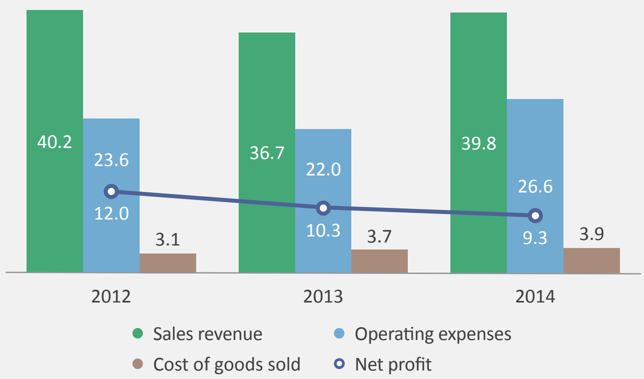
Klaipėdos Nafta earned EUR 9.3 million net profit, which is 10.3% or EUR 1.1 million less than a year before (EUR 10.3 million). The profit decline was mainly influenced by the decrease in income from petroleum products transhipment services (from EUR 35.9 million to EUR 33.2 million). Also, costs for salaries increased by 10.9%, up to EUR 6 million.

Other SOEs normalized net profit grew by EUR 2.4 million in 2014, and by this amount increased normalized net profit of the total SOE portfolio. Of the 118 enterprises, of which no detailed explanations of changes in their net profit or loss were provided, changes of the normalized net result of 63 companies were positive, while 55 enterprises incurred negative changes of normalised net losses.

Visagino Energija's results by segments of activity (EUR '000)

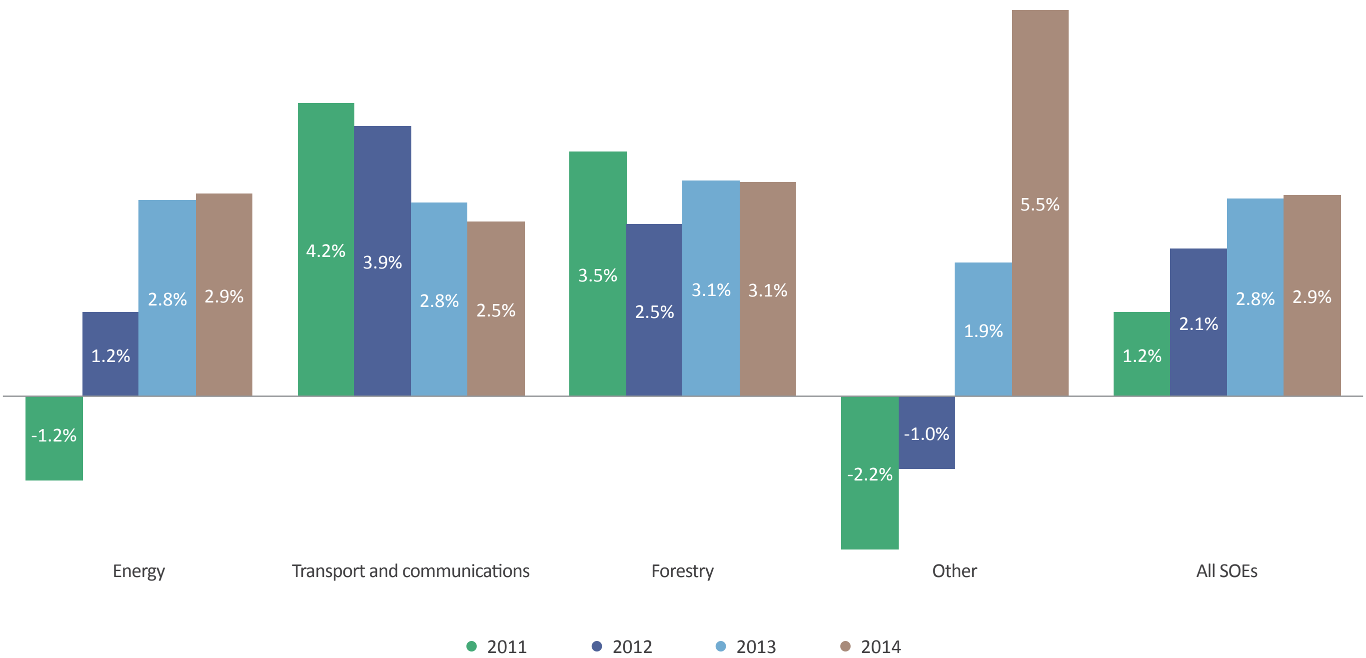


Klaipėdos Nafta (EUR million)



In 2014, the return on equity of the SOE portfolio accounted for 2.9% and increased by 0.1 percentage point year-on-year. During the reference period, the largest growth (from 1.9 to 5.5%) in the return on equity was observed in the sector of other enterprises. In 2014, the sector's normalized net profit increased more than three times and amounted to EUR 10.6 million. It was mainly increased by the above described positive change of net income of the company **Būsto Paskolų Draudimas**. The normalized return on equity ratio of energy sector enterprises grew up to 2.9% too. Meanwhile, transport and communications sector`s return on equity decreased from 2.8% at the end of 2013 to 2.5% during the reference period, mainly due to a significant decline in **Lithuanian Railways'** results. The forestry sector return on equity remained almost unchanged and amounted to 3.1%.

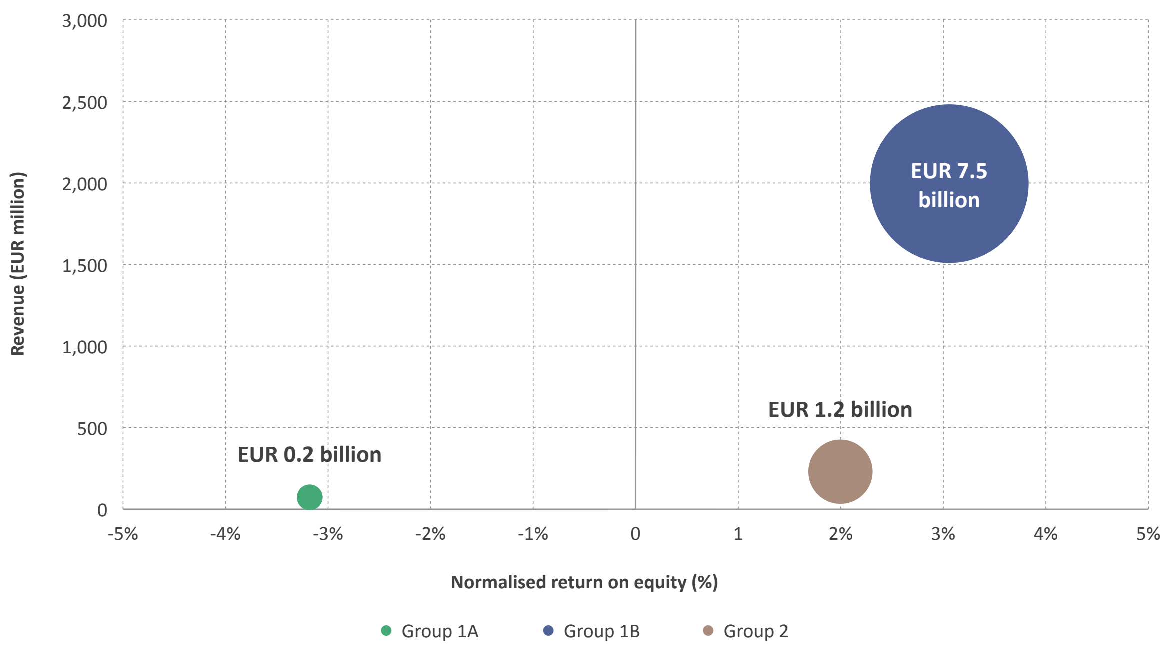
Normalised return on equity



Implementation of State Objectives

The Ownership Guidelines approved by the Government divide all SOEs into three groups: 1A, 1B, and 2. Group 1A enterprises are engaged in exclusively commercial activities and the state expects them to increase the value of business as well as pay larger dividends and profit contributions to the state budget. Group 1B enterprises have dual objectives: they must make efforts to increase the value of business, but at the same time they should implement social or political objectives set by the state, secure strategic interests of the state, etc. Group 2 enterprises first of all must strive to implement social and political objectives of the state and engage in non-commercial activities. However, with a view to ensuring the continuity of activities, they should not be loss-making

SOEs groups by Ownership Guidelines

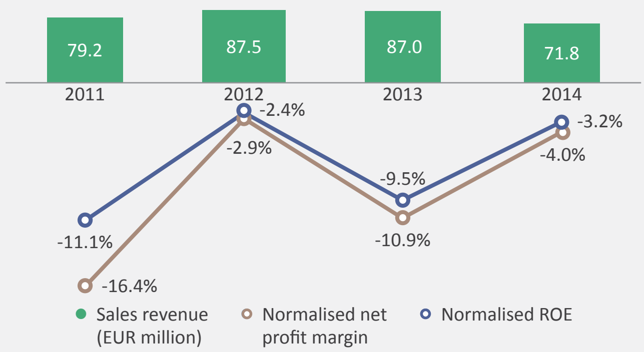


Group 1A comprises 23 enterprises included in the portfolio, the largest ones being **Visagino Energija**, **the Lithuanian Shipping Company**, and **Geoterma**. This group is the smallest in terms of the value of assets and revenue: in 2014, the value of Group 1A assets totalled EUR 199.4 million, while its revenue amounted to EUR 71.8 million. Despite the expectations towards the highest profitability and contribution to the state budget in the form of dividends from this group, the normalised return on equity of its enterprises was the lowest of all the groups: in 2014, their normalised ROE was negative and stood at -3.2%. This result was mostly determined by the loss of EUR 6.3 million of the **Lithuanian Shipping Company** (ROE-30.7%), the largest enterprise of this sector. After exclusion of the results of this company, Group 1A normalised return on equity is positive at 4.8%. In 2014, the highest normalised net profit was posted by **Toksika** (EUR 1.9 million, ROE – 35.8%) and **Giraitės Armament Factory** (EUR 0.9 million, ROE – 15%).

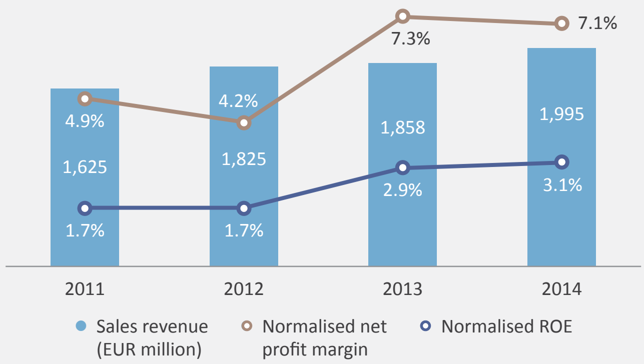
In terms of revenue and assets, Group 1B is the largest. This group comprises 63 enterprises included in the SOE portfolio. In 2014, the aggregate book value of its assets constituted EUR 7.5 billion (84% of the total value of the SOE portfolio), while the group's revenue amounted to EUR 2 billion (86.9% of the total revenue of the SOE portfolio). This group includes the major SOEs of the energy and transport and communications sectors such as the **Lietuvos Energija Group**, **Lithuanian Railways**, **Klaipėda State Seaport Authority**, **Lithuanian Post**, **Klaipėdos Nafta**, and **Lithuanian Airports**. It also incorporates **42 forest enterprises**.

Evaluating the profitability of Group 1B is the most difficult task as these enterprises have both commercial objectives and non-commercial ones required for securing the state interests. Despite the special obligations assigned to this group, its return one equity had shown stable growth in the last four years, and in 2014 normalised ROE accounted for 3.1%.

Group 1A enterprises



Group 1B enterprises



In 2014, Group 1B earned an aggregate net profit of EUR 141.8 million (after eliminating one-off revaluation losses, the effect of non-standard taxes to the state and losses sustained due to the banks' bankruptcies), which was 4.4% higher year-on-year. The group's profitability growth was affected mostly by the activities of The **Lietuvos Energija Group**, which significantly increased the results due to the purchase of **Lietuvos Dujos** and the implementation of efficiency measures. During the reference period the normalized net profit of the Group`s enterprises was EUR 58.5 million or 43.4% more year-on-year. The normalised net profit margin of **Lietuvos Energija** increased by 1.2 percentage points year-on-year.

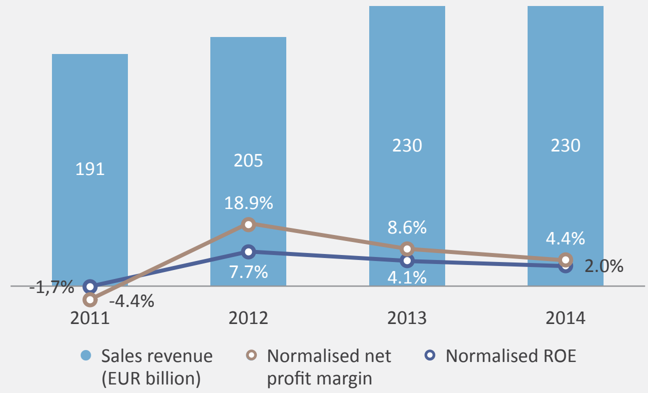
A factor that influenced the aggregate rate of return of Group 1B enterprises was that the normalised return on equity of the **forest enterprises** was calculated by including the value of commercial forests, estimated on the basis of the discounted cash flow method, in the value of equity. According to the valuation carried out by the Governance Coordination Centre in early 2015, the commercial forest value amounted to EUR 952.3 million and made up 86.2% of the total value of equity of the forest enterprises at the end of 2014. The return on equity, calculated with the forest value included, was 3%. If a decision was taken to include the forest value in the Balance Sheets of the forest enterprises and an independent valuation was conducted, the return rates of these enterprises could change depending on the determined value of forests.

Among the biggest Group 1B enterprises, the best profitability ratios were achieved by **Klaipėdos Nafta** (in 2014, ROE stood at 5.4%) and the **Klaipėda State Seaport** Authority (5.5%). The largest loss maker of this group, in 2014, was **EPSO-G**, which incurred a loss of EUR 3.9 million.

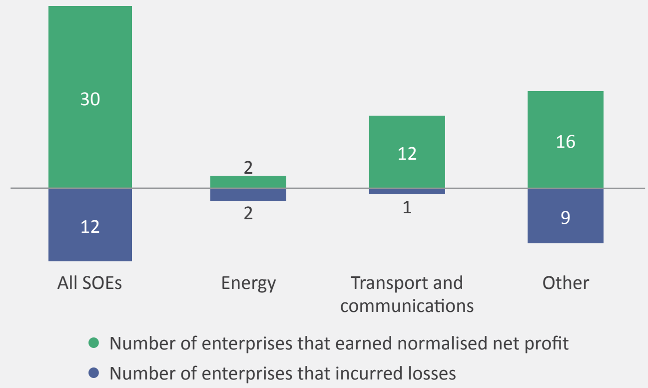
Group 2 comprises 42 enterprises included in the SOE portfolio. In 2014, the book value of this group's assets constituted EUR 1.2 billion, and revenue stood at EUR 229.6 million. The biggest enterprises of this group are the **Lithuanian Oil Products Agency**, 11 **road maintenance enterprises**, **Oro Navigacija**, **the Centre of Registers and Regitra**.

It should be noted that this group's normalised return on equity, which in 2012 had climbed to as much as 7.7% (as a result of the reversal of impairment of the **Ignalina Nuclear Power Plant** assets and the non-standard profit earned from the sale of the fuel oil state reserve by the **Lithuanian Oil Products Agency**), in 2014 amounted to 2%. Such a ratio complies with the objectives set by the state for this group (to be profitable).

Group 2 enterprises



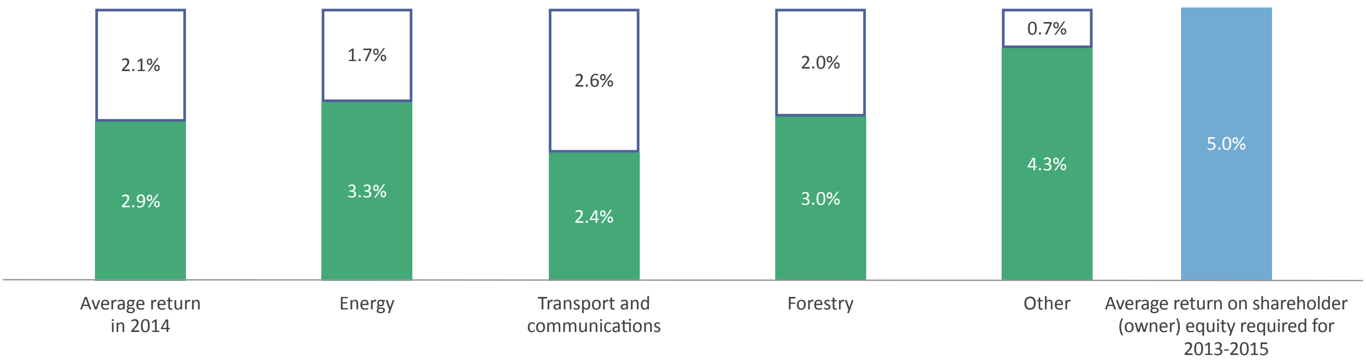
Group 2 enterprises



The highest profit in Group 2 was accounted for by **Regitra** and **Oro Navigacija** (EUR 2.5 million net profit each) and a ROE stood at 15.4 and 5.7%, respectively. In 2014, this group had twelve loss-making enterprises, and the largest loss was sustained by the **Ignalina Nuclear Power Plant** (EUR 1.1million).

Implementation of Objectives Set by the Government

According to the 12 December 2012 Government resolution No 1511 On State-owned Enterprises Capital Pricing (hereinafter the Resolution), engaged in commercial activities (enterprises of Groups 1A and 1B) should have to achieve an average annual return on equity of at least 5% for 2013–2015, while forest enterprises should strive to achieve an annual aggregate net profit of at least EUR 28.1 million on average during the same period (after deducting property and raw material taxes to the state from operating expenses).

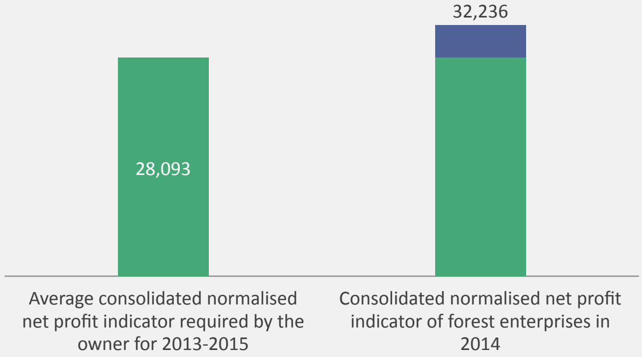


** As forest enterprises are not subject to the return on equity requirement, their results were not included in the average 2014 return.*

In 2014, the average return on equity of Group 1A and 1B enterprises amounted to 2.9% or 2.1 percentage points less than the requirement set by the Government. The ratio determined by the Government was achieved by 8 of 23 Group 1A enterprises and 8 of 21 Group 1B enterprises (this does not include 42 forest enterprises because they are determined by the consolidated net profit ratio requirement). During the reference period, return on equity of the transport and communications sector enterprises accounted for 2.4%, and in the energy sector ROE was 0.5 percentage points more. The best results were observed in the sector of other enterprises, which posted a 4.3% return on equity.

Forest enterprises are not subject to the return on equity requirement. Under the Government's decision, **forest enterprises** had to earn an annual consolidated net profit of EUR 28.1 million on average in 2013–2015. In 2014, these enterprises posted a consolidated net profit of EUR 32.2 million, 4.2% more than the required amount. In 2014, the return on equity of the **forest enterprises** stood at 3%.

Implementation of requirements for forest enterprises set by the Government (EUR '000)



Return from SOEs to the State

The 2014 return from SOEs to the state stood at EUR 104.1 million, up by 2.3 times year-on-year. Of this amount, the sum of dividends assigned and profit contributions to the state constituted EUR 74.3 million, which increased 4.4 times compared to 2013. The change in non-standard taxes to the state was insignificant.

Enterprises of the transport and communications sector should contribute EUR 9.1 million of dividends to the state budget for 2014, or EUR 3.1 million more than for 2013. **Lithuanian Railways** assigned EUR 8.2 million dividends (36% of distributable profit for 2014) and, compared to 2013, the amount increased by 2.7 times. **Smiltynės Perkėla** dividends allocated for 2014 year amounted to EUR 0.5 million. **The road maintenance enterprises** will contribute EUR 0.4 million to the state budget, two times more than for the previous reporting period. **The Klaipėda State Seaport Authority**, which in 2014 earned a net profit of EUR 23.1 million, has been relieved from payment of profit contributions for the period of implementation of the project on construction of the LNG Terminal that has strategic importance. Also **Lithuanian Airports** were made redundant from profit contributions as infrastructure development works were begun in June 2015.

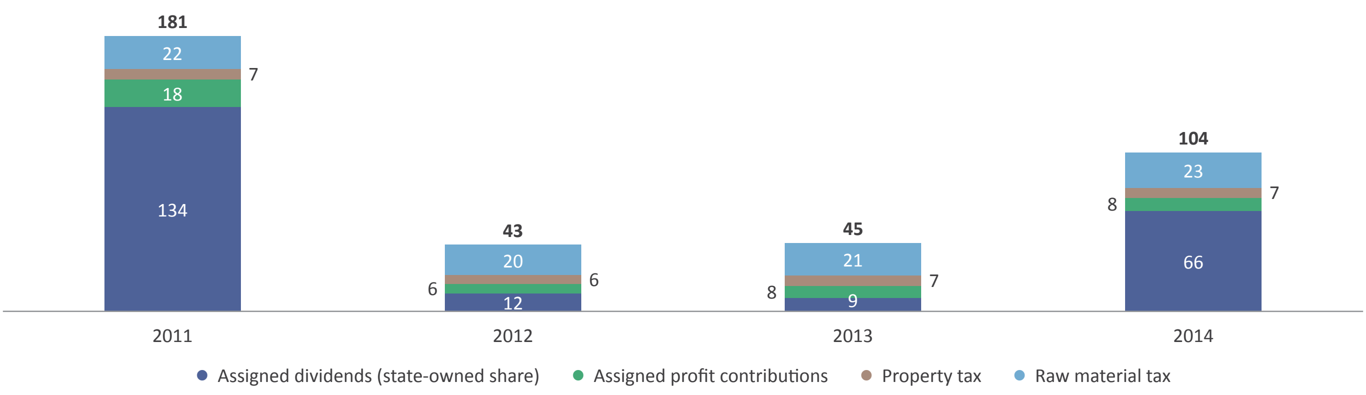
The forest enterprises and the **Lithuanian Forest Inventory and Management Institute** will contribute the state budget by EUR 5.5 million for 2014, which is less by 1.7 % year-on-year.

In the sector of other enterprises, the sum of dividends and profit contributions assigned amounted to EUR 6.4 million and was EUR 2 million larger than in 2013. This growth was influenced mostly by **Regitra** which profit contribution amounted to EUR 1.2 million. A significant profit contribution of EUR 0.8 million for 2014 will be paid to the state budget by **Investicijų Ir Verslo Garantijos** and the **Lithuanian Exhibition and Congress Centre LITEXPO** – EUR 0.74 million.

Enterprises of the energy sector assigned EUR 52.9 million of dividends to the state for the reference period, comprising the dividends allocated by **Lietuvos energija** (EUR 52.7 million). The remaining amount consists of **EPSO-G** and **Klaipėdos Nafta** designated dividends totalled EUR 171.1 thousand and EUR 66.9 thousand, respectively. By the decision of the Government, the dividends to be paid of the latter companies were reduced to lower amounts than required. The amount of the dividends of **Klaipėdos Nafta** was reduced to 1% of distributable net profit due to the funding arrangement and obligations to banks in implementing the LNG Terminal project and further development. **EPSO-G** allocated 0.5% of distributable net profit for dividends for 2014, as the company participates in the implementation of the main gas pipeline Klaipėda-Kuršėnai project.

In 2014, non-standard taxes paid by SOEs increased by EUR 1.7 million and amounted to EUR 29.8 million. The lion's share of non-standard taxes was paid by the **forest enterprises**: the raw material tax of EUR 22.9 million and the property tax of EUR 2.2 million. Enterprises of the transport and communications sector paid the largest property tax (EUR 3.4 million).

Return from SOEs to the State (EUR million)



Value Added of SOEs

In 2014, SOEs created 6.2% more added value for the state

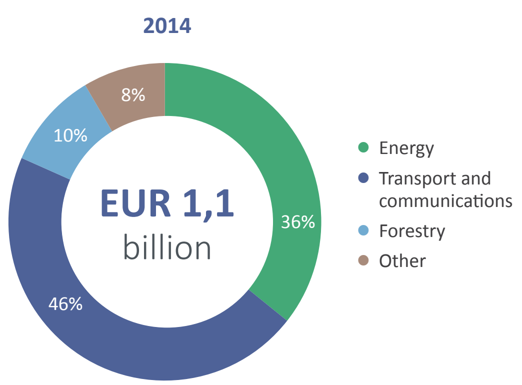
The value added (VA) shows how much value is created through joint efforts of an enterprise's equity owners, managers and employees. This statement reveals the direct contribution of an enterprise to the state budget and allows evaluating how the created value added is distributed among stakeholders such as shareholders (owners), creditors, employees, and the state which receives taxes paid by the enterprises. Evaluation of VA is especially useful for SOEs as many of them must harmonise the objective of making profit with the fulfilment of the special obligations assigned and the satisfaction of public interests. In addition, SOEs provide financial return to shareholders in the form of not only net profit but also of taxes paid to the budget. Therefore, the VA evaluation helps to estimate the aggregate value added generated by such enterprises for the state.

Value added of enterprises included in the SOE portfolio was calculated on the basis of audited financial statements of SOEs for 2014 and information provided by the enterprises on employee remuneration funds, paid taxes and interest expenses. Calculating the value added of SOEs, effect of assets' revaluation and one-off events were eliminated. These events influenced the financial results of enterprises and are described at the beginning of the statement of SOE portfolio.

Value added (EUR million)	**2012**	**2013**	**2014**
Revenue from core activities	2,118	2,175	2,296
Revenue from other activities	20	21	24
Acquisition costs of goods and services	1,146	1,169	1,214
Value added before financial activities	**991**	**1,031**	**1,107**
Result of financial activities	-1	11	0
Value added for allocation	**990**	**1,042**	**1,107**
Allocation of value added (EUR million)	**2012**	**2013**	**2014**
Equity owners	**31**	**35**	**95**
Dividends and profit contributions to the state	17	16	74
Dividends to minority shareholders	0	0	0
Interest to creditors	13	19	21
Employees	**510**	**532**	**569**
Wages	330	339	363
Social insurance taxes	137	147	159
Employee remuneration costs compensated from the state budget, structural EU or other funds	43	45	47
Funds from the national budget and EU funds used to finance employee remuneration costs	**-43**	**-45**	**-47**
State taxes	**62**	**60**	**81**
Funds intended for investments	**429**	**460**	**409**
Depreciation	356	363	364
Share of net profit	73	97	45
Generated value added	**990**	**1,042**	**1,107**

In 2014, value added generated by all SOEs amounted to almost EUR 1.1 billion, up by 6.2% year-on-year. Revenue from core activities grew by 5.6% (or EUR 121 million), while expenses for generating value added went up by 3.8% (or EUR 44.7 million). Distributable value added increased regardless the reduction of the financial performance from EUR 10.8 million profit to the loss of EUR 0.4 million.

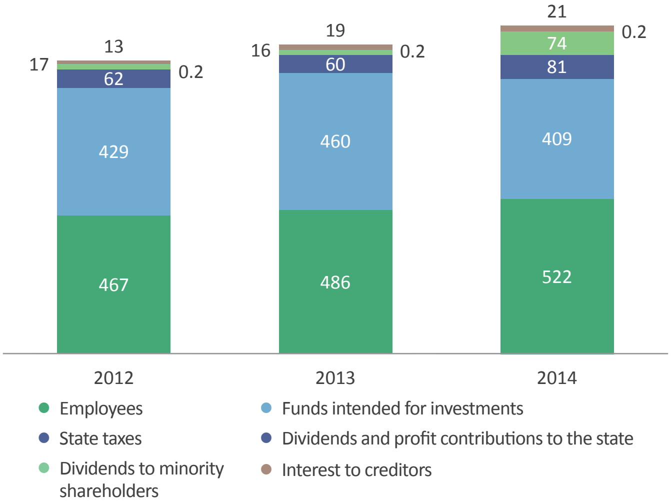
Analysing individual SOE sectors, value added of transport and communications enterprises grew insignificantly in 2014, exceeding EUR 507.6 million, while the contribution of the energy sector to the country's economy constituted EUR 395.2 million (up by 10.2% from 2013); the growth is partly due to the acquisition of **Lietuvos Dujos** and **Amber Grid**. Forestry and other enterprises generated value added of EUR 109.7 million (up by 4.7%) and EUR 94.1 million (up by 18.1%), respectively.



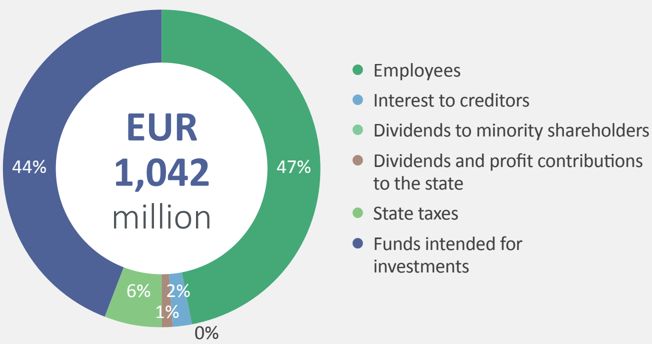
A comparison of value added generated by SOEs against Lithuania's gross domestic product (GDP) has shown that in 2014 the contribution of SOE to the economy accounted for 3%, i.e. up by 0.06 percentage point year-on-year. The most significant share of value added was created by a few major SOEs: value added generated by the **Lithuanian Railways Group** amounted to about EUR 329.2 million, while the groups of **Lietuvos Energija** and **EPSO-G** together created a value of EUR 363.7 million. The aggregate contribution of these three groups of enterprises to the country's GDP constituted 1.9% in 2014.

Of the total value added generated in 2014, 46.7% were assigned to employee remuneration: salaries, social insurance taxes, and other payments. This number excludes EUR 47.1 million (4.3% of total value added) of expenses for employee remuneration compensated from the state budget or EU funds, which are not shown in the Profit and Loss Statements. These expenses only represent a redistribution of funds between different stakeholders (national and supranational institutions and SOEs employees) and have no effect on the amount of value added for allocation.

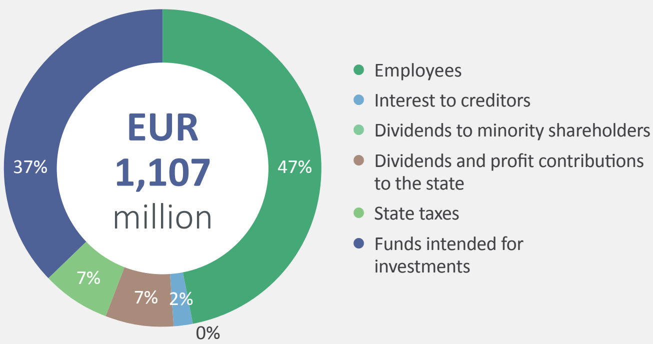
Generated value added (EUR million)



2013



2014

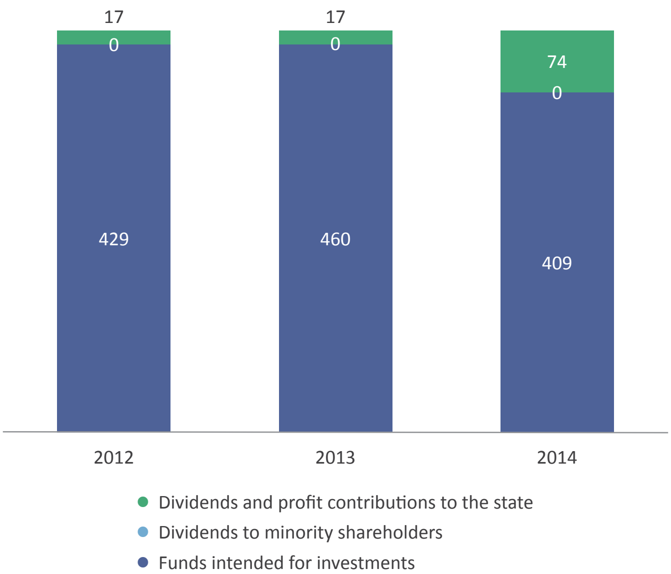


Capital owners (the state, minority shareholders and creditors) have 8.6% of total generated value added or EUR 95.3 million assigned to them. In 2014, SOE dividends and profit contributions were amounted to EUR 74.3 million (6.7 % of all the added value). EUR 20.7 million, in the form of interest, will go to creditors.

The state also collects value added in the form of taxes. In 2014, this share increased from 5.7% to 7.3% of the total generated value added and constituted EUR 80.5 million. Part of all taxes paid to the state is non-standard (raw material and property) taxes. Non-standard taxes paid to the state by SOEs grew by 4.4% and amounted to EUR 46.6 million in 2014. Most of them were paid by the forestry sector enterprises and equalled EUR 25.1 million, with the raw material tax paid by **forest enterprises** constituting the largest share (EUR 22.9 million). The highest property tax, or EUR 3.4 million, was paid by the transport and communications sector. Energy enterprises paid EUR 0.5 million of property taxes, and the sector of other enterprises contributed EUR 0.7 million in the form of the property tax.

Following the distribution of value added to all interested parties, about 36.9% of value added generated in 2014 (almost EUR 408.7 million) could be kept by the enterprises. These are funds intended for development, investments for the impairment of assets, repayment of debt, financing of the working capital, and other needs of the enterprises. Compared to 2013, this amount decreased by 11.3%.

Distribution of value added between the enterprise and owners (EUR million)

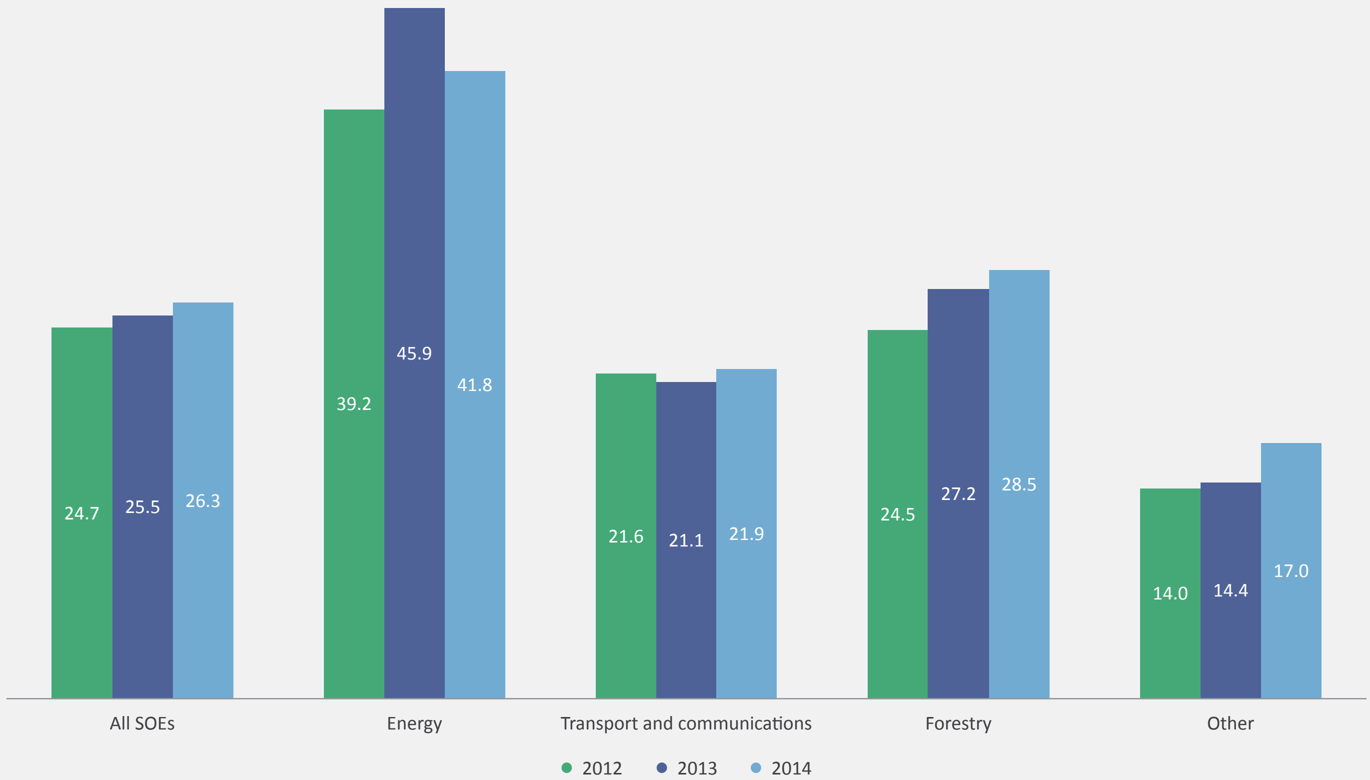


Operating efficiency

In this SOE portfolio overview, the efficiency of enterprises is assessed by estimating value added per employee generated by SOEs. This allows conducting a much broader evaluation of the operating efficiency of enterprises, which encompasses not only estimating revenue or profit earned by enterprises, but also including, for example, value added per employee.

As the absolute value added increased more than the number of employees, value added per employee generated by SOEs in 2014 went up by 3.4% year-on-year and constituted EUR 26.3 thousand. The highest value added per employee (EUR 41.8 thousand – 9.1% less than a year ago) by the SOE sectors is observed at energy enterprises which have a relatively greater demand for material capital and a lower demand for human resources. In the sector of other enterprises, value added per employee increased by 18.4%, but it was still the lowest (EUR 17 thousand). In forestry and transport and communications sectors this indicator increased slightly and amounted to EUR 28.5 thousand and EUR 21.9 thousand, respectively. Compared to 2012, the value added per employee of all SOEs increased by 6.8%.

Value added per employee (EUR '000)



Return on Equity According to DuPont Analysis

In 2014, the return on equity of the SOE portfolio stood at 2.9%. In comparison with the financial results in 2013, this indicator increased by 0.1 percentage point. The increase is mainly due to the fact that SOE normalized net profit rose and shareholders' equity declined in 2014. During the reference period, incomes of the portfolio grew up more than assets, thus increasing asset turnover (the efficiency of use of assets in generating sales revenue) from 0.25 to 0.26. Meanwhile, normalized net profit margin of SOE portfolio fell by 0.2 percentage points due to the fact that normalized net profit increase at a slower pace than revenues. At the same time, financial leverage of the portfolio increased slightly (from 1.68 to 1.73). The most significant effect on the portfolio results were made by the energy and transport and communications sectors, which include the largest SOEs. The aggregated assets of these sectors' enterprises accounted for 81.5 %, normalized net profit made up 71.2%, sales revenues constituted 85.8%, while equity stood at 73.8% of the respective items of the total SOE portfolio.

DuPont Analysis

DuPont analysis is a recognised and widely used method of analysis of results of company activities that allows breaking down return on equity into distinct elements, determining sources of return, evaluating their effect on the result and identifying the potential for the improvement of operations. Return on equity (ROE) broken down in this manner represents the product of operating efficiency (measured by net profit margin), use of asset efficiency (measured by asset turnover) and financial leverage of a company:

ROE = **Net profit margin** (Net profit/Sales revenue) X **Asset turnover** (Sales revenue/Assets) X **Financial leverage** (Assets/Equity)

SOE portfolio normalised ROE 2013: 2.8% 2014: 2.9%	**Energy normalised ROE** 2013: 2.8% 2014.: 2.9%	**Transport and communications normalised ROE** 2013: 2.8% 2014: 2.5%	**Forestry normalised ROE** 2013: 3.1% 2014: 3.1%	**Other enterprises' normalised ROE** 2013: 1.9% 2014: 5.5%
Normalised net profit margin 2013: 6.7% 2014: 6.5%	**Normalised net profit margin** 2013: 6.1% 2014: 5.2%	**Normalised net profit margin** 2013: 5.9% 2014: 5.7%	**Normalised net profit margin** 2013: 19.9% 2014: 19.3%	**Normalised net profit margin** 2013: 2.0% 2014: 6.7%
Asset turnover 2013: 0.25 2014: 0.26	**Asset turnover** 2013: 0.25 2014: 0.28	**Asset turnover** 2013: 0.28 2014: 0.25	**Asset turnover** 2013: 0.15 2014: 0.16	**Asset turnover** 2013: 0.31 2014: 0.32
Financial leverage 2013: 1.68 2014: 1.73	**Financial leverage** 2013: 1.85 2014: 2.02	**Financial leverage** 2013: 1.69 2014: 1.72	**Financial leverage** 2013: 1.02 2014: 1.02	**Financial leverage** 2013: 3.01 2014: 2.59

The results of the transport and communications sector did not experienced big changes and remained relatively stable. However, the margin of normalized net profit fell by 0.2 percentage point and stood at 5.7%. The increase in the value of assets and nearly unchanged revenues dropped the sector's asset turnover from 0.28 to 0.25. Reduction of asset turnover and normalized net profit margin determined that normalized return on equity of transport and communications sector fell by 0.3 percentage points to 2.5%.

In 2014, the results of energy sector improved: compared to 2013, normalized return on equity rose from 2.8% to 2.9%. The rise of return on equity was mostly caused by increasing asset turnover, which grew up by 0.3 percentage points due to declining values of enterprises' assets. Meanwhile, normalized net profit margin was lower by 0.9 percentage point.

The largest change of normalized return on equity was recorded in the sector of other enterprises: the ratio increased from 1.9% in 2013 to 5.5% in 2014. This was influenced mainly by the increase of normalized net profit margin by 4.7 percentage points. Forestry sector retained 3.1% normalized return on equity, even though normalized net profit margin declined by 0.6 percentage points (to 16.4%). Nevertheless, the latter sectors in the total portfolio are considerably lower and did not have a very significant impact on the results of all SOE.

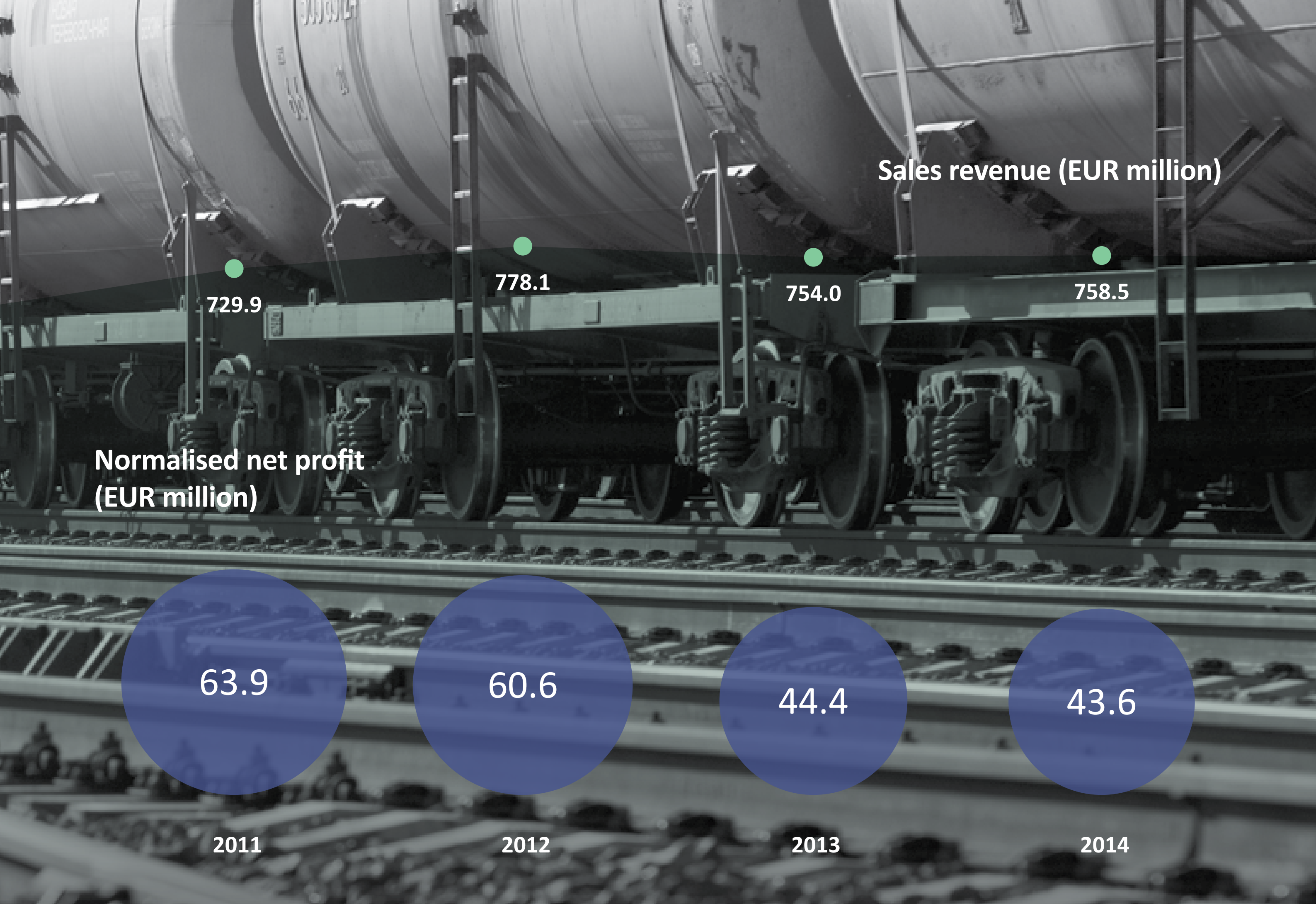
Transport and communications

Convenient geographical location, access to the Baltic Sea and well-developed infrastructure of roads and rails determine the impact of transport and communications sector for state's economy. The added value created by the sector enterprises constitutes 15% of the gross domestic product. Furthermore, SOEs, as the managers of the infrastructure, are one of the key elements for further development of transport and communications sector.

The state owns 21 enterprises that provide road maintenance, railway, water transport, airport, postal and telecommunications services in the transport and communications sector, which in 2014 together controlled 33% of total SOE assets and earned 34.4% of total SOE revenue. The number of enterprises decreased by two companies, after the merger of Vilnius, Kaunas and Palanga airports in the middle of the 2014.

Enterprise	Field of activity	Turnover in 2014 (EUR '000)	Assets at the end of 2014 (EUR '000)	Number of employees at the end of 2014	State's interest at the end of 2014 (%)
Lithuanian Railways Group	Passenger and freight transportation	470,355	2,037,403	12,534	100%
Lithuanian Post Group	Provision of postal and courier, financial services	64,479	88,804	6,038	100%
Klaipėda State Seaport Authority	Klaipėda seaport infrastructure management	49,950	512,828	246	100%
Oro Navigacija	Provision of specialised services in national airspace	28,053	45,968	304	100%
Lithuanian airports	Operation of airports	21,885	165,575	532	100%
Lithuanian Shipping Company	Freight transportation by sea	20,284	37,992	258	56.7%
Lithuanian Radio and Television Centre	Radio and television broadcast services	18,550	37,851	352	100%
Šiaulių Regiono Keliai	Maintenance of roads of national importance	11,002	17,695*	311	100%
Kauno Regiono Keliai	Maintenance of roads of national importance	9,319	15,886*	323	100%
Automagistralė	Maintenance of roads and related infrastructure	8,902	13,931*	306	100%

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



Financial Results

In 2014, revenue of the transport and communications sector enterprises stood at EUR 758.5 million, down by 0.6% or EUR 4.5 million year-on-year. The biggest influence on the overall growth of the revenue of transport and communications sector was determined by the Lithuanian Post Group, whose revenues grew 10.6% to EUR 64.5 million. The significant rise was due to increased revenue from more expensive services (correspondence of registered post, courier services). A greater impact on the sector portfolio was also determined by rising revenues of Klaipeda State Seaport Authority (increased loading and cruise ship volumes) and Oro Navigacija revenues- 8.8%, to EUR 50 million and 8.6%, to EUR 28.1 million, respectively. The decline of sector revenues was influenced by the drop of Lithuanian Shipping Company by 24.1%, to EUR 20.3 million. Diminishing returns were due to the fact that in 2014 the company had 7 vessels at its disposal (3 less than at the end of 2013), as well as complicated conditions in the global shipping market. The slight drop in revenues was also recorded by the Lithuanian Railways Group- 0.3%, up to EUR 470.4 million, which has a significant effect for great authority of the company to the transport and communications sector. It is worth noting that the revenues of Lithuanian Railways, unlike other groups of companies, grew as a result of increasing freight volumes.

Unlike the revenues of the sector, the cost of goods sold in 2014 declined by 1.9%, up to EUR 539.1 million. The fall was mainly determined by reduced prime cost of the **Lithuanian Shipping Company** operating lower number of vessels. At that time, the operating expenses of the sector recorded the growth of EUR 8.5 million the most as a result of increase in **Lithuanian Post Group** expenses by EUR 7.3 million (12.7%). Expenses grew due to increased expenses related to international post shipments and payment with foreign posts which were determined by higher international and registered shipment volumes. However, after eliminating reduced expenses for the restoration of the value of assets in 2013 (Lithuanian Supreme Court invalidated the land sales and purchase contract between **Lithuanian Post** and Skala– EUR 3.8 million) the growth of expenses in 2014 was more moderate- 6.3% (less than growth of income).

In 2014, net profit earned by the transport and communications sector shrank by 1.8%, and amounted to EUR 43.6 million. Decline in normalized net profit has already been recorded for four consecutive years since 2011. In 2014, the highest net profit in the transport and communications sector was earned by **Klaipeda State Seaport Authority**- EUR 23.1 million, and **Lithuanian Railways Group** – EUR 19.4 million. The two companies generated the greatest part of normalized net profit of the whole sector. However, decline in normalized net profit was mainly determined by poorer results of **Lithuanian Railways**- net profit decreased from EUR 30.2 to 19.4 million. While group revenues decreased, the expenses grew, mainly due to higher remuneration expenses- by 5.6%, up to EUR 130.8 million, and the implementation of repair program of locomotives- 21.3%, up to EUR 27.7 million. Another important factor that determined the growth of expenses was the provisions formed by **Lithuanian Railways** for the reduction of doubtful debt values of ORLEN Lithuania (EUR 8.3 million). Three transport and communications sector enterprises accounted for net losses in 2014.

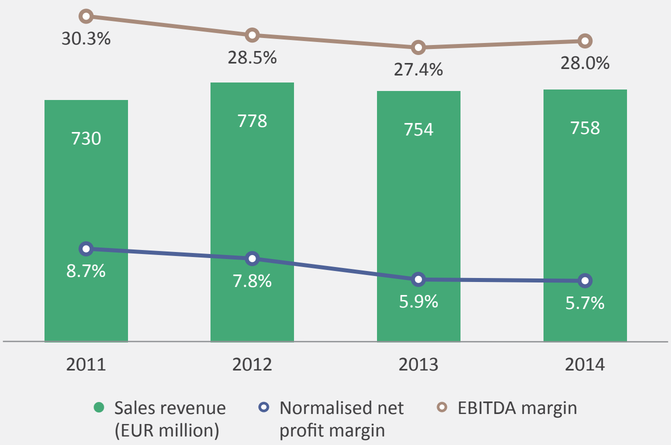
Profit (Loss) Statement (EUR ‘000)	**2013**	**2014**
Sales revenue	**754,022**	**758,498**
Cost of goods sold	549,651	539,079
Gross profit (loss)	**204,371**	**219,419**
Operating expenses	161,758	170,339
Profit (loss) from other activities	9,903	11,849
Operating profit (loss)	**52,515**	**60,929**
Operating profit margin	*7.0%*	*8.0%*
EBITDA	**206,844**	**212,667**
EBITDA margin	*27.4%*	*28.0%*
Financial and investment activities	-5,577	-18,190
Profit (loss) before taxes	**46,938**	**42,739**
Profit tax	5,697	6,287
Net profit (loss)	**41,241**	**36,452**
Minority share in profit (loss)	-5,248	-2,725
Normalised net profit (loss)	**44,353**	**43,561**
Normalised net profit margin	*5.9%*	*5.7%*
Balance Sheet (EUR ‘000)	**31 DEC 2013**	**31 DEC 2014**
Intangible assets	13,123	24,707
Tangible assets	2,623,503	2,768,273
Financial assets	5,442	12,254
Other non-current assets	3,403	3,389
Biological assets	0	0
Non-current assets	**2,645,471**	**2,808,623**
Inventories, prepayments and contracts in progress	81,287	81,034
Amounts receivable in one year	89,172	79,221
Other current assets	26,397	18,922
Cash and cash equivalents	69,188	103,388
Current assets	**266,045**	**282,566**
TOTAL ASSETS	**2,911,516**	**3,091,188**
Total equity	**1,677,368**	**1,821,553**
Minority shareholder equity	10,500	7,770
Grants and Subsidies	**533,441**	**681,053**
No-current liabilities	262,312	330,167
Current liabilities	438,395	258,416
Liabilities	**700,707**	**588,583**
Financial liabilities	299,035	393,069
TOTAL EQUITY AND LIABILITIES	**2,911,516**	**3,091,188**
RATIOS	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	1.6%	1.5%
Normalised ROE	2.8%	2.5%
D/E	17.8%	21.6%
Return to the state (EUR ‘000)	**2013**	**2014**
Allocated dividends (share of the state)	5,970	9,102
Assigned profit contributions	830	422
Dividends and profit contributions to the state	**6,800**	**9,524**
Property tax	3,521	3,414
TOTAL	**10,321**	**12,938**
Employee information	**2013**	**2014**
Number of employees	23,693	23,149
Number of executives	100	101

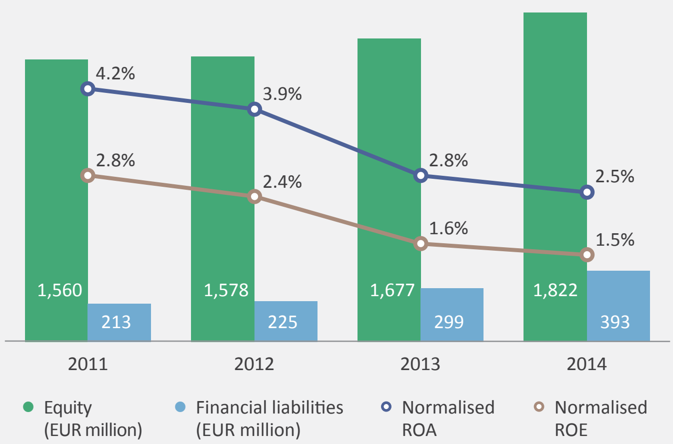
Asset growth was conditioned by significant increase in the part of prepayments for the constructions in progress and infrastructure, rolling stock modernization and renewal during the assimilation of grants for further development of Rail Baltica project. **Lithuanian Railways Group** assets at the end of 2014 amounted to about 66% of total assets of the transport and communications sector. Asset value also increased significantly in **Lithuanian Post Group** (30.4% or EUR 20.7 million) for the group's authorization to exchange the Litas to the Euro for 60 days after the adoption of the Euro in Lithuania.

Return on equity, after the increase of equity in the sector enterprises and fall in net profit, respectively, fell by 0.3 percentage points, up to 2.5%, and was the lowest among all the sectors. It is noted that return on equity even in 2011 reached 4.2%. During 2014 the ratio of financial liabilities and equity continued to increase reaching 21.6%, i.e. 3.8 percentage points more than at the end of 2013. The ratio of financial liabilities and assets rose mainly as a result of increased loans of **Lithuanian Railways Group** for the acquisition of rolling stock, as well as the loan taken by **Lithuanian Post Group** for the currency conversion during the transition period.

The State's share of dividends and profit contributions assigned by the transport and communications sector enterprises grew in 2014 and reached EUR 9.5 million (40.1% growth). The major part of the total dividends allocated and profit contributions were made by **Lithuanian Railways** - EUR 8.2 million (88.3% of all sector's dividends and profit contributions). The dividends paid by the company increased by 2.7 times in 2014 and amounted to 36% from distributable profit. Except for **Lithuanian Railways**, the dividends were also allocated by Lithuanian Post – EUR 187 thousand, i.e. EUR 2.3 million less than in 2013, and **Smiltynės Perkėla** – EUR 485 thousand, EUR 42 thousand more than in 2013. State **road maintenance companies** together paid EUR 422 thousand of profit contributions. The obligation of **Klaipeda State Seaport Authority** which in 2014 earned EUR 23.8 million of normalized net profit to pay contributions is not applicable due to the high investment needs for the implementation of projects of national importance (including the LNG terminal project).

The changes in sales revenue, equity, financial liabilities and profitability of the sector during 2011-2014 are presented in the diagram below.





Railways

Lithuania is crossed by two international railway network corridors: East- West junctions of Corridor IX, connecting Ukraine and Belarus with Klaipeda Seaport, and Kaunas with Kaliningrad, and North- South I corridor, connecting Helsinki and Warsaw. East- West corridor is of strategic importance for the cargo transported from Belarus to Klaipeda Seaport. While, the north- south corridor has not been integrated yet for the use of different gauges, but it should fully connect the Baltic countries with the European network by 2020.

Design and construction works for the project Rail Baltica part from Šeštokai to Kaunas were started in 2014, thus connecting Kaunas by 123 km of 1,435 mm standard track gauge with the European railway network. This section is expected to be launched already in the second half of 2015. For the implementation of Rail Baltica project 2, a subsidiary of **Lithuanian Railways** – Rail Baltica Construction- was registered in 2014.

Infrastructure of Lithuanian railway network is owned by trust law and services are provided by state-controlled enterprise **Lithuanian Railways**.

The total length of the Lithuanian railway network is 1,768 km. Most part of the network consists of 1,520 mm gauge used in the CIS and Baltic States. The length of standard 1,435 mm gauge which interconnects the Lithuanian railway network with Poland as well as other railway network in the EU countries is 22 km long. The electrified gauge remained unchanged in 2014 – at the length of 122 km.

Passenger Transportation

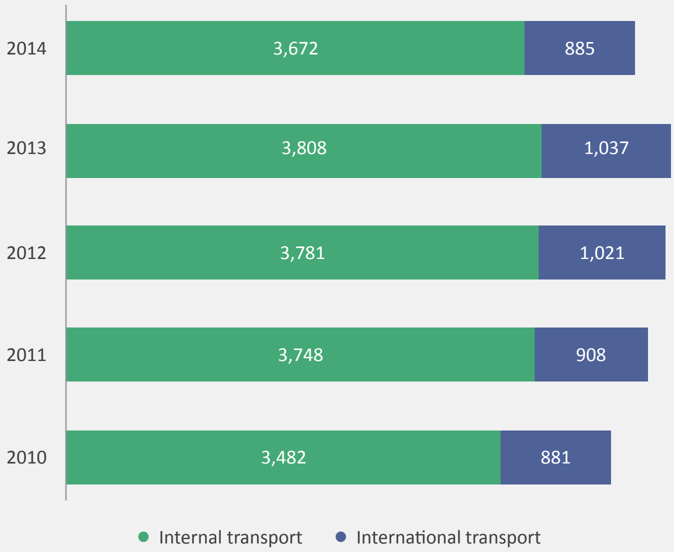
In 2014, the number of passengers carried by railways stood at 4.6 million passengers, i.e. by 5.9% less than in 2013. The part of passengers carried by railways makes only about 1% of the passengers carried by all kinds of transport. In order to promote travelling by rail the journey time from Vilnius to Klaipeda and to Šiauliai and from Vilnius to Ignalina was reduced in the middle of 2014. Also, the modernization of rolling stock and loyalty programs are continued to be further implemented. Nevertheless, 3.7 million passengers were carried by local trains in 2014, 3.6% less than in

2013. Decline in carriage of local passengers was partially recorded due to the Rail Baltica construction works when some parts of routes were cancelled. However, the revenue from passenger transportation grew by 0.7% due to rising fixed-term ticket sales.

0.9 million passengers were transported by international routes- by 14.6% less than in 2013. The number of international passengers travelling by transit in the direction of Russia declined significantly: resulting in 29% decrease compared to 2013, as well as the routes by the train formations carried out by other countries – by 20% due to unstable economic and political situation in Russia. The decline of international transportation in the direction of Russia has been recorded for several years in turn: therefore, the Vilnius- St. Petersburg- Vilnius services are scheduled to be terminated in 2015. As a counterweight to decreasing passenger flows from Russia, the flows from Belarus in the direction of Vilnius- Minsk-Vilnius of trains formed by **Lithuanian Railways** are increasing. It is planned to complete electrification works of the section to the Belarusian border until 2016, thereby increasing the attractiveness of this route.

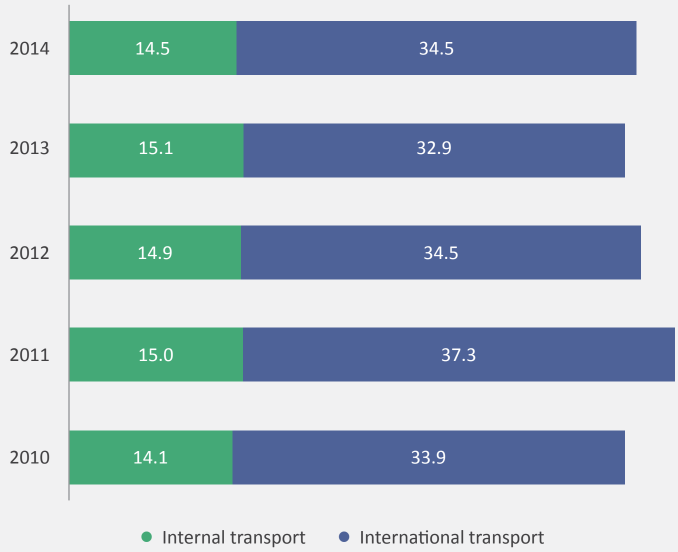
The transportation of passengers by railways remains unprofitable, but despite this, **Lithuanian Railways** must ensure the provision of the following services so as to meet the needs of society. Losses incurred during the execution of public service obligations are covered by profitable freight operations.

Transport of passengers by Lithuanian railways ('000)



Source: Lithuanian Railways

Freight transportation by railways by directions (million tons)



Source: Lithuanian Railways

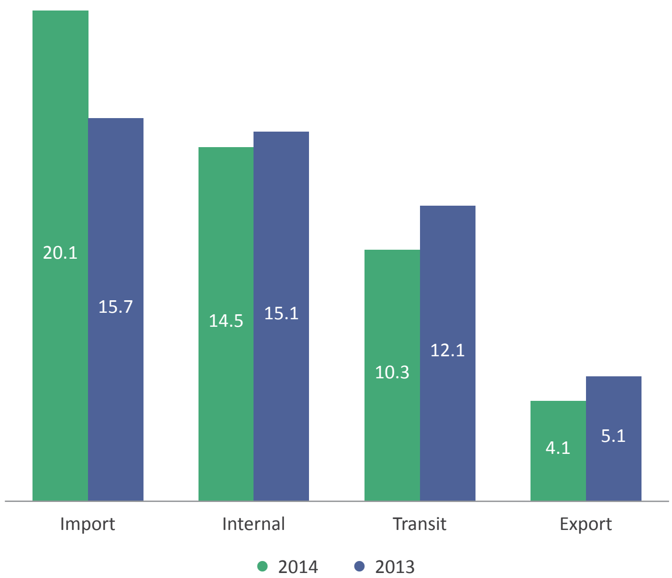
Freight Transportation

Freight transportation forms the greatest part of revenues generated by railways. In 2014 the revenues from freight transportation amounted to 82.1% of all **Lithuanian Railways** revenue. In 2014 freight transportation volumes grew by 2% and reached 49 million tons. 26.9% of total freight or 14.5 million tons were transported by internal routes. Transportation volumes by internal routes fell by 4.2% mainly due to the decline in transportation of ORLEN Lietuva oil and petroleum products (in 2014 oil and petroleum products of ORLEN Lietuva amounted to 35.4% of all internal transportation). This was influenced by a slump of oil prices in the world markets. As in previous years, the market of internal transportation by railways remains dependent on the results of several major factories in Lithuania: Lifosa, Akmenės cementas, Dolomitas and Achema.

The overall growth of freight transportation in 2014 was driven by the increase in the volume of import freight- by 27.5%, which makes 41% of the whole freight. The growth of import was especially influenced by the transportation of chemical and mineral fertilizer products from Belarus via Klaipeda Seaport (9.5 tons). Volumes of transit decreased by 14.8%- down to 10.3 million tons. Most of transit freight is carried out in the direction of Kaliningrad, so the economic problems prevailing in the neighbouring market also affected transit volumes. To this day shipping via Klaipeda Seaport and transportation by transit to the Kaliningrad Region remain the primary freight transportation directions.

In 2014 the structure of freight shipping changed quite intensely- chemical and mineral fertilizers constituted the greatest volume of freight shipping and overtook the oil petroleum products in volume- 15 million and 13.6 million tons, respectively (30.6% and 27.7% of all

Freight transportation by railways by directions (million tons)

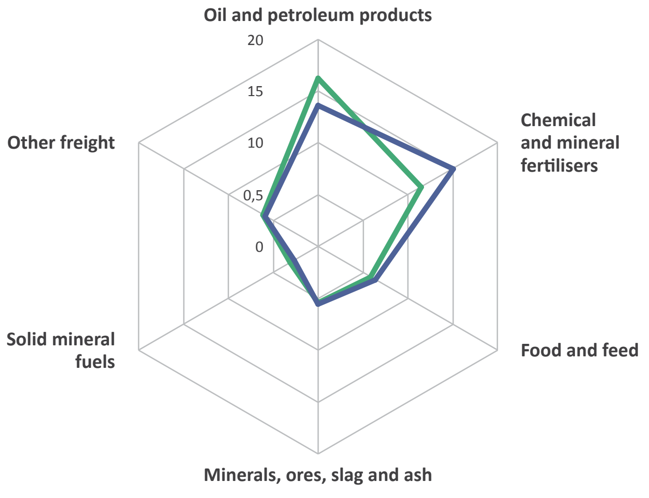


Source: Lithuanian Railways

transportations). Food and feedstuffs made 13%, mineral products, slag, ore- 11.3% of all transported volume. As already mentioned, the growth of chemical and fertilizer freight in 2014 amounted to 31.3% as a result of increased transit volumes of fertilizers from Belarus, and the decrease in oil and petroleum products by 16.2% occurred due to a difficult situation in the Russian (Kaliningrad) market.

Comparing the volumes of passengers travelling by Lithuanian railways and freight transportation with the other Baltic States, Latvian railways stand out having transported 19.2 million of passengers in 2014 (4.5 times more than in Lithuania). Estonia also carried more passengers - 5.9 million, 41% more than in 2013 (passenger train park in Estonia was completely renovated in 2013-2014). Comparing the volume of freights transported in the Baltics States, the railways in Latvia were superior having transported 57 million tons, of which 77% were coal and petroleum products. Meanwhile, Estonia has transported less than Lithuania- 36.3 million tons, of which 79% consisted of coal and petroleum products.

Structure of freight transported by Lithuanian railways (million tonnes)



Source: Lithuanian Railways

Maritime Transport

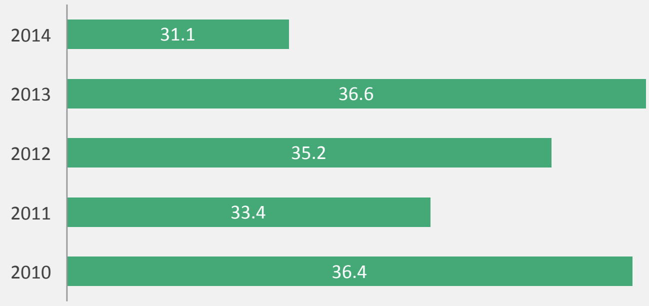
Lithuania's maritime transport includes the Lithuanian merchant fleet, Klaipėda State Seaport, Šventoji State Seaport, and Būtingė oil terminal of ORLEN Lietuva, as well as other companies and agencies providing services to vessels. Klaipėda State Seaport and Šventoji State Seaport are controlled in trust by the Klaipeda State Seaport Authority. The annual port handling capacity is 60 million tons of freight and service 13.4 m gauge vessels. Šventoji Seaport is still in development/ reconstruction phase and will be devoted to recreational ships in the future

Lithuanian merchant fleet largely consists of a state-owned company **Lithuanian Shipping Company** (7 vessels), Limarko Shipping Company (6 vessels) and DFDS Seaways (10 ferries). However, the fleet has been considerably shrinking for several decades; in 2014 **Lithuanian Shipping Company** sold three vessels due to the slump of dead freight costs in the global shipping market after the world financial crisis in 2008.

Growth was mainly recorded due to fertilizer handling that increased by 39.2%, especially from Belarus (up to 11.9 million tonnes) and handling of containerized freight which went up by 23% (5.6 million tonnes). In 2014, significant decrease in handling volumes of petroleum products was recorded- by 12.7%, up to 6.2 million tonnes, the fall in volumes from Russia and shrunken world petroleum prices are named as the cause of the downturn. Belarus currently remains the main trading partner of Klaipeda Seaport, the freight of which makes 30-35% of total handling.

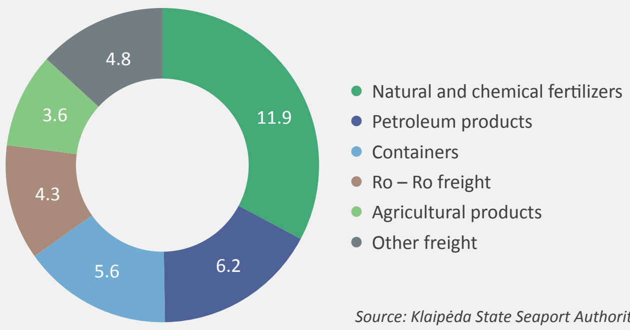
In 2014 Klaipėda Seaport was visited by a record number of passengers - 345 thousand (excluding ship crew), it is 23% more than in 2013. In recent years, particularly the number of passengers from cruise ships is increasing: by 57.8 thousand or 76% more passengers arrived in 2014 than in 2013. The number of moored cruise ships also increased significantly: from 40 ships in 2013 to 63 ships in 2014. Comparing the flow of passengers with the other Baltic States, Riga was visited by 738 thousand passengers in 2014 (twice less per capita than in Klaipėda), of which 61 thousand arrived by cruise ships, Tallinn- 9.6 million of passengers, of which more than 80% travelled on route Tallinn- Helsinki- Tallinn.

Handling volumes at Klaipėda seaport (million tonnes)



Source: Klaipėda State Seaport Authority

Freight structure at Klaipėda Seaport (million tonnes)

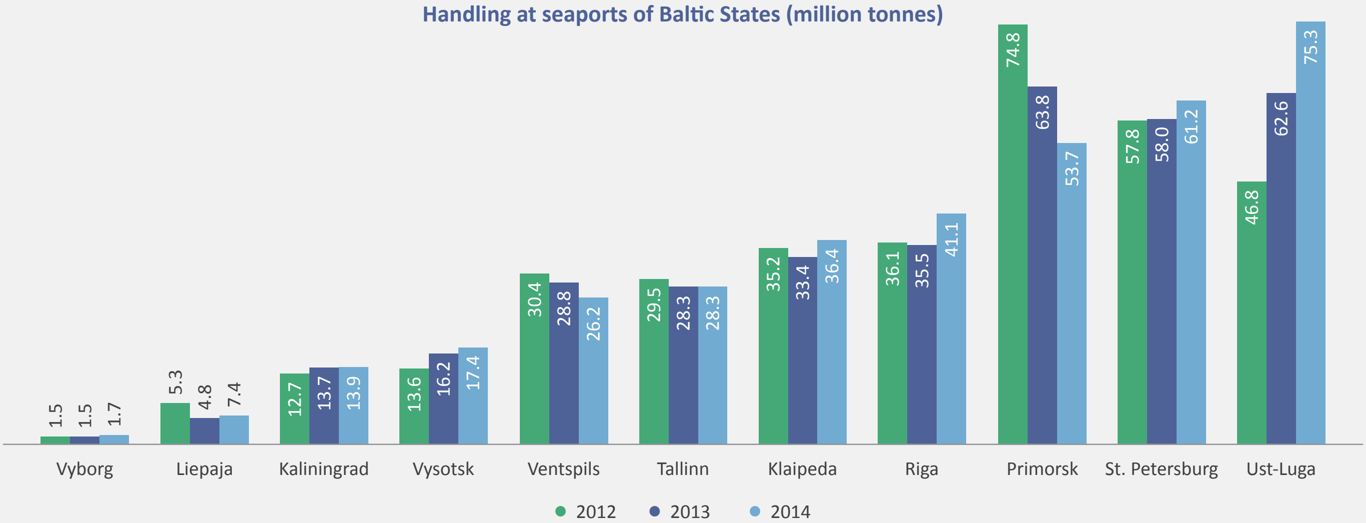


Source: Klaipėda State Seaport Authority

The number of cruise passengers and ships in Klaipėda Seaport

Source: Klaipėda State Seaport Authority

Handling at seaports of Baltic States (million tonnes)



Source: Klaipėda State Seaport Authority

Seaports on the eastern coast of the Baltic Sea

The aggregate seaports freight handling on the eastern coast of the Baltic Sea in 2014 increased by 4%, up to 368 million tons. The leaders, just as in 2013, among them are the ports belonging to Russia: Ust-Luga (75.3 million tonnes), St. Petersburg (61.2 million tonnes) and Primorsk (53.7 million tonnes). Riga Seaport is also greater by the volume of freight handled than the Klaipėda seaport on the eastern coast (41.1 million tonnes), which in 2014 grew by 15.8%. The growth of Riga Seaport resulted from the dredging of new port and extension of petroleum products handling area. However, unlike Klaipeda Seaport, Riga, Tallinn and Ventspils Seaports are less diversified. More than half of handling in Tallinn and Ventspils Seaports are taken by petroleum products, and in Riga- coal and petroleum products. According to container handling, Klaipeda holds leading position among the Baltic Seaports having handled 450 thousand TEUs, while Riga handled 388 thousand TEUs, and Tallinn- 260 thousand TEUs.

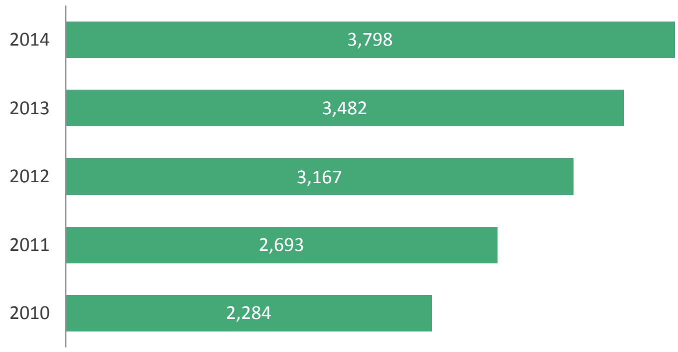
Airports

In 2014, three passenger airports operated in Lithuania: Vilnius (able to serve up to 3 million passengers per year), Kaunas (up to 0.8 million passengers per year, and all types of aircraft) and Palanga (servicing of medium and small aircrafts), and Šiauliai airport belonging to Šiauliai municipality mainly used for military aviation purposes. The infrastructure of passenger airports was delegated to the State Enterprise Lithuanian Airports in trust from 1 July 2014. Air traffic control, communications and air traffic control services are provided by the State Enterprise Air Navigation. Flight map of Lithuanian Airports in December 2014 consisted of 42 cities and 53 airports in 25 countries.

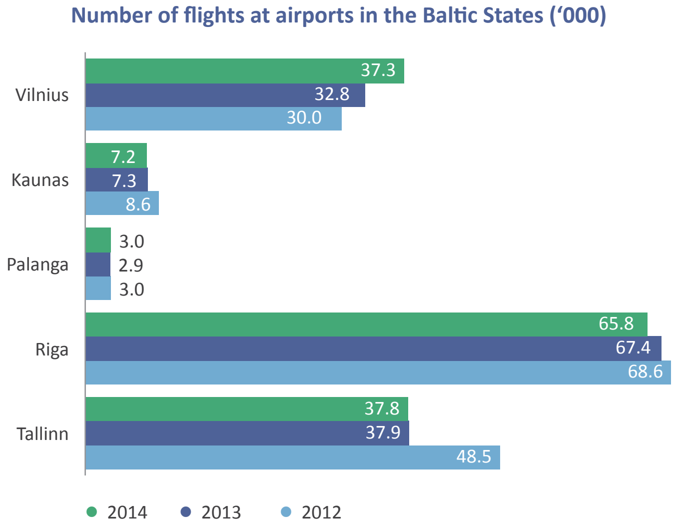
On 1 July 2014 **Vilnius International Airport**, **Kaunas Airport** and **Palanga International Airport** were reorganized into the state-owned company **Lithuanian Airports**, connecting Kaunas and Palanga airports to Vilnius Airport. The unification of ports is expected to reduce the administrative expenses of ports, to eliminate internal competition and to use the strengths of ports for the development of communication by air in Lithuania. According to the strategy of Lithuanian Airports, Vilnius airport will remain the main airport in the country, Kaunas Airport, carrying out AeroHub KUN project, will become the base for aviation-related businesses, and Palanga Airport will concentrate on the routes of the Baltic Sea region.

Currently, it is estimated that Vilnius Airport, at current growth rates, will reach its capacity limits in the next 2-3 years; therefore, for the further development of communication by air in Lithuania, significant investments in infrastructure are required. Concession model was proposed as one of the possibilities to attract financing through the transfer of infrastructure management to a private operator for a fixed period of time, while maintaining the infrastructure of airports under the state ownership. The contract conditions state that the private operator would be obliged to invest in the development of airports both through the expansion and renewal the infrastructure itself and attraction of new airlines and

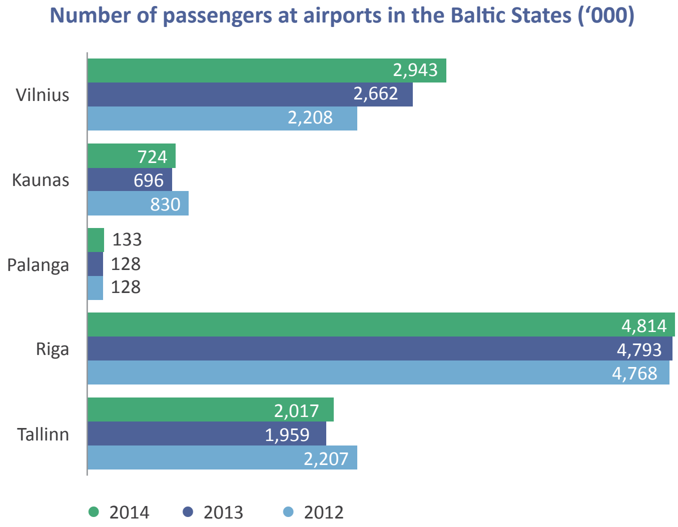
Number of passengers at Lithuanian Airports ('000)



Source: Statistics Lithuania



Source: Ministry of Transport and Communications, Lithuanian Airports



Source: Ministry of Transport and Communications, Lithuanian Airports

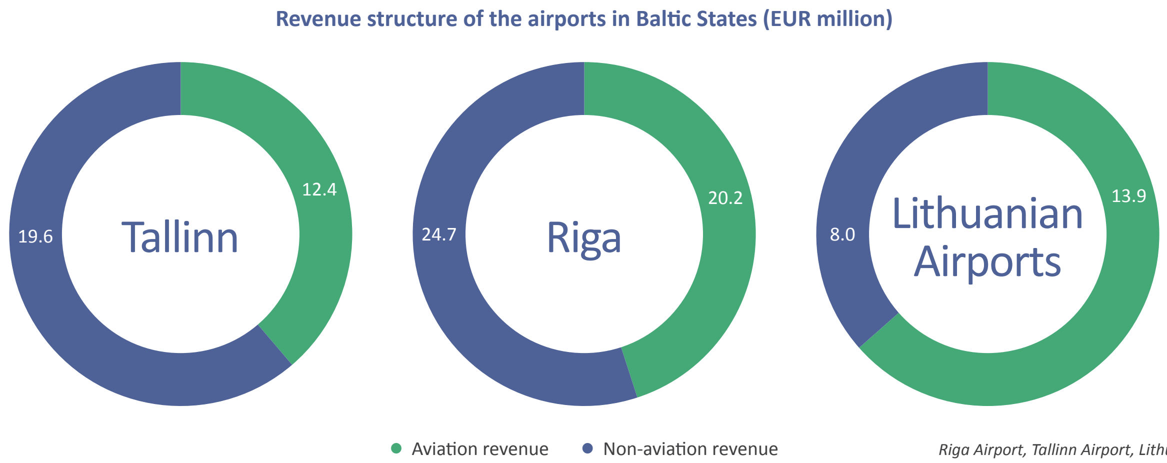
flight routes. On the expiration of the contract term, the State would take over the airport management. The airports managed by concession model would also facilitate the implementation of one of the strategic priorities of **Lithuanian Airports** – the growth of non-aviation revenue share. The assessment of the practice of European airports showed that the airports transferred on the basis of concession significantly expanded their capabilities and service volume. About half of the airports in Europe are currently managed by investment funds or consortia.

In 2014, all three civilian airports served 47.5 thousand flights- 10.2% more than in 2013. Mostly, the number of flights served grew at Vilnius branch- 13.7%, up to 37.3 thousand- which amounted to 79% of all served flights. The growth at Palanga branch was about 1% (4% of all flights served), Kaunas fixed the fall by 1.7% (15% of all flights served). Trends in change of passengers in 2014 were quite similar- 9% rise was recorded, to 3.8 million of passengers. The number of passengers at Vilnius branch grew by 10.6% (to 2.9 million of passengers), in Kaunas this number grew by 4% (up to 0.72 million passengers), in Palanga – by 3% (up to 0.13 million). The main factors for the growth in the number of flights are increased frequency of flights and 8 new destinations from Vilnius branch. The last five years' growth in served passengers and flights is basically determined by only increased results of Vilnius branch. Since 2010, the volume of passengers at Vilnius branch rose by 115%, the number of flights served – by 44%.

Comparing Lithuanian Airports to other airports in the Baltic States, Riga remains an obvious leader both by the number of flights handled and by the number of passengers served - 65.8 thousand and 4.8 million, respectively. While Vilnius branch is already quite significantly ahead in terms of passenger numbers (0.9 million more) of Tallinn Airport (2 million passengers and 37.8 thousand of flights) and almost caught up with the number of flights handled (0.5 thousand less). It is seen that the market share of **Lithuanian Airports** has significantly increased over the last three years. The main reasons can be as follows: a change in strategy of Vilnius branch (aim to attract more cheap airlines, active development of flights geography) as well as a great and unused tourism potential in Lithuania (it is estimated that 1 passenger per Vilnius branch was accounted for per capita in Lithuania in 2014 (1.3 per all three branches), while in Tallinn- 1.5 and in Riga- 2.3). It is important to note that even in 2004 the number of passengers served in the capitals of the Baltic States was almost the same.

The main airlines in Lithuanian airports in 2014 remained cheap flight airlines- Ryanair and Wizzair, taking respectively 34 and 18% in 2014, but 7% less than last year. The market leaders in Latvia and Estonia were the national carriers airBaltic (56% of the market) and EstonianAir (25% of the market), that is why cheap airlines represent a much smaller share of flights in their markets than in Lithuania. The most popular flight destinations in Lithuania remain London (about 15% of all passengers) and Frankfurt (about 7%) and Scandinavian airports.

In 2014 non-aviation revenue share at Lithuanian Airports amounted to 36.7% of total revenue, and in 2013 reached 40.9%. However, comparing the individual branches, non-aviation revenue structure among the Lithuanian airport branches is significantly different due to the different pricing and toll rates. Compared with other airports in the Baltic States, the share of non-aviation revenue of Lithuanian Airports is significantly lower than both Tallinn and Riga airports- by 61.3% and 45.0%, respectively.



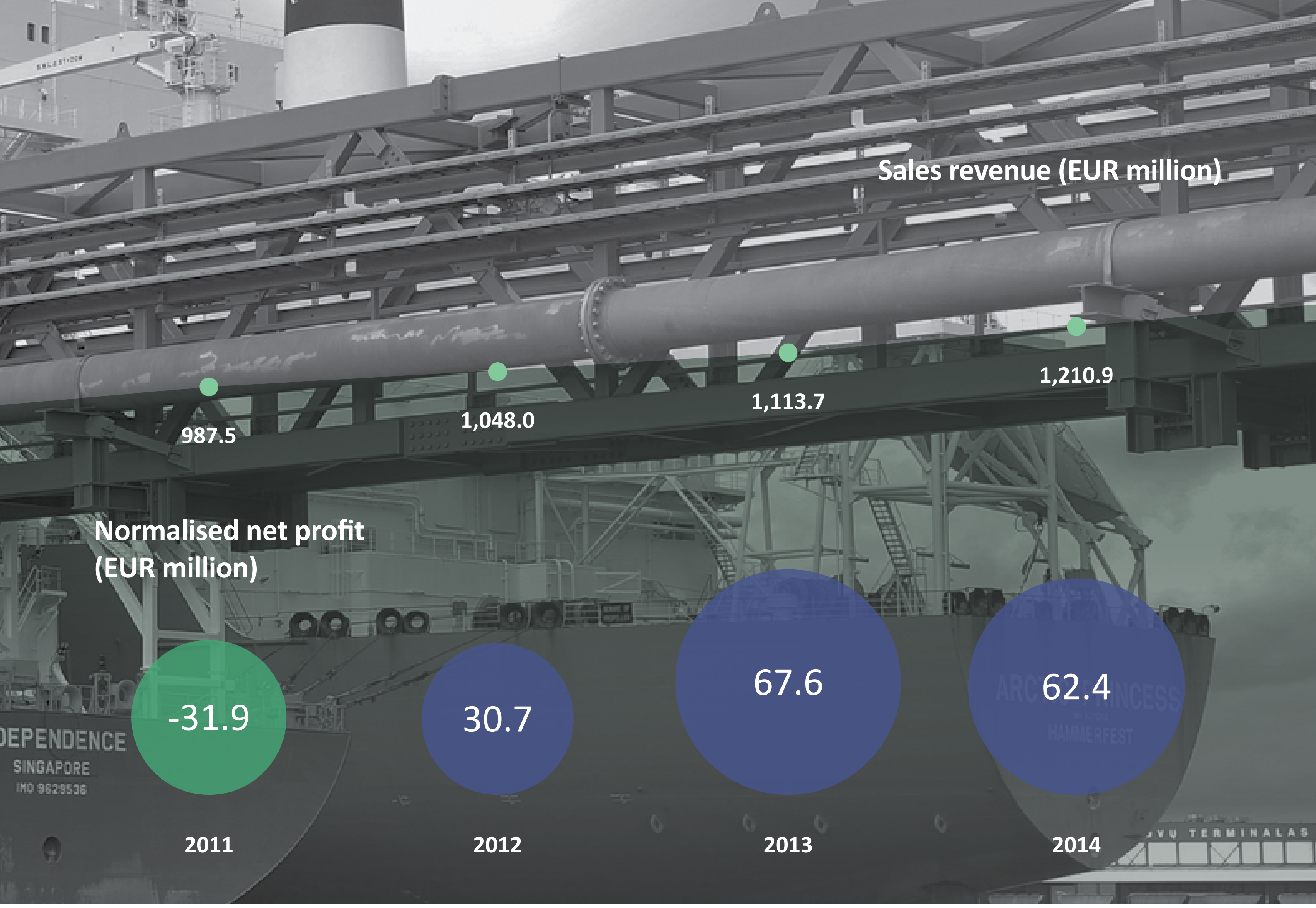
Source: Riga Airport, Tallinn Airport, Lithuania Airports

Energy

SOEs of energy sector generate almost one fifth of the country's electricity demand and own electricity and gas transmission and distribution networks. After liberalization of electricity and gas markets, activities of generation, transmission and distribution were separated and liberalized market of electricity was established. Completed LNG terminal and further development of cross-border electricity links will bring more transparency and improve international integration of the sector.

SOEs operating in the energy sector generate and supply electricity and heat to consumers, and provide different related services. In addition, this sector includes Klaipedos Nafta that offers oil and petroleum product transhipment services and is responsible for the operation of the Liquefied Natural Gas (LNG) Terminal in Lithuania. Nine biggest SOEs attributed to this sector are listed in the table below.

Enterprise	Field of Activity	Turnover in 2014 (EUR '000)	Assets at the end of 2014 (EUR '000)	Number of employees at the end of 2014	State's interest at the end of 2014 (%)
Lietuvos Energija Group	The Lietuvos Energija Group includes the Lietuvos Energijos Gamyba Group, LESTO Group and Lietuvos Dujos. The Group's activities comprise electricity and heat generation and supply, electricity trading and distribution, trade and distribution of natural gas.	972,689	2,369,176	5,602	100.0%
EPSO-G Group	The enterprise controls the Lithuanian electricity transmission system operator Litgrid and natural gas system operator Amber Grid	147,105	901,073	1,072	100.0%
Klaipėdos Nafta	Petroleum product export and import, LNG terminal operation	39,775	221,918	369	72.3%
Lithuanian Oil Products Agency	Storage of petroleum products	32,889	95,090	6	100.0%
Visagino Energija	Heat and water supply, wastewater treatment	16,175	54,389	216	100.0%
Geoterma	Heat generation	2,094	7,892	18	99.1%
Ignalinos atominė elektrinė (Ignalina Nuclear Power Plant)	Decommissioning of the Ignalina Nuclear Power Plant	152	576,302	2,142	100.0%
Radioactive Waste Management Agency	Radioactive waste management and disposal	38	334	19	100.0%
Energy Agency	Implementation of National Energy Strategy and other state programs	0	965	19	100.0%



Financial Results

In 2014, sales revenue of energy enterprises amounted to EUR 1,210.9 million, up by 8.7% year-on-year. This increase was mostly influenced by the results of Lietuvos Energija Group. During the year 2014, the revenue of Lietuvos Energija Group grew by 15.5%, or EUR 130.6 million. In the second quarter of 2014, Lietuvos Energija acquired controlling interest of Lietuvos Dujos; as a result, gas distribution, supply and trading activities included in the group's revenue additionally added EUR 170 million. The growth of Klaipedos Nafta revenue from EUR 36.7 million to EUR 39.8 million also contributed to the overall sector revenue increase. The revenue of the enterprise grew the most in the last quarter after putting LNG terminal into operation, which contributed to the growth of revenue by EUR 5.8 million. The revenue of EPSO-G Group which also has a significant impact on the sector fell by 13.9%, down to EUR 147,1 million. Litgrid that belongs to the group whose revenue constituted most of the revenue of the group earned EUR 119.9 million: it is 29.7% less than in 2013. Most of the enterprise's revenue is received from electricity transmission and therefore lower revenue was mainly determined by the 9% lower electricity transmission rate approved by NCC for the year 2014 and more than double reduction of the rate for system services.

The total cost of goods sold of the energy sector enterprises increased by 8.8% to EUR 742.3 million, and operating expenses went up by 2.6% to EUR 974.5 million. The change in the cost of the sector was mostly influenced by the **Lietuvos Energija Group**, whose prime cost amounted to EUR 612.4 million - 18.5% more than in 2013. This change was determined by financial data of **Lietuvos Dujos** included in the group's statements: gas trade-related expenses amounted to EUR 148.9 million. **Klaipedos Nafta** prime cost grew by 20.8%, up to EUR 26.6 million as a result of started operations of LNG terminal in the last quarter of 2014. The LNG carrier rent and other related expenses in 2014 amounted to EUR 4.4 million. **Lithuanian Oil Products Agency** prime cost declined from EUR 39.3 million to EUR 32.5 million. The company saw the change in the cost of the state stocks sold, which fell by 16.9%, to EUR 32.4 million. **Visagino Energija** cost in 2014 amounted to EUR 14.3 million and compared with 2013 decreased by 16.7% due to lower expenses related to heat and supply of hot water.

Operating expenses of energy sector increased 2.6 times and at the end of 2014 amounted to EUR 974.5 million. Operating expenses of **Lietuvos Energija** Group went up from EUR 281.2 million in 2013 to EUR 751.2 million and this was the main factor influencing the increase in operating expenses of the sector. Enterprise **LESTO** belonging to the group had the most significant impact on this change as at the end of 2014 it wrote off the revaluation of assets to expenses resulting in reduction of the value of long-term tangible assets by EUR 618.4 million. A significant impact on the results of the sector was delivered by **EPSO-G** Group operating expenses, which rose from EUR 78.8 million in 2013 to EUR 216.8 million. Subsidiary **Litgrid** carried out a revaluation of assets and thus suffered EUR 123.2 million higher operating expenses. Operating expenses of **Geoterma** have also changed significantly, decreasing by EUR 4.3 million, down to EUR 0.3 million. In 2013 **Geoterma** reassessed

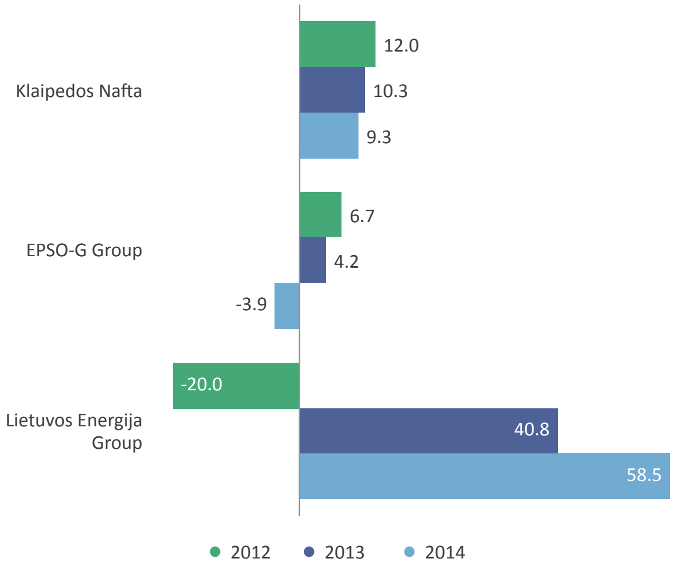
Profit (Loss) Statement (EUR '000)	**2013**	**2014**
Sales revenue	**1,113,750**	**1,210,916**
Cost of goods sold	682,222	742,332
Gross profit (loss)	**431,528**	**468,585**
Operating expenses	370,158	974,539
Profit (loss) from other activities	79	93,880
Operating profit (loss)	**61,449**	**-412,075**
Operating profit margin	*5.5%*	*-34.0%*
EBITDA	**254,596**	**280,618**
EBITDA margin	*22.9%*	*23.2%*
Financial and investment activities	-4,619	52,663
Profit (loss) before taxes	**56,758**	**-359,412**
Profit tax	2,301	-73,548
Net profit (loss)	**54,456**	**-285,864**
Minority share in profit (loss)	5,246	-18,691
Normalised net profit (loss)	**67,647**	**62,412**
Normalised net profit margin	*6.1%*	*5.2%*
Balance Sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Intangible assets	64,595	17,812
Tangible assets	3,235,629	2,904,152
Financial assets	16,094	19,828
Other non-current assets	272,978	309,394
Non-current assets	**3,589,296**	**3,251,187**
Inventories, prepayments and contracts in progress	122,801	178,724
Amounts receivable in one year	435,345	419,587
Other current assets	83,122	65,050
Cash and cash equivalents	265,756	312,592
Current assets	**907,025**	**975,953**
TOTAL ASSETS	**4,496,321**	**4,227,139**
Total equity	**2,409,184**	**1,907,602**
Minority shareholder equity	262,188	111,255
Grants and Subsidies	**936,324**	**896,904**
No-current liabilities	776,016	771,853
Current liabilities	374,797	650,781
Liabilities	**1,150,813**	**1,422,633**
Financial liabilities	425,825	675,676
TOTAL EQUITY AND LIABILITIES	**4,496,321**	**4,227,139**
RATIOS	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	1.5%	1.4%
Normalised ROE	2.8%	2.9%
D/E	17.7%	35.4%
Return to the state (EUR '000)	**2013**	**2014**
Allocated dividends (share of the state)	73	52,935
Assigned profit contributions	0	0
Dividends and profit contributions to the state	**73**	**52,935**
Property tax	542	534
TOTAL	**614**	**53,469**
Employee information	**2013**	**2014**
Number of employees	7,810	9,463
Number of executives	122	149

long-term tangible assets with a net book value of EUR 3.4 million at the end of 2013 (EUR 4.1 million of assets revaluation-related losses were included in operating expenses in 2013).

The assessment of increased operating losses found that the enterprises of energy sector operated at a loss in 2014 and suffered net losses of EUR 285.9 million (in 2013 net profit amounted to EUR 54.5 million). These results were mostly determined by the losses of **Lietuvos Energija** and **EPSO-G** groups incurred due to the revaluation of assets. However, excluding these one-off factors, the enterprises of energy sector in 2014 earned EUR 62.4 million of normalized net profit and compared with 2013, normalised profit decreased by EUR 5.2 million. The result of **Ignalina Nuclear Power Plant**, which dropped from EUR 10.7 million of normalised net profit to EUR 1.1 million of normalised net losses, has contributed to the decrease in the sector's normalized net result, since in 2013 negative operating expenses of provisions were accounted for in the financial statements of the enterprise which went down from EUR 6.4 million to EUR 2.6 million. **Klaipedos Nafta** net profit declined by 10.3%, to EUR 9.3 million, as a result of lower revenue received from transhipment services of oil products.

The chart in the right shows the change in normalised net profit of the major energy sector enterprises.

Normalised net profit of major energy sector enterprises (EUR million)

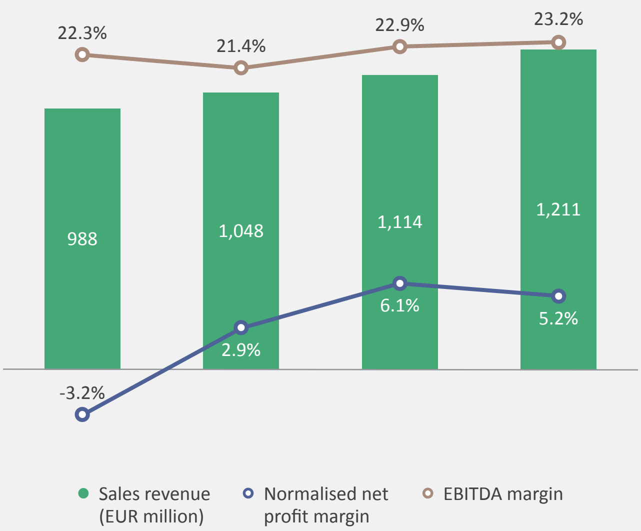


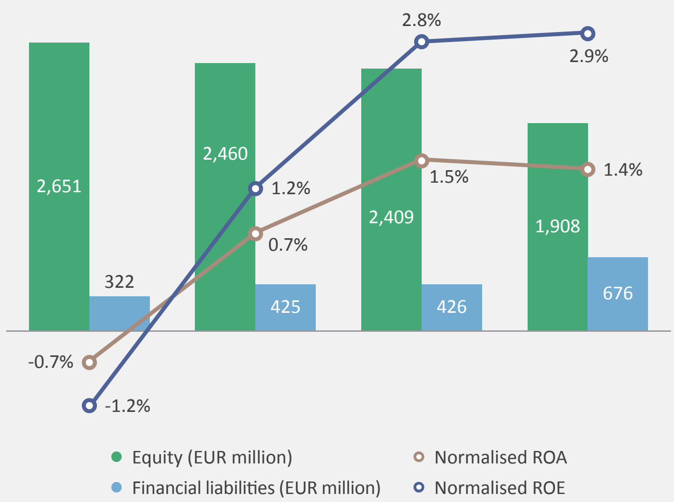
In comparison with 2013, the return ratios of energy sector enterprises have changed slightly. Return on assets of the sector fell by 0.1 percentage point to 1.4%, while the return on equity increased from 2.8% to 2.9%. Elimination of the influence of onetime factors on the operating results led to the increase of **Lietuvos Energija Group's** return on equity and assets ratios from 2.3% to 3.8% and from 1.5% to 2.5% due to a significant growth in net profit of the year 2014 and the acquisition of **Lietuvos Dujos**. Meanwhile, return on equity of **EPSO-G** decreased insignificantly and amounted to 1.9% due to accounted revaluation losses of subsidiary **Litgrid**. In 2014, the ratios of **Klaipedos Nafta** fell slightly (return on assets dropped from 5.8% to 4.4%, while return on equity edged down from 6.4% to 5.4%), because the value of both assets and equity went up as a result of increased financial commitments related to the implementation of the LNG terminal, and net profit generated by them declined year-on-year.

The results of **Lietuvos Dujos** and **Amber Grid** were not included in the 2014 portfolio or taken into account, but their financial data are recorded in consolidated financial statements of **Lietuvos Energija** and **EPSO-G** groups. It is worth mentioning the state only held minority interest of 17.7% in each of these companies at the end of 2013 and acquired the controlling interests of these enterprises in the second quarter of 2014.

The dividends and profit contributions to the national budget allocated by the energy sector enterprises for 2014 stood at EUR 52.9 million. The major part of this amount (EUR 52.7 million) is dividends allocated by **Lietuvos Energija**. The remaining dividends were assigned by **EPSO-G** and **Klaipedos Nafta**, respectively EUR 171.1 thousand and EUR 66.9 thousand. The sum of dividends payable by **Klaipedos Nafta** was reduced to 1% of annual net profit by a Government decision due to the need for funds and liabilities assumed to the banks in relation to the implementation of the LNG Terminal project. By the Government decision, **EPSO-G** allocated 0.5% of distributed net profit to dividends for 2014, as the enterprise participates in the implementation of the gas-main Klaipeda- Kuršėnai project. Other sector enterprises have not contributed to the revenue to the state budget in the form of dividends or profit contribution. It should be noted that in 2014 the majority of dividends assigned to the state for 2013 were dividends allocated by **Lietuvos Dujos**, and the amount paid by the enterprise accounted to EUR 2.7 million.

The charts below show changes in sales revenue, equity, financial liabilities and profitability of the sector in 2011-2014.





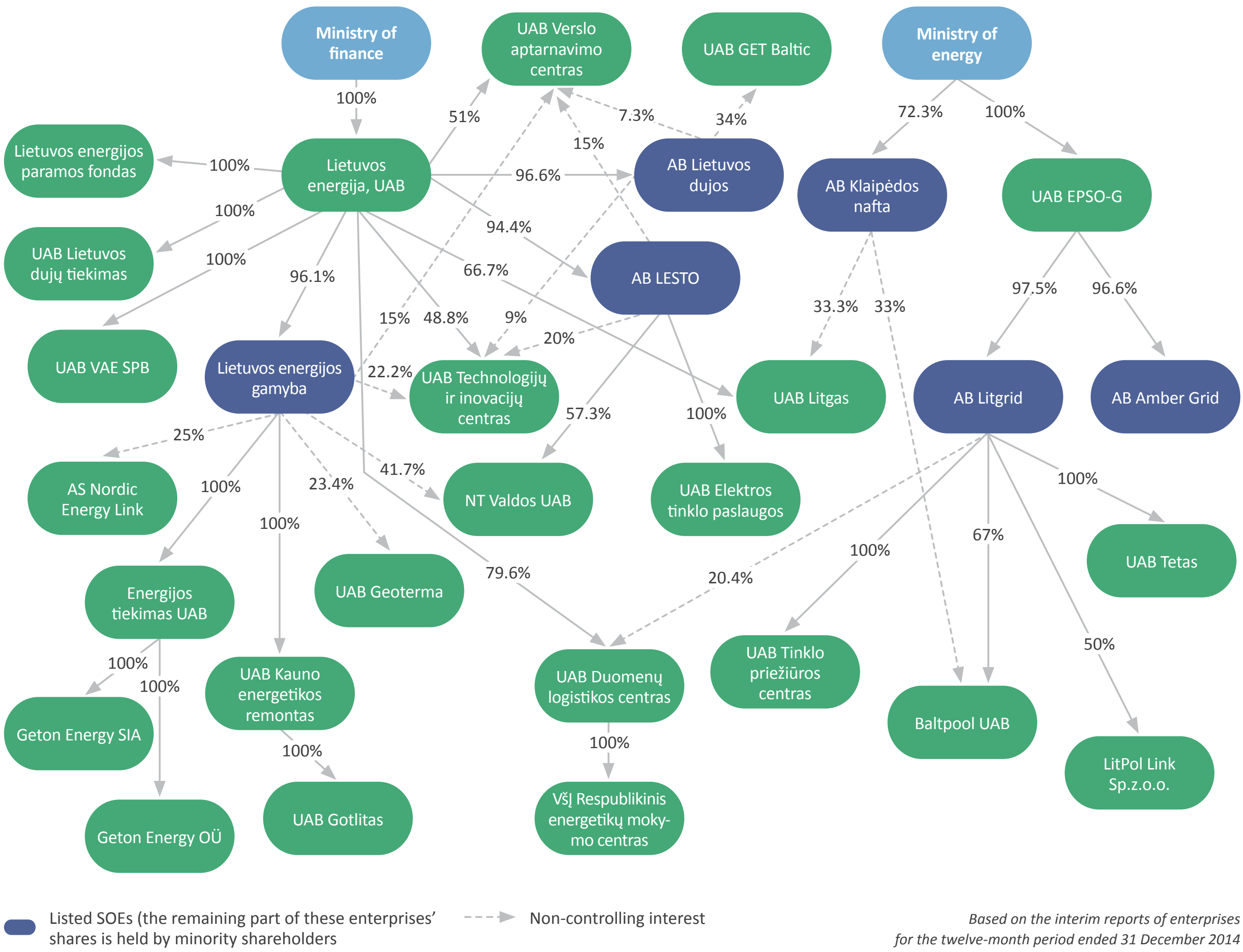
Electricity Sector

According to the requirements of the EU Third Energy Package, with a view to increasing the efficiency of the electricity sector, ensuring equal market conditions and promoting competition, the restructuring of this sector launched in 2010 was broken down into separate elements performing different functions: generation, transmission and distribution of electricity.

The electricity generation functions are performed by **Lietuvos Energija** which, through its subsidiary **Lietuvos Energijos Gamyba**, controls three subdivisions engaged in generation: the Lithuanian Power Plant situated near Elektrenai, the Kruonis Pumped Storage Hydroelectric Plant and the Kaunas A. Brazauskas Hydroelectric Power Plant. Capacity of these three power plants ensures the country's energy safety: in 2014, electricity generation at these plants accounted for about 18.7% of the country's consumer demand. An entity in charge of electricity trading is the state-owned enterprise **EPSO-G** which, through its subsidiary **Litgrid**, maintains the stable operation of Lithuania's electricity system, manages energy flows and provides conditions for competition on the open electricity market. **Litgrid** is responsible for the integration of the Lithuanian electricity system with the European electricity infrastructure and single electricity market. An entity in charge of electricity transmission to national consumers via distribution networks is the company **LESTO** (another subsidiary of **Lietuvos Energija**), established in January 2011. The restructuring defined in the EU Third Energy Package was completed in September 2012.

Another aspect of restructuring of the electricity sector has been the establishment of a free electricity market in 2010 where at present electricity can be purchased by suppliers, all legal entities and other non-household consumers, and the electricity price is not controlled by the NCC. In June 2012, Lithuania became a bidding area of Nord Pool Spot (the Nordic-Baltic electricity exchange) and also has sped up its integration into the European electricity market. The operations of Nord Pool Spot exchange are supervised by the Regulatory Board that includes the regulators from Sweden, Norway, Finland, Denmark and Estonia. The Regulatory Board can also admit the NCC, which is in charge of the regulation of operations in the energy sector such as the issue of licences authorising entities to engage in activities in the energy sector, the determination of requirements for the reliability of electricity transmission and the quality of services and other related functions.

Energy sector state-owned enterprises, their subsidiaries and associated companies at the end of 2014 financial year



Based on the interim reports of enterprises for the twelve-month period ended 31 December 2014

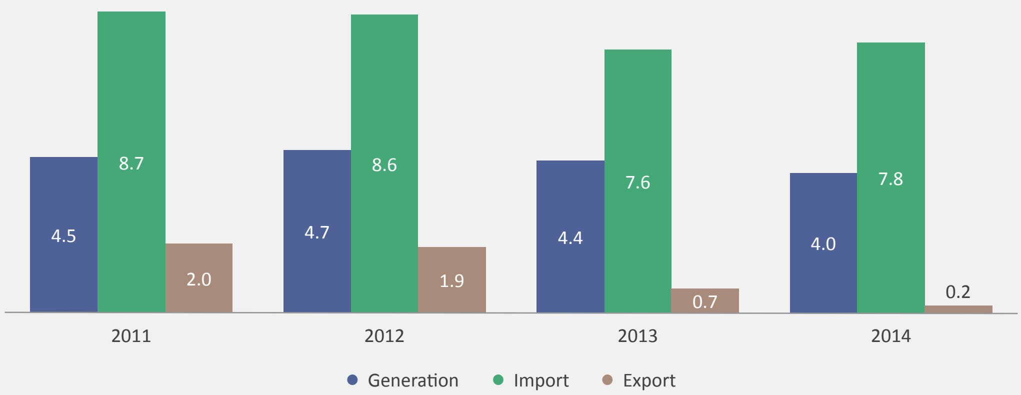
Electricity Generation

The Lithuanian electricity generation block consists of the subunits controlled by Lietuvos Energijos Gamyba: the Lithuanian Power Plant, the Kaunas A. Brazauskas Hydroelectric Power Plant, and the Kruonis Pumped Storage Hydroelectric Plant. This company of strategic importance, indirectly controlled by the state, performs the functions of electricity and heat generation, import and export, and trading on the internal market and has a large aggregate capacity of electricity generation in Lithuania.

According to the NCC, in 2014 electricity generation in Lithuania declined from 4.4 TWh to 4 TWh. Of the total amount of electricity generated, 47% were produced using fossil fuels, 36.2% was from renewable energy sources, and the remaining 16.8% came from the Kruonis Pumped Storage Hydroelectric Plant. In 2014, the contribution of **Lietuvos Energijos Gamyba** to the total amount of electricity generated in Lithuania stood at 1.8 TWh (down by 6.1% year-on- year). Of the total electricity amount, 0.86 TWh were generated at the Elektrenai complex, 0.32 TWh at the Kaunas A. Brazauskas Hydroelectric Power Plant, where the generated amount declined by 22% as a result of a less humid year and lower debit of the river Nemunas, and 0.47 TWh at the Kruonis Pumped Storage Hydroelectric Plant where volumes of production went up by 37%.

The total amount of electricity generated in Lithuania, which had reduced sizeably after the decommissioning of the Ignalina Nuclear Power Plant, continued to shrink. According to the NCC, in 2011-2014 the volumes of generation fell by 11.1%. Electricity imports from 2011 to 2013 declined gradually, but in 2014 increased due to the cooler weather and the decline in domestic production. Due to the increased consumption of electricity and the decline in the volumes of energy production, the energy export decreased in 2011, and the electricity export rate in Lithuania reached in 2014 was 10 times lower than in 2011.

Electricity generation, export and import in Lithuania (TWh)



Source: NCC

Transfer

Transmission and distribution network operators are enterprises that provide services of electricity transfer from the producer to the consumer.

The electricity transmission service or its transfer via high voltage (330-110 kV) installations from producers to suppliers or consumers is the responsibility of the Lithuanian transmission system operator **Litgrid**. The sole enterprise operating in this market manages the high voltage electricity transmission network, ensures quality, reliable and effective transmission, administers public service obligations (PSOs), trades in balancing/regulation electricity and reserve power, and engages in the balancing of electricity system. According to the NCC, in 2014 the amount of electricity transmitted via the transmission networks shrank by 0.3%, down to 11.3 TWh. Losses in the networks and electricity consumption for own needs declined by a similar percentage (10.3% to 220 GWh).

Electricity is transmitted to most consumers via low- and medium-voltage networks, and enterprises that manage these networks are referred to as distribution network operators (DNOs). In Lithuania, the functions of a distribution network operator are carried out by the company **LESTO** established in 2011 and indirectly controlled by the state. In addition to this company, holders of distribution licences are another five market players, in particular Achema, Lifosa, Akmenes Cementas, E Tinklas and Dirbtinis Pluoštas, that distribute electricity on the territories of their enterprises. **LESTO** ensures the operation, development, maintenance, safety and reliability of the distribution networks, meets other needs of consumers and conducts effective connection of new consumers. Currently, the company serves as many as 1.7 million consumers and has a well-developed infrastructure throughout the territory of Lithuania.

The final electricity tariff for the consumer consists of two components: one of them prices electricity as a commodity and may be subject to change due to the possibility of choice of an independent supplier on the free market, while the other applies a charge to electricity transmission. The second component is paid to the electricity transmission and distribution operators and is set by the NCC on an annual basis with account for the costs of electricity transmission.

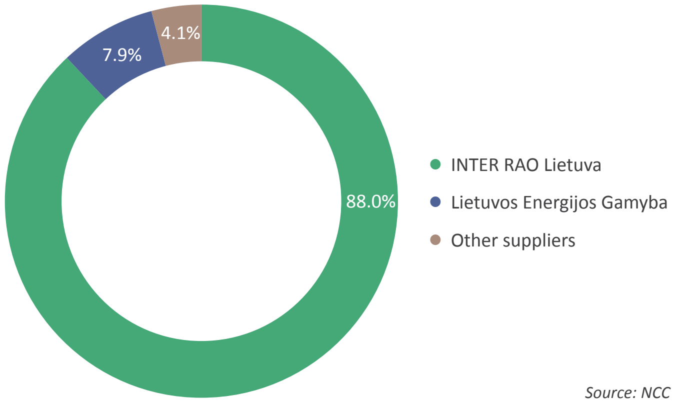
Supply

Following the restructuring of the energy sector in 2010, the separation of electricity transmission and supply was launched in Lithuania just as in the other EU member states. Thus, the deregulated supply market saw the emergence of a number of independent electricity suppliers in addition to the public supplier. At the end of 2014, the number of market participants holding licenses of independent electricity suppliers reached 73, of which 18 were registered as operating entities that performed their function of purchasing electricity from producers and importers and selling it to eligible consumers (those entitled to choose an independent supplier).

So far the public supplier whose functions in Lithuania are performed by **LESTO** has been obligated to sell electricity to all regulated consumers that have not chosen or that have lost an independent supplier. Differently from the price of electricity from independent suppliers, the price of electricity supplied by **LESTO** is regulated and approved by the NCC.

At the end of 2014, the Nord Pool Spot electricity exchange, in which Lithuania became a bidding area in 2012, had 377 registered market participants, some of which are legal entities registered in Lithuania. The amount of electricity traded on the Lithuanian electricity exchange fell by 24.8% over the year or from 5.3 TWh in 2013 to 4.2 TWh in 2014. In 2014, just as in 2013, the largest share of both the sales and purchase markets was held by INTER RAO Lietuva (88% of the sales market and 32.5% of the purchase market). Compared to 2013, the share of INTER RAO Lietuva in the sales market grew the most (from 70.8% to 88%), as did the share of **Lietuvos Energijos Gamyba** in the purchase market, going up from 0.1% to 7.9%.

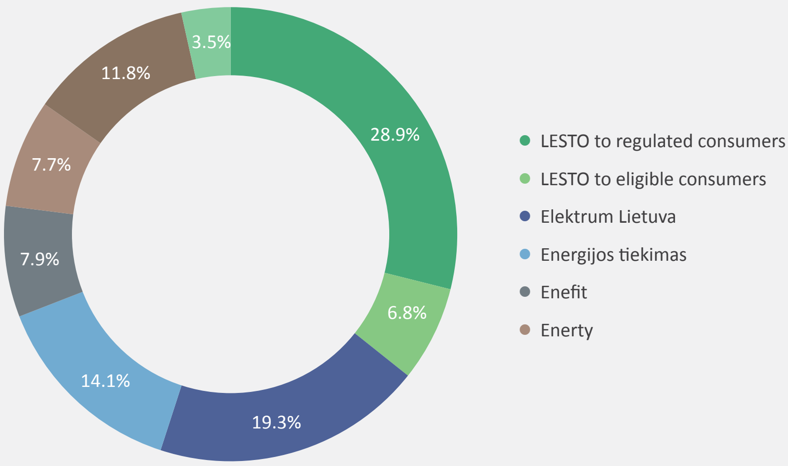
Structure of sales market on the exchange in 2014



Source: NCC

In 2014, electricity suppliers sold 9 TWh of electricity on the electricity retail market, 3.3% more compared to 2013. The share of **LESTO** in the retail market went up from 35.1% to 35.7%. Among the independent electricity suppliers, Enefit market share went down the most – by 2.6 percentage points to 7.9%, while the market share of Elektrum Lietuva was going up most- 5.4 percentage points, to 19.3%.

Structure of retail electricity market in 2014 (%)



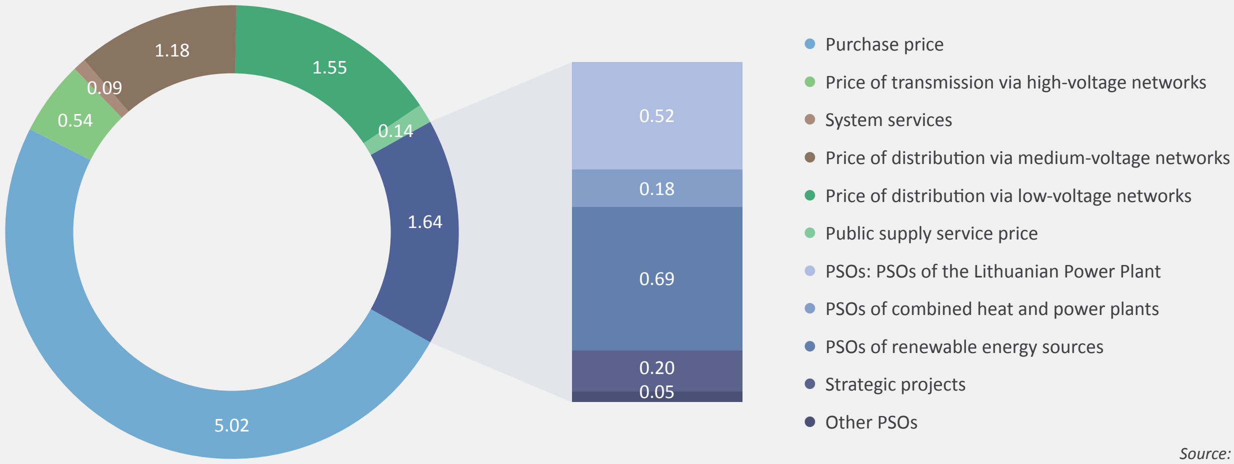
Source: NCC

Compared to 2013, total electricity demand and final consumption in Lithuania remained almost the same and amounted to 11.7 TWh and 9.8 TWh respectively.

Electricity Price

The electricity price for consumers consists of several components: the electricity purchase, transmission, distribution and supply price, the price of system services and PSOs. Electricity transmission, distribution and public supply prices are regulated by the NCC. The average public electricity price set by the NCC for 2015 is 10.2 ct/kWh net of VAT. The chart below shows the price structure.

Structure of average electricity price in 2015 (ct/kWh net of VAT)



Source: NCC

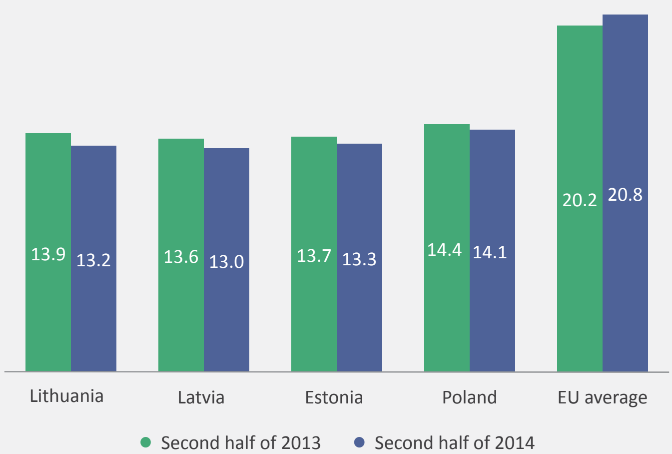
The components of the infrastructure electricity price did not change in principle. However, due to more than a two-fold drop in the price of system services and the lower price of PSOs, the electricity price cap for final consumers in 2015, compared to the annual price set in January 2014, went down by 7.1%. The price of PSOs fell by 20.6% from 2.07 ct/kWh to 1.64 ct/kWh. The share of the PSO funds allocated to the Lithuanian Power Plant (by 34 percentage points) and the funding for the combined heat and power plants (by 34.6 percentage points) shrank the most, while the largest growth was observed in the share of the PSO funds for the generation and balancing of electricity from renewable energy sources (RES) (by 8.8 percentage points).

Electricity Prices for Households in EU Member States

According to information of the EU statistical office Eurostat, in the second half of 2014 Lithuanian household consumers paid for their non-commercial electricity needs 1.5% more than did consumers in Latvia, but 0.8% less than did consumers in Estonia. Compared to 2013, this price went down in all three Baltic States: by 5% in Lithuania, by 4.4% in Latvia and by 2.9% in Estonia. Compared to the EU average, the electricity price in the second half of 2014 in Lithuania was lower by 36.5% (13.2 ct/kWh).

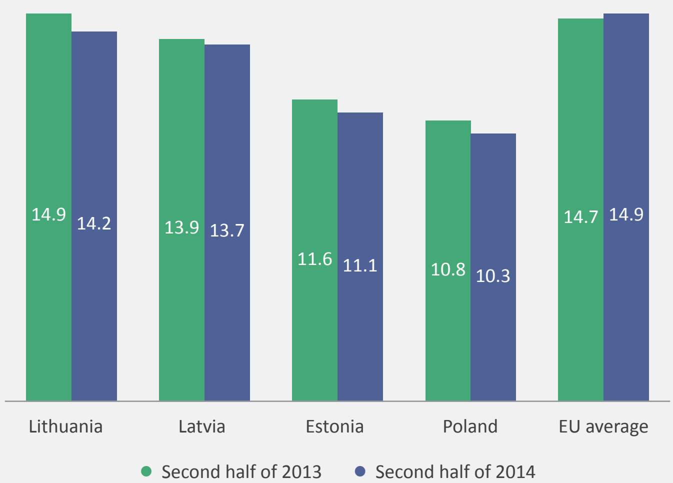
Meanwhile, the Lithuanian commercial consumers paid the highest price for electricity among the Baltic States during the same period: 3.6% more than commercial consumers did in Latvia and 27.9% more than commercial consumers did in Estonia. Compared to 2013, the price applied to commercial consumers in the second half of 2014 decreased in all three Baltic States.

Electricity price for households (including taxes, EUR/100 kWh)



Source: Eurostat

Electricity price for industrial consumer (including taxes, EUR/100 kWh)



Source: Eurostat

Natural Gas Sector

Similarly to the electricity sector, the activities of the Lithuanian gas sector are divided into the supply, transmission and distribution subsectors. The implementation of the EU Third Package requirement to separate the natural gas supply and marketing and distribution activities was completed in 2014. Based on this requirement, in August 2013 the gas transmission system operator Amber Grid was established, and from 1 November 2014 the natural gas supply business was launched by a new enterprise of Lietuvos Energija- Lietuvos Dujų Tiekimas- separated from the Lietuvos Dujos, which is now solely responsible for the gas distribution operation.

Currently gas distribution operator functions are performed by six gas enterprises holding distribution licenses: **Lietuvos Dujos**, Achema, Druskininkai Dujos, Intergas, Fortum Heat Lietuva and Josvainiai. At the end of 2014, the transmission activities were conducted by one company- **Amber Grid**, the distribution activities were conducted by six enterprises and the supply activities were conducted by undertakings whose number went up from 11 to 12. The functions of the market operator are performed by Baltpool, which is a subsidiary of **Litgrid** and which started the operations on 1 March 2012.

Competition on the Lithuanian gas market is expected to be promoted by the LNG Terminal that started its operation in fourth quarter of 2014, and is under the responsibility of the state-owned company **Klaipedos Nafta**. The launch of the LNG Terminal will ensure an alternative source of natural gas, this way enhancing the country's energy security. The terminal will also provide conditions for the development of the natural gas market in Lithuania, as well as the possibility to enter the LNG market and use the benefits of more flexible and varied pricing and the spot market.

Natural Gas Consumption Trends

In 2014, natural gas consumption in Lithuania stood at 2,582 million cubic metres. This means that natural gas consumption shrank by 3.6% since 2013 and was 21.4% lower than in 2008. Gas consumption was pushed down by the use of alternative fuels for electricity and heat generation and the lower demand from fertiliser manufacturers. However, electricity and heat producers as well as Achema, a manufacturer of fertilisers and other chemical products, still remain the key natural gas consumers in Lithuania.

According to the NCC, the volume of natural gas imports in 2014 amounted to 2,585.8 million cubic metres, down by 4.2% year-on-year. Among the six gas importers in 2014, the decrease in imports was influenced by lower volumes of natural gas import by **Lietuvos Dujos** and Dujotekana. In 2014, an increase in gas imports was observed at the Kaunas Combined Heat and Power Plant as well as Achema. In 2014, Gazprom continued to operate as the sole supplier of natural gas imports, Dujotekana acquired gas via Gazprom's intermediary LT Gas Stream, and the company LITGAS LNG purchased gas intended for terminal testing from the company Statoil. An overview of the 2012-2014 period shows that import volumes in the natural gas sector went down by 22.1%. Lower import volumes during this period are seen in all enterprises. The largest fall in gas imports was reported by Dujotekana (66.1%), Haupas (19.8%) and Achema (12.9%). Gas imports of **Lietuvos Dujos** in 2014 were 25.2% lower than in 2012.

The price of natural gas imports is directly dependent on the price of alternative fuels and the Euro/US Dollar exchange rate. Compared to prices in the previous years, in 2014 the prices of alternative fuels dropped (fuel oil by 2.9%, and diesel by 2.6%), and the Euro depreciated against the Dollar by 12.1%. These factors pushed down the average natural gas import price from 331.9 EUR/1,000 cubic metres in 2013 to 278 EUR/1,000 cubic metres. A more detailed chart of gas import prices is shown below.

An alternative way to purchase or sell natural gas is a natural gas exchange. At present, Lithuania has two gas exchanges: GET Baltic and Baltpool. In 2014, a total of 56.4 million cubic metres of natural gas for the average price of 296.6 EUR/1,000 cubic metres was traded on the exchanges.

Gas import price (EUR/1,000 cubic metres)

Source: NCC

Natural Gas Price for Households

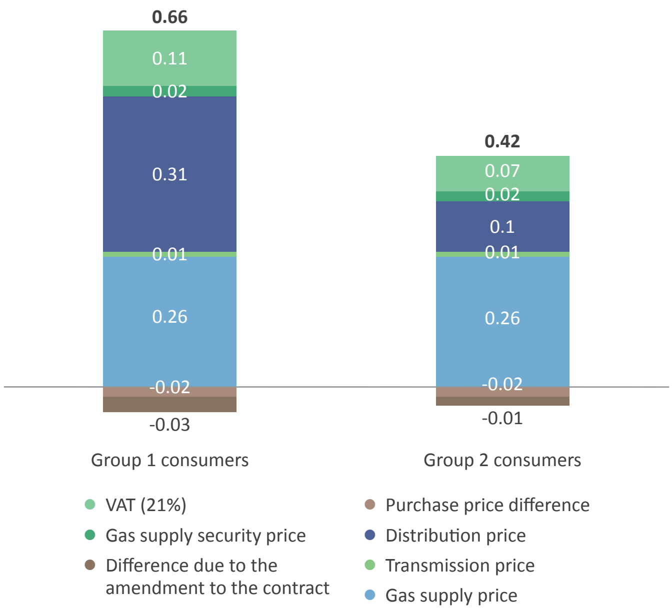
The natural gas tariff for households consists of two components: a fixed monthly charge paid for the support of the gas system, ensured capacity and maintenance services, and a variable part which depends on the amount of gas consumed. Lietuvos duju tiekimas consumers that are attributed to Group 1 (consumption of up to 500 cubic metres a year) paid a monthly fixed charge of EUR 0.56 in 2014. For Group 2 consumers that consumed more than 500 cubic metres a year the fixed charge was EUR 3.99 in the first half of a year.

Due to the lower distribution cost per one cubic metre of gas consumed, Group 2 consumers pay a smaller variable component of the natural gas price: in 2014, the tariff for them was EUR 0.42 per cubic metre, while Group 1 consumers paid EUR 0.66 per cubic metre.

Natural gas tariffs for household consumers in the EU countries in the second half of 2014, compared with the second half of 2013, on average grew by 2.1%. The highest growth was recorded in Portugal and the United Kingdom, and the largest decline – in Hungary, Luxembourg and the Czech Republic. Tariffs for non-household customers in the EU countries in the second half of 2014, compared with the second half of 2013, on average grew by 11.2%. Most of this tariff increased in Germany, Belgium and Denmark, while the largest decrease (16.4%) was recorded in Slovenia.

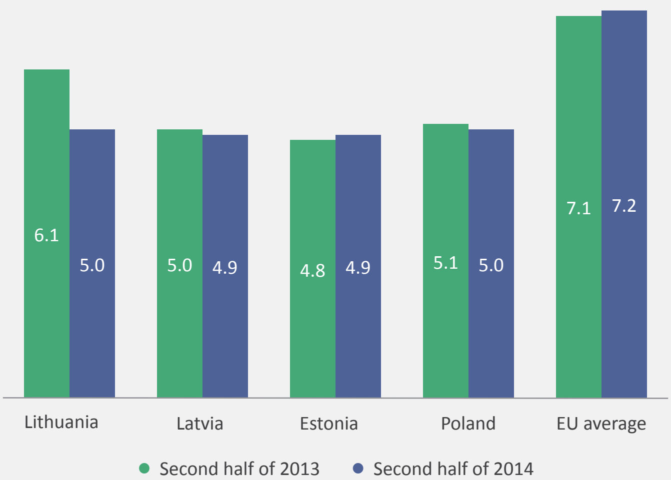
In the second half of 2014, the average natural gas price for households of the EU member states was EUR 7.2, and in Lithuania it amounted to EUR 5 per 100 kilowatt hours. However, taking the EU member states' purchasing power into account (upon elimination of the differences of price levels between them), gas prices for the Lithuanian households exceed the EU average significantly (the EU average is 7.2 purchasing power standards (PPS), and the Lithuanian indicator stands at 8.1 PPS). During this period, Lithuania posted the ninth highest natural gas price in the EU, adjusted by the purchasing power: only households in Bulgaria, the Czech Republic, Greece, Spain, Italy, Poland, Portugal and Sweden paid a higher natural gas price adjusted by the purchasing power.

Structure of variable component of the natural gas price (EUR/cubic metre, first half of 2015)



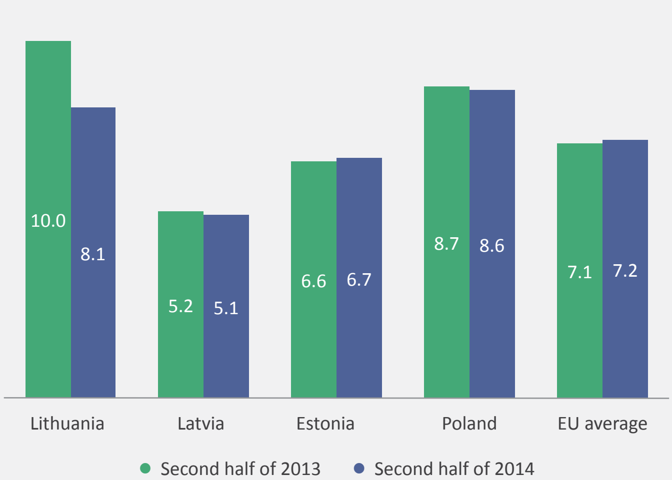
Source: NCC

Natural gas price for households (net of tax, EUR/100 cubic metres)



Source: Eurostat

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



Source: Eurostat

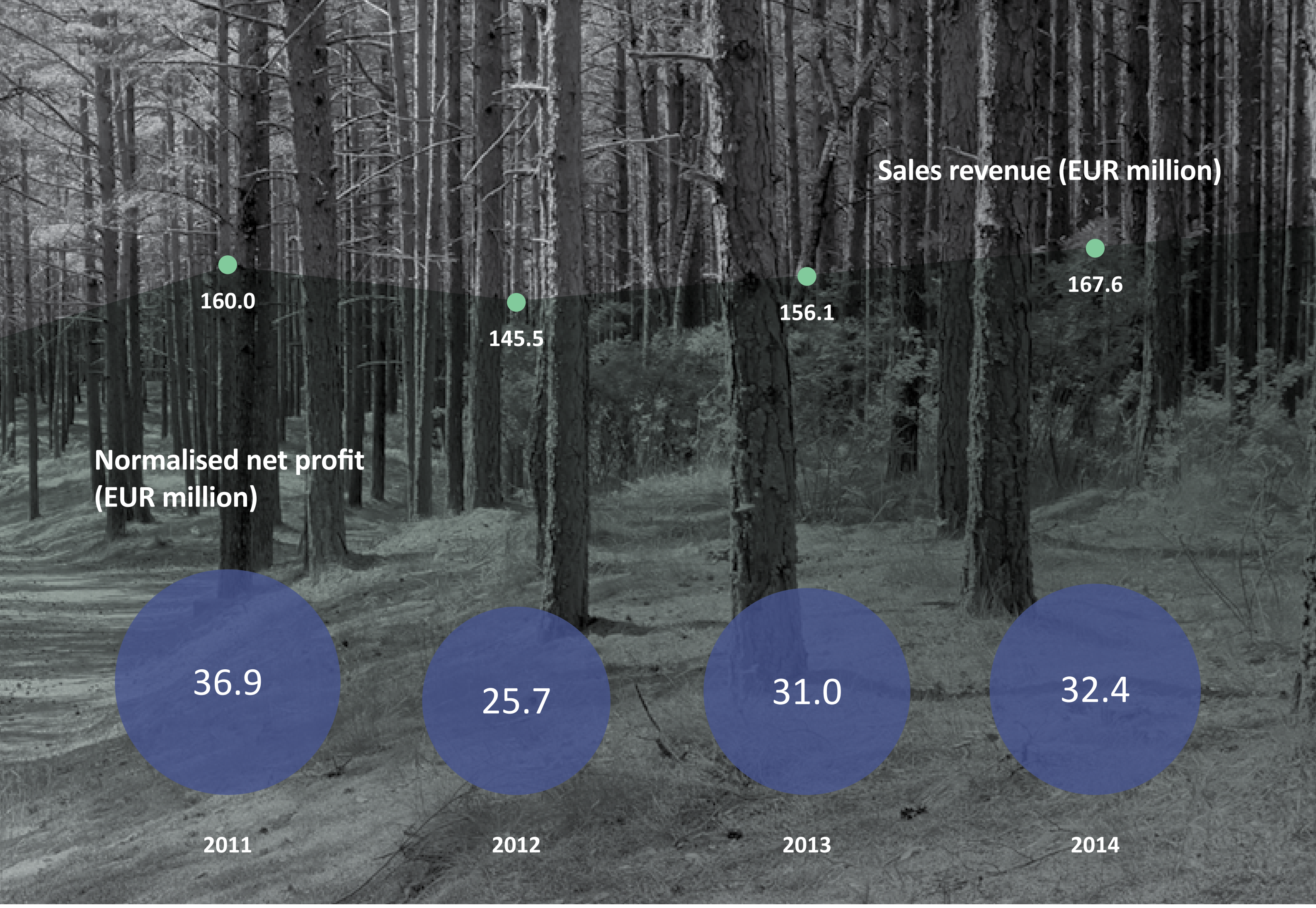
Forestry

Forest area is increasing systematically and covers about a third of Lithuanian territory. Almost half of the forests are state-owned. Forestry and wood industry accounts for about 5% of gross domestic product and accounts for about 9 percent of industrial exports.

The forestry sector consists of 43 state owned enterprises: 42 forest enterprises that manage and use entrusted state-owned forests and carry out integrated forestry activities there, and the Lithuanian Forestry Inventory and Management Institute that engages in forestry management activities and prepares and implements land management projects for land reform. The forest enterprises' assets account for 99.9%, revenue makes up 98.8% of the total respective items of this sector. Forest enterprises employ 97.4% of all forestry sector employees. The sole owner of all enterprises in the forestry sector is the state.

Enterprise	Field of activity	Turnover in 2014 (EUR '000)	Assets at the end of 2014 (EUR'000*)	Number of employees at the end of 2014
10 largest forest enterprises by turnover				
Panevėžys Forest Enterprise	Integrated forestry activities	6,991	7,575	149
Ukmergė Forest Enterprise		6,469	5,827	137
Tauragė Forest Enterprise		6,378	7,149	164
Trakai Forest Enterprise		6,154	5,702	98
Jurbarkas Forest Enterprise		5,436	7,100	102
Kretingos Forest Enterprise		5,352	7,987	134
Švenčionėliai Forest Enterprise		4,962	5,269	124
Telšiai Forest Enterprise		4,919	4,820	117
Vilnius Forest Enterprise		4,865	5,557	88
Biržai Forest Enterprise		4,687	3,876	86
Other forestry sector enterprises				
Lithuanian Forestry Inventory and Management Institute	Forest management projects	1,982	1,583	100

** Balance Sheet data of forest enterprises exclude the value of forests managed by these enterprises.*



Financial Results

Forestry sector enterprises in 2014 earned EUR 167.6 million of revenue, which compared with 2013, increased by 7.4%. Sales revenue growth was mostly affected by increase in prices for round timber, the average price of which rose from EUR 39 per cubic meter in 2013 to EUR 44 per cubic meter in 2014. The sales of round timber fell by 4.8% - slightly less than 3.5 million cubic meters of round timber was sold in 2014.

Prime cost of sales in 2014 decreased by 3.5%, down to EUR 63 million mainly due to a fall in sales of round timber volumes. Meanwhile, operating expenses rose by 15.3%, up to EUR 92.7 million. The reforestation and enrichment of forest resources-related expenses significantly increased (by 23.6%): from EUR 34.7 million in 2013 to EUR 42.8 million in 2014. Also, the expenses of EUR 8.8 million (17.5% more than last year) incurred during the implementation of ecological and social activities. The result of other activities (the most revenue for the implementation of the European Union funded projects) shrank by EUR 1.7 million and also had an impact on the net result of forestry.

Net profit of enterprises operating in the forestry sector, mainly due to a significant increase in operating expenses, shrank by 1.7% and amounted to EUR 11 million. The EBITDA result increased by 1.7% and amounted to EUR 25.6 million. Elimination of the atypical taxes paid by **forest enterprises** and **Forestry Inventory and Management Institute** to the state, the net profit (normalized) amounted to EUR 32.4 million, i.e. by 4.3% more than a year ago.

Carrying out accounting in accordance with the business accounting standards, state **forest enterprises** exercise the exemption applied to **forest enterprises** and do not account for forest (biological assets) value. With a view of comparability with the private forest managers and foreign managers of state-owned forests, who account for the value of biological assets, GCC annually recalculates the biological assets of **forest enterprises** by the discounted cash flow method. According the GCC estimates, **forest enterprises** managed biological assets for EUR 952.3 million on 31 December 2014, i.e. 7.4% more than a year ago. The increase in the value of biological assets was determined by increased round timber price.

Since the beginning of 2014 the assets of forestry sector grew by 9.5% and at the end of 2014 amounted to EUR 1.1 billion. The growth in asset value was mainly influenced by the increase in value of biological assets and the investments in long-term assets. Total long-term financial assets of forestry enterprises went up almost two-fold and amounted to EUR 8.2 million, long-term tangible assets increased by EUR 3.3 million and amounted to EUR 100.7 million.

During the year 2014, the stocks of forestry enterprises grew by 17.6%, up to EUR 31.6 million, while receivables fell by 22.6%, down to EUR 7.3 million, and cash and cash equivalents decreased by 23.1%, down to EUR 17.1 million. Total short-term assets decreased by 3.3% and amounted to EUR 66.6 million. Declining short-term assets reduce the liquidity ratios of forestry enterprises, which are still significantly higher than in the private sector. Critical liquidity, which is shown by the ability of the enterprise to cover short-term liabilities by quickly realizable assets. In Lithuania forestry and logging sector amounts to about 1.86 (2013 data of Department of Statistics), while critical liquidity of **forest enterprises** and **Forestry Inventory and Management Institute** was 3.14 based on the data of 31 December 2013, and at the end of 2014- 2.55, and was significantly higher than the liquidity ratio of the country. Whereas, absolute liquidity of state-owned enterprises belonging to the forestry

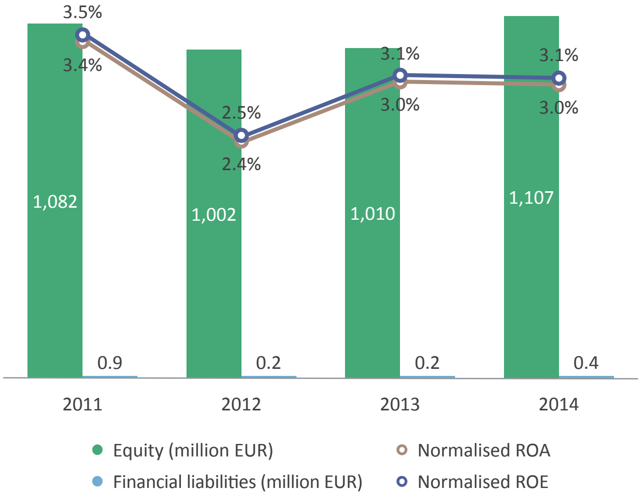
Profit and loss statement (EUR'000)	**2013**	**2014**
Sales revenue	**156,083**	**167,645**
Cost of goods sold	65,285	62,993
Gross profit (loss)	**90,798**	**104,652**
Operating expenses	80,434	92,703
Profit (loss) from other activities	2,344	625
Operating profit (loss)	**12,708**	**12,574**
Operating profit margin	*8.1%*	*7.5%*
EBITDA	**25,117**	**25,556**
EBITDA margin	*16.1%*	*15.2%*
Financial and investment activities	282	359
Profit (loss) before tax	**12,991**	**12,933**
Profit tax	1,784	1,920
Net profit (loss)	**11,206**	**11,013**
Normalised net profit (loss)	**31,030**	**32,352**
Normalised net profit margin	*19.9%*	*19.3%*
Balance Sheet (EUR'000)	**31 Dec 2013**	**31 Dec 2014**
Intangible assets	136	1,415
Tangible assets	97,359	100,705
Financial assets	4,449	8,205
Other long-term assets	2,133	2,422
Biological assets	886,816	952,271
Long-term assets*	**964,539**	**1,065,017**
Inventories, prepayments and contracts in progress	26,923	31,649
Amounts receivable within one year	9,413	7,286
Other short-term assets	10,308	10,577
Cash and cash equivalents	22,187	17,063
Short-term assets	**68,832**	**66,575**
Total assets	**1,033,371**	**1,131,591**
Equity*	**1,009,548**	**1,106,501**
Minority shareholder equity	0	0
Grants and subsidies	**10,375**	**11,227**
Long-term liabilities	107	176
Short-term liabilities	13,340	13,688
Liabilities	**13,447**	**13,864**
Financial liabilities	193	420
Total equity and liabilities	**1,033,371**	**1,131,591**
Ratios	**31 Dec 2013**	**31 Dec 2014**
Normalised ROA	3.0%	3.0%
Normalised ROE	3.1%	3.1%
D/E	0.0%	0.0%
Return to the state (EUR'000)	**2013**	**2014**
Assigned profit contributions	**5,603**	**5,507**
Property tax	2,118	2,193
Raw material tax	21,204	22,911
Total:	**28,925**	**30,611**
Employee information	**2013**	**2014**
Number of employees	3,848	3,851
Number of executives	89	88

**The consolidated book values of non-current assets and equity of the forest enterprises were increased, using the discounted cash flow method, by the forest value (biological value), which at the end of 2014 was estimated at EUR 952 million. The ratios were estimated according to the increased values of non-current assets and equity.*

sector (cash and short-term liabilities) on 31 December 2014 was 1.25. Cash and cash equivalents in excess of current liabilities, in practice, is seen as untapped potential to generate more value to the enterprise and, therefore, the state.

The book value of equity of the forestry sector enterprises increased by 9.5% and amounted to EUR 1.1 billion, due to a significant increase in value of biological assets. Also, grants and subsidies accounted for the sector increased by 8.2% (EUR 11.2 million). Liabilities constituting 1.2% of total assets, or EUR 13.9 million, increased by 3.1% as a result of financial obligations that increased up to EUR 0.42 million. Financial liabilities grew in **forest enterprises of Ignalina** (up to EUR 141.7 million) and **Marijampolė** (up to EUR 184.2 thousand). In addition to the enterprises mentioned, **Pakruojis forest enterprise** also had financial liabilities to leasing companies at the end of 2014 (EUR 94.1 thousand). Other forestry companies do not have any financial liabilities. They fund the assets by only equity and grants. High level of creditworthiness of forestry enterprises (low debt levels) provides the enterprises with the opportunity to use a cheaper investment (compared to equity price – 5%) loan capital.

Normalized return on assets and return on equity during the reference period remained unchanged and constituted 3.0% and 3.1%, respectively.



Contribution of Forest Enterprises to the State Budget

For the 2014 performance results, forest enterprises paid EUR 30.6 million to the state budget, i.e. 5.8% or EUR 1.7 million more than the year before. The contribution of forest enterprises to the state budget consists of profit contributions and non-standard taxes.

For commercial activity through the possession of state property carried out in 2014, **forest enterprises**, similarly to other state-owned enterprises, have the duty of assigning 50% of net profit to the state budget. A net profit contribution designated by enterprises for the reporting financial year amounted to EUR 5.5 million (for the year 2013 – EUR 5.6 million).

In 2014, **forest enterprises** accounted for EUR 25.1 million of non-standard taxes (in 2013 – EUR 23.3 million). For the use of state property by trust, forest enterprises paid 2%, i.e. EUR 2.2 million of property tax. Meanwhile, the obligatory deductions (15%) from revenue earned from sales of raw wood in the raw wood and uncut forest (raw material tax) amounted to EUR 22.9 million, by 8.1% more than a year ago. Non-standard taxes are included in the calculation of the contribution of enterprises to the state budget as these taxes do not apply to private forest managers.

Area of Lithuanian Forests

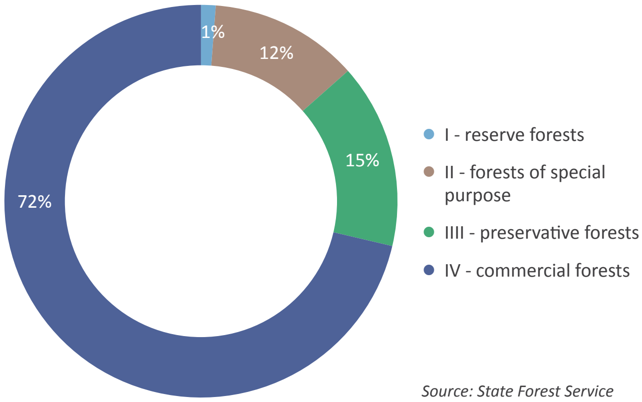
Key forest indicators as of 1 January	2010	2011	2012	2013	2014
Forest land acc. to public records of forests (ha '000)	2,160	2,170	2,173	2,174	2,177
Forest coverage (%)	33.1	33.2	33.3	33.3	33.3
Forest area per capita (ha)	0.65	0.67	0.68	0.73	0.74
Total volume of timber with bark (million cubic metres)	479.4	489.8	501.3	510.2	521.3
Annual increment in stands volume per ha (cubic metres)	7.9	8.0	8.2	8.5	8.7

Sources: State Forest Service

Forests in Lithuania cover the area of 2,177,000 hectares. Since 2003, the forest area has increased by 131 thousand ha, and the forest coverage of the country - by 2 percentage points and now stands at 33.3%. The major part (56.1% or 1,152.4 thousand ha) of forest area in Lithuania is covered by coniferous stands, which have decreased by 7.5 thousand ha since 2003.

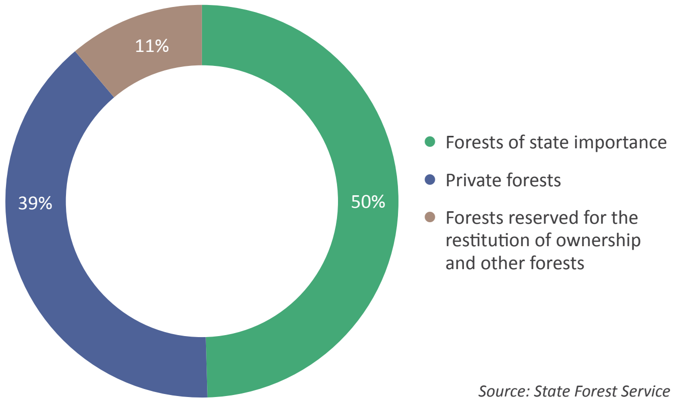
At the beginning of 2014, 72% of Lithuanian forest area consists of Group IV (economic) forests, another 15%- Group III (preservative) forests. The rest of the forests are reserves (Group I) and special purpose (Group II) forests, where commercial forest activities are prohibited.

Forest area group distribution



Source: State Forest Service

Breakdown of forest land by ownership



Source: State Forest Service

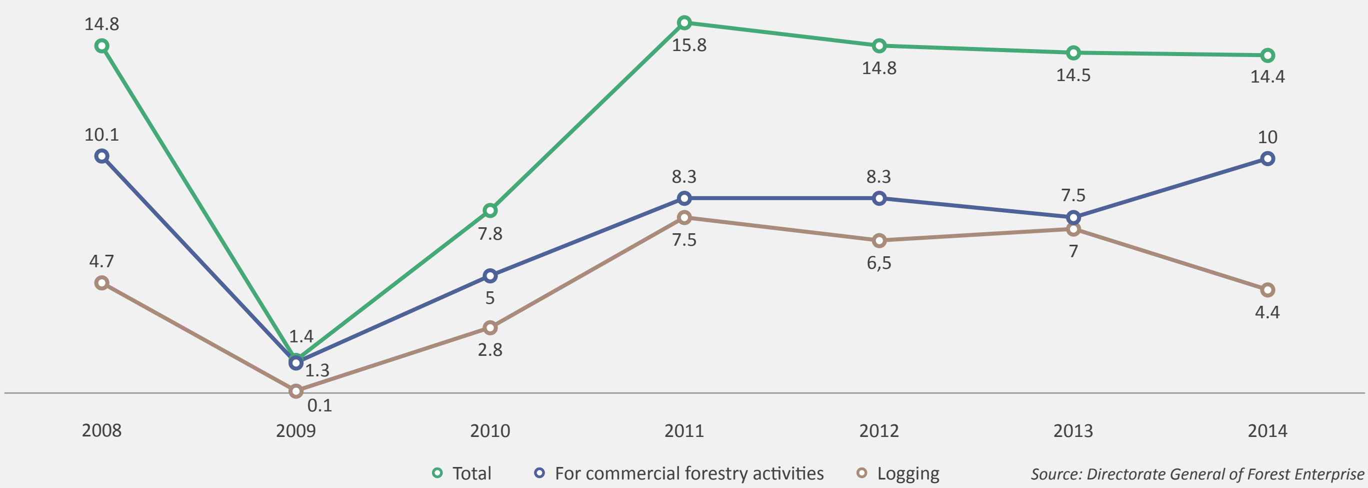
Almost half (49.7%) of Lithuanian forest area is covered by the forests of state importance, which cover 1.08 thousand ha. 39.4% or 858 thousand ha of forests are managed by 247 thousand private owners, who manage an average 3.3 ha of forest. 10.9% of forest area is reserved for the restitution of ownership. The latter part of the forest decreased by 0.3 percentage points from the beginning of 2013.

Forest enterprises possess 1.06 million ha of Lithuania forest area of which about 0.77 million ha or 72.6% constitute commercial forests. On average, one enterprise possesses 25.2 thousand ha of forest area. The largest are **forest enterprises** of **Švenčionėliai** (43 thousand ha) and **Panevėžys** (40 thousand ha). Areas of less than 15 thousand ha are managed by **Dubrava**, **Kupiškis** and **Zarasai forest enterprises**.

Investments and construction of forest roads

During the period of 2008-2014 forest enterprises annually allocated about EUR 14-15 million of own funds for investments in commercial forestry activities and logging apart from significantly reduced scale of investments due to the financial crisis in 2009 and 2010. The investments of forest enterprises from their own funds in 2014 amounted to EUR 14.4 million, of which EUR 4.4 million was designated for logging, and as many as EUR 10 million for commercial forestry activities.

Investments of forest enterprises (own funds, EUR million)



Source: Directorate General of Forest Enterprise

Investments in commercial forestry activities include construction and reconstruction, repair and maintenance of domestic roads of local importance in forests. Forest roads are one of the most important factors for efficient development of forestry infrastructure. They are used for the installation and management works related to afforestation, maintenance, sanitation and fire protection, environmental protection and recreational facilities, as well as organization of forestry production activities, communication of local population and meeting other needs. According to the data of Directorate General of State Forests, there are about 23.6 thousand km of domestic roads of local importance in state-owned forests managed by **forest enterprises**.

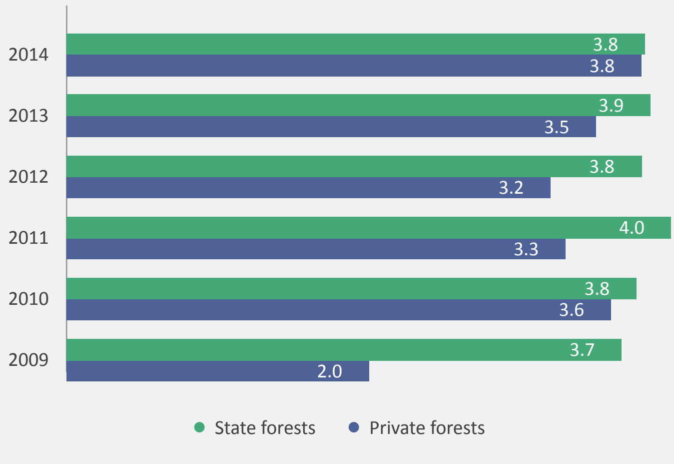
In 2014, forest enterprises, using own funds, built and reconstructed 71 km, repaired 1,377 km of forest roads and repaired a bridge (**Švenčionėliai forest enterprise**). Total EUR 12.4 million were spent for handling works of forest roads, including road maintenance. For comparison, in 2013, forest enterprises built and reconstructed 25 km, repaired 285 km of forest roads, repaired one bridge and spent EUR 6.2 million. Majority of forest roads in 2014 were built (reconstructed) by **Kaišiadorys** and **Tauragė forest enterprises**, respectively 29.6 and 11 km. Most of expenses for handling of roads were incurred by **Tauragė** and **Kėdainiai forest enterprises** (respectively, 636.1 and EUR 546.2 thousand, or EUR 1.9 and 2.5 thousand/100 ha), the least- **Utena forest enterprise** (EUR 72.3 thousand, EUR 0.5 thousand/100 ha).

In 2014, EUR 1.8 million of Road Maintenance and Development Programme funds were allocated for handling of forest roads, which were used to build 22.7 km, reconstruct 5.6 km and repair 28.7 km of forest road. In 2013, EUR 1.6 million were allocated for the construction of 21.2 km, reconstruction of 8.5 km and repair of 234.5 km of forest roads. Significant difference in the distance of repaired road, according to Directorate General of State Forests, is explained by the fact that in 2014 some forest enterprises conducted road repairs at the same road sections, so the distances of roads repaired for a second time were not included, also, more attention was paid to the construction and reconstruction of roads.

Logging and sales of round timber

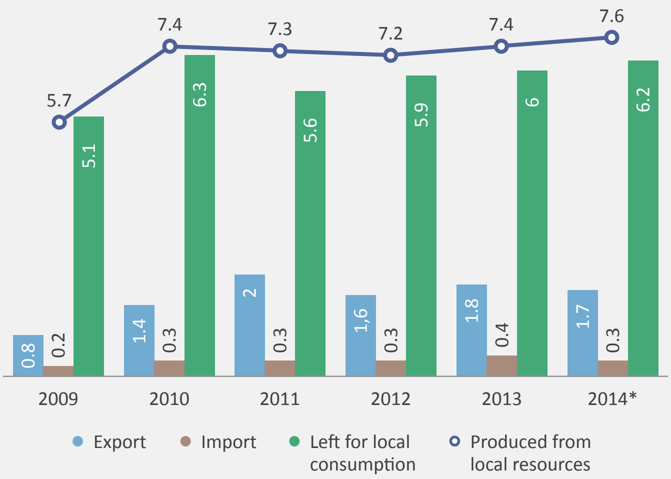
In 2014, the amount of logging was 7.6 million cubic meters. Logging in both state and private forests was 3.8 million cubic meters. Comparing with 2013, the quantity of wood harvested in private forests increased by 8.6%, in state forests- decreased by 2.6%.

Logging in forests by ownership (million cubic meters)



Source: State Forest Service

Logging and trade in round timber (million cubic meters)



**Preliminary data*

Source: State Forest Service

With growing amount of logging, round timber amount for local consumption increased as well. In 2014, 6.2 million cubic meters of round timber remained on the domestic market – by 3.3% more than a year ago. The biggest amount of round timber remaining on the domestic market- 6.3 million cubic meters- was in 2010, when timber export amounted to 1.4 million cubic meters- 17.6% less than in 2014. Most of round timber is exported to neighbouring Latvia- in 2014 export of round timber amounted to 0.75 million cubic meters (21.2% more than in 2013) of which even 0.65 million cubic meters consists of conifers.

Export of round timber (thousand cubic meters)

	2014*			2013		
	Conifers	Deciduous trees	Total	Conifers	Deciduous trees	Total
Latvia	650	99	749	548	70	618
Poland	148	170	318	124	160	284
Sweden	98	136	234	102	141	243
China	146	61	207	252	27	279
Other	155	45	200	312	73	385
In total	1,197	511	1,708	1,338	471	1,809

**Preliminary data*

Source: State Forest Service

Round timber import in the long run remains unchanged. Every year 0.3 million cubic meters of round timber are imported to Lithuania. Assessing the results of the last two years shows that the largest share of round timber import consists of deciduous trees from Belarus, while in 2014 the import from Belarus decreased by almost a quarter and amounted to 0.15 million cubic meters.

Import of round timber (thousand cubic meters)						
	2014*			2013		
	Conifers	Deciduous trees	Total	Conifers	Deciduous trees	Total
Belarus	42.1	110.3	152.4	81.9	120.7	202.6
Latvia	14.6	79.9	94.5	11.7	58.2	69.9
Poland	77.2	0.6	77.8	72.2	0.3	72.5
Ukraine	0.8	11.7	12.5	0	14.7	14.7
Other	0.2	0.9	1.1	0.3	0.4	0.7
In total	134.9	203.4	338.3	166.1	194.3	360.4

**Preliminary data* *Source: State Forest Service*

Forest enterprises sold 3.16 million cubic meters of round timber on the domestic market in 2014, which is 3% less than in 2013. Sales of round timber have remained stable, but the amount of firewood sold on the domestic market fell by 17%.

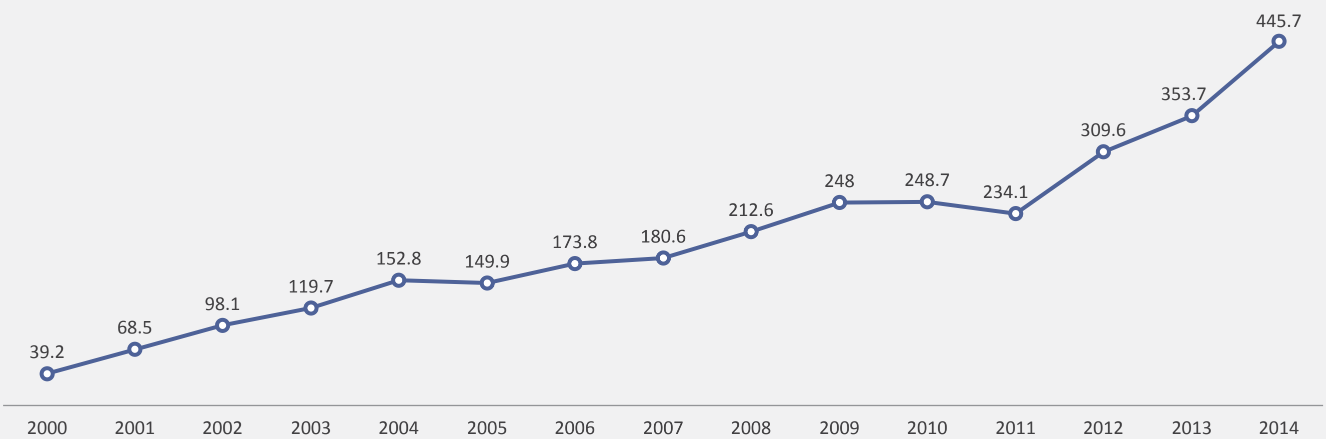
Majority of round timber from **forest enterprises** in 2014 was bought by IKEA Industry Lithuania (236 thousand cubic meters or 7.5%), Juodeliai (149 thousand cubic meters, or 4.7%) and Stora Enso Lithuania (146 thousand cubic meters, or 4.6%). In 2013 the purchases of IKEA Industry Lithuania amounted to only 140 cubic meters. In 2014, IKEA Industry Lithuania mainly bought cheaper timber- wood panels (148 thousand cubic meters) and firewood (70 thousand cubic meters). Meanwhile, Juodeliai and Stora Enso Lithuania mainly purchased long and short logs from **forest enterprises**.

It should be noted that there are no large purchasers of timber in Lithuania, the biggest customers of forest enterprises buy about 4% (IKEA Industry Lithuania, 7.5%) of total amount of round timber. This is possibly related to the fact that since 42 small **forest enterprises** operate in Lithuania each forest enterprise trades individually and is unable to serve bigger customers due to low sales volumes. This situation negatively affects the competitiveness of forest enterprises.

Solid Biofuel Market

The promotion to use renewable energy sources (RES) is one of the key priorities of the energy strategy for the EU Member States. The largest RES potential is found in solid biofuel (firewood and wood waste, straw and energy crops), which is used mainly for the generation of electrical and district heating (DH). In 2014, solid biofuel consumption for the generation of electricity and district heating was 446 thousand tonnes of oil equivalent, it is a quarter more than a year ago, when the consumption was 354 thousand tons of oil equivalent. In Lithuania during the 15 years the consumption of solid biofuel for district heating grew more than ten times. The forecast is that with growing use of biofuel in DH sector solid biofuel demand will continue to grow.

Consumption of solid biofuel for supply of district heating (tne '000)



Source: Department of Statistics

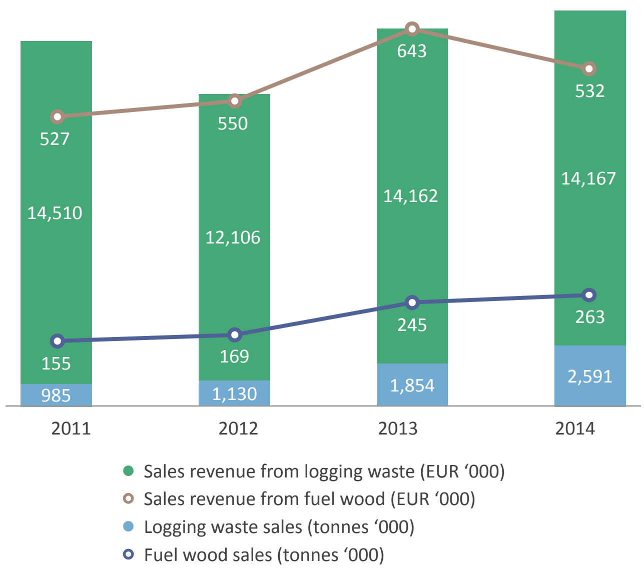
Since 2010, one of the operation priorities of the Directorate General of State Forests is to increase the production of raw material for biofuel in state forests. Since 2010, when the amount of logging waste sold was only 75 thousand cubic meters, supply and sales of forest logging waste enlarged 3.5 times- 263 thousand cubic meters of logging waste was sold in 2014, 7.3% more than a year ago. Most logging waste in 2014 was sold by **Trakai** and **Ukmergė forest enterprises**- 13.1 and 12.8 thousand cubic meters, respectively. At the same time, **Zarasai** and **Raseiniai forest enterprises** sold only 0.4 and 1.2 thousand cubic meters of timber logging waste.

In 2014, firewood sales of **forest enterprises** were 17.3% less than a year ago (532 thousand cubic meters), it was influenced by warmer winter. Most firewood was sold by **Tauragė**, **Radviliškis** and **Ignalina forest enterprises**- 29.5, 28.7 and 26.2 thousand cubic meters, respectively, and the least- by **Veisiejai** and **Druskininkai forests enterprises**- 1.3 and 3.1 thousand cubic meters.

Significant differences in sales of raw material for biofuel between **forest enterprises** is partly related to the logging and logging waste production rates established by the Ministry of Environment. Kinds of cut trees prevailing in specific forest enterprise and biofuel demand have influence as well.

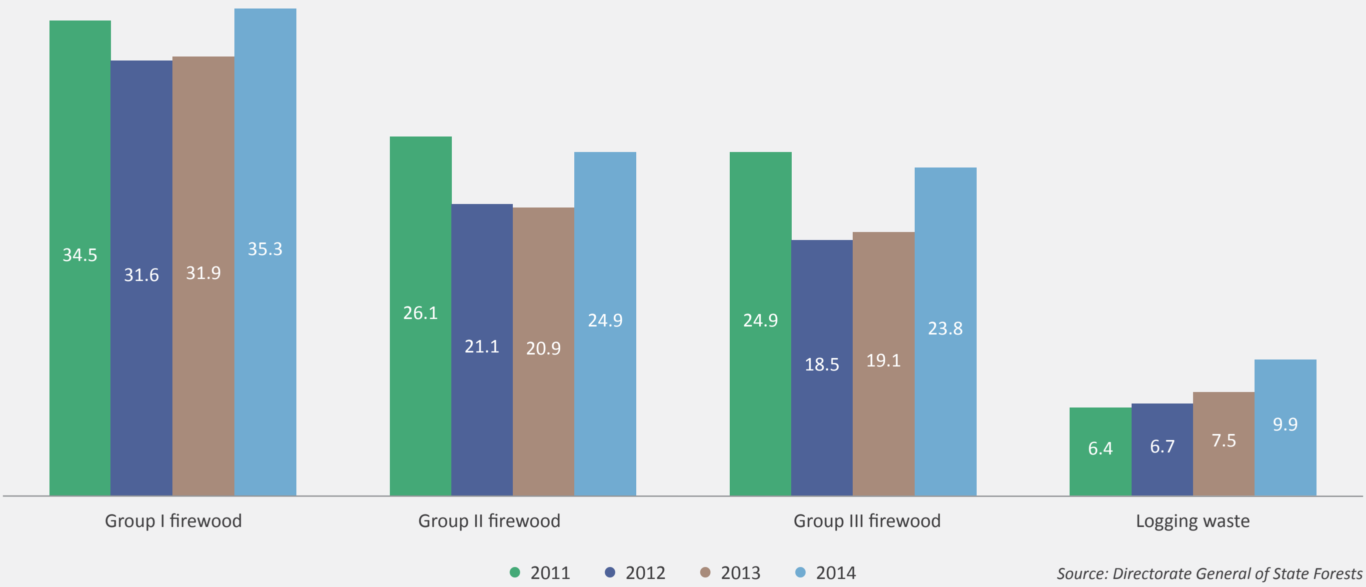
Although less solid biofuel has been sold, but the revenue as a result of significantly increased prices for firewood and logging waste from the sale of biofuel increased by 4.6% and amounted to EUR 16.8 million. Logging waste prices increased most of all (32% compared to 2013) and amounted to EUR 9.9 per ton. Firewood prices in 2014 were close to 2011 prices and ranged from EUR 23.8 to EUR 35.3 per ton, depending on the timber group.

Sale of biofuel by forest enterprises



Source: Directorate General of State Forests

Prices of biofuel sold by forest enterprises (EUR per ton)



Source: Directorate General of State Forests

One of the operation priorities of the Directorate General of State Forests for 2014 was the production and presentation of chips to the biofuel exchange at competitive prices. Since the beginning of 2014, forest enterprises have participated in the biofuel raw material exchange Baltpool. So far, however, the assessment of the period up to June 2015 shows that transactions were made only by **Valkininkai**, **Veisiejai**, **Varėna** and **Kazlų Rūda training forest enterprises** with a total transaction value amounting to EUR 30.9 thousand. 222 tonnes of oil equivalent in chips of firewood and logging waste were sold on the exchange in total. Thus far, the largest amount of biofuel on the biofuel raw material exchange has been sold by **Varėna forest enterprise** with a total transaction value amounting to EUR 13.7 thousand. According to the Directorate General of State Forests, participation of forest enterprises in exchange is active, but it is difficult for them to transact due to unreasonably low prices offered by private vendors who sell wood chips made of imported raw materials or bought from the land owners receiving benefits at exchange for a price that is significantly lower than the prime cost of chips sold by **forest enterprises**.

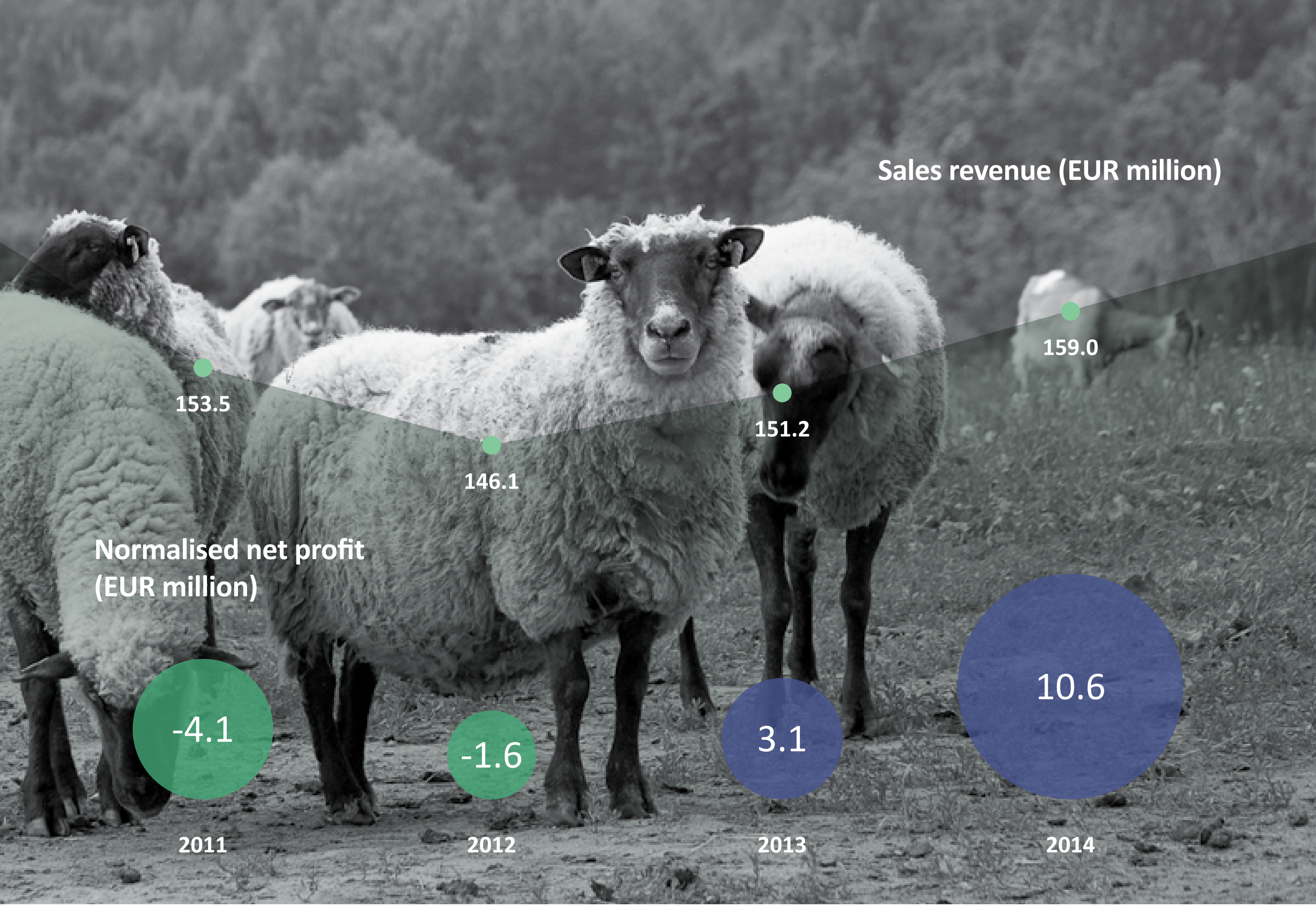
Other Enterprises

State-owned enterprises not attributed to the sectors discussed separately, are engaged in various activities from the insurance services to agriculture. The SOE portfolio includes as many as 58 such enterprises, but the total amount of revenue comprises only 7% of the total revenue of the SOE portfolio.

SOEs not attributed to the sectors discussed previously, are engaged in various activities important for the state such as: coining, provide hallmarking and calibration services, assessment of construction of projects, taking care of cultural objects, etc. Many enterprises of this sector are the only ones to carry out such activities in Lithuania and have no competitors even in the private sector. Under the law, three companies from this sector – Detonas, Jonavos Grūdai, and Giraitė Armament Factory – are considered enterprises of strategic importance for national security or enterprises important for ensuring such security.

Of the companies attributed to the sector of other enterprises, 14 are public limited companies, 28 are private limited companies and 16 are state enterprises. The largest enterprise of this sector in terms of assets, turnover and the number of employees is the **Centre of Registers**, which in 2014 provided EUR 29.3 million worth of services. The table below shows ten major enterprises of this sector.

Enterprise	Field of activity	Turnover in 2014 (EUR '000)	Assets at the end of 2014 (EUR '000)	Number of employees at the end of 2014	State's interest (%)
Centre of Registers	Administration of the Immovable Property Register, the Register of Legal Entities and other registers	29,251	22,826	1,577	100.0%
Regitra	Administration of the Road Vehicle Register and the Register of Drivers	23,998	18,188	539	100.0%
Lithuanian Mint	Minting of circulation and collectors coins	14,008	8,719	89	100.0%
Lietuvos Paminklai	Management of cultural heritage sites and places	7,998	908	57	100.0%
Infostruktūra	Provision of secure state data transmission network services and Internet services	7,132	8,084	62	100.0%
State Land Fund	Provision of land management, land use planning, geodetic, GIS, soil analysis and evaluation, land reclamation cadastre services	6,387	9,250	365	100.0%
Mūsų Amatai	Manufacture of various furniture, racks, metal ware	6,288	6,961	152	100.0%
Giraitė Armament Factory	Manufacture of small calibre ammunition	5,193	20,637	67	100.0%
Lithuanian Exhibition and Congress Centre LITEXPO	Organisation of meetings and business events, lease of halls and conference rooms	5,100	13,794	95	98.8%
Problematika	Laboratory tests and analysis of road building materials, products and articles	3,938	7,547	96	100.0%



A total of 58 SOEs are attributed to the sector of other enterprises. Compared to 2013, the list of SOEs attributed to the sector of other enterprises shortened by four companies. On 1 June 2014, **State-owned enterprise under Alytus Penitentiary House**, **State-owned enterprise under Marijampole Penitentiary House**, and **State-owned enterprise under Pravieniškės Penitentiary House No 1** was reorganized and merged establishing the **State Enterprise Mūsų amatai**. State enterprise **Visagino statybininkai**, which was announced bankrupt at the beginning of 2015, was also not included in the list of enterprises in the sector. On 1 October 2014 State enterprise **State Property Fund** was merged to the State enterprise **Turto Bankas** by means of reorganization.

Financial Results

In 2014, the revenue of the sector of other enterprises went up by 5.2% and constituted EUR 159 million. The largest revenue – EUR 29.3 million was generated by the **Centre of Registers** (up by 1.8% year-on-year). In this sector, the largest growth in revenue (from EUR 5.2 million to 14 EUR million) was posted by the **Lithuanian Mint**, which was strongly influenced by minting of euro coins in preparation for the changeover of currency in Lithuania. **Infostruktūra** saw the biggest decline in revenue- from EUR 8.7 million to EUR 7.1 million. Total revenue from data transmission services provided by the enterprise shrank by 16.9%, or EUR 1.4 million, compared with 2013.

Changes in the sector's net profit were affected mostly by **Būsto Paskolų Draudimas**, which in 2014 earned EUR 3.2 thousand - in 2013 the company experienced EUR 5.5 million net losses. Net result of **Būsto Paskolų Draudimas** depends on the difference between the recovered/returned amounts and the amounts of insurance benefits paid. In 2014 the total amount of paid benefits decreased by 34.7% (from EUR 20.1 million in 2013 to EUR 13.2 million), while the recovery amounts remained unchanged. **Toksika** also made a significant contribution to net profit changes of this sector by earning a net profit of EUR 1.9 million, while it suffered net losses of EUR 731 thousand in 2013. Also, net profit of the sector of other enterprises was increased by the net profit of **Lithuanian Mint**, which grew from EUR 55 thousand in 2013 to EUR 1.1 million in 2014.

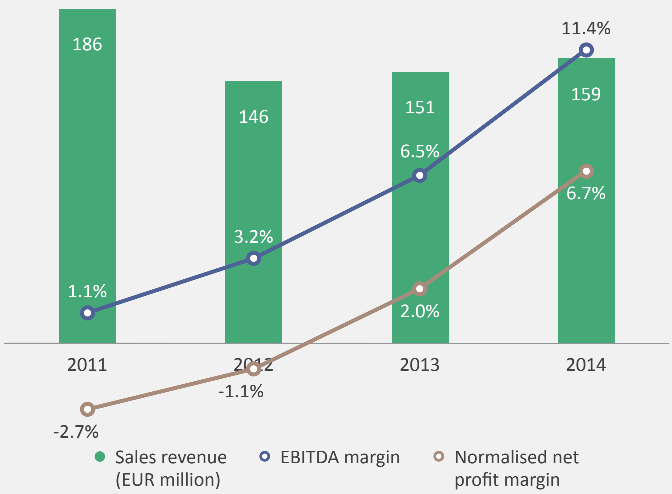
Changes in the sector's assets and equity values were significantly influenced by the incorporation of **State Property Fund** to the **Turto Bankas**. The assets of the latter increased from EUR 107.7 million to EUR 171.9 million, while equity increased by EUR 44.7 million, up to EUR 51.2 million, due to the differences in accounting standards of the contingent assets of **State Property Fund** included in the balance sheet, whose value amounted to EUR 43.6 million. The asset value of **Toksika** also had a significant impact, which increased by 19.8%, to EUR 33.5 million. Profitable operations of the company in 2014 led to the reduction in retained losses from EUR 2.2 million down to EUR 0.3 million. In addition, the increased value of the assets resulted from inclined (to EUR 3.6 million) liabilities up to EUR 2.6 million due to increased long-term financial debts and indebtedness to suppliers.

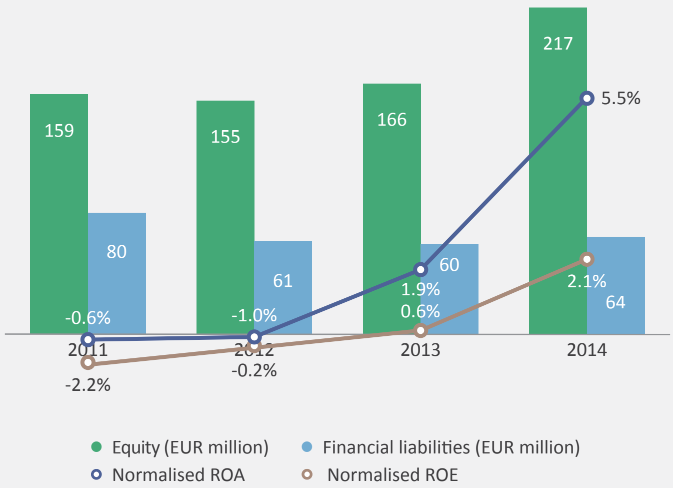
The return to the state of the sector of other enterprises for the year 2014 stood at EUR 7.6 million, of which 31.9% were profit contributions and 58.8% were dividends paid. The largest portion of this return to the state included the profit contributions assigned by **Regitra** (EUR 1.2 million) and the dividends of **Investicijų Ir Verslo Garantijos** and **Lithuanian Exhibition and Congress Centre LITEXPO**, which totalled EUR 0.8 million and EUR 0.74 million, respectively.

Profit (Loss) Statement (EUR '000)	2013	2014
Sales revenue	**151,202**	**159,004**
Cost of goods sold	119,540	119,371
Gross profit (loss)	**31,662**	**39,663**
Operating expenses	30,512	32,050
Profit (loss) from other activities	994	432
Operating profit (loss)	**2,143**	**8,014**
Operating profit margin	*1.4%*	*5.0%*
EBITDA	**9,823**	**18,160**
EBITDA margin	*6.5%*	*11.4%*
Financial and investment activities	1,861	3,565
Profit (loss) before taxes	**4,004**	**11,580**
Profit tax	1,563	1,608
Net profit (loss)	**2,442**	**9,972**
Minority share in profit (loss)	132	214
Normalised net profit (loss)	**3,062**	**10,580**
Normalised net profit margin	*2.0%*	*6.7%*
Balance Sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Intangible assets	3,411	5,859
Tangible assets	160,275	213,324
Financial assets	90,357	100,442
Other non-current assets	27,550	25,891
Biological assets	1,534	1,786
Non-current assets	**283,127**	**347,302**
Inventories, prepayments and contracts in progress	68,409	95,082
Amounts receivable in one year	28,154	26,797
Other current assets	31,621	21,826
Cash and cash equivalents	48,601	41,844
Current assets	**176,785**	**185,550**
TOTAL ASSETS	**459,913**	**532,852**
Total equity	**165,853**	**216,731**
Minority shareholder equity	3,882	3,912
Grants and Subsidies	**73,661**	**77,874**
No-current liabilities	159,647	157,018
Current liabilities	60,752	81,229
Liabilities	**220,398**	**238,247**
Financial liabilities*	59,694	64,432
TOTAL EQUITY AND LIABILITIES	**459,913**	**532,852**
RATIOS	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	0.6%	2.1%
Normalised ROE	1.9%	5.5%
D/E*	36.0%	29.7%
D/E**	509.2%	173.4%
Return to the state (EUR '000)	**2013**	**2014**
Allocated dividends (share of the state)	2,592	4,477
Assigned profit contributions	1,740	2,430
Dividends and profit contributions to the state	**4,332**	**6,907**
Property tax	720	709
TOTAL	**5,053**	**7,616**
Employee information	**2013**	**2014**
Number of employees	5,547	5,531
Number of executives	152	150

**Financial liabilities and D/E ratio in the tables exclude the interest-free loan granted by the Ministry of Finance to the state enterprise Indėlių Ir Investicijų Draudimas.*

*** This D/E ratio was estimated by including the interest-free loan granted by the Ministry of Finance to the state enterprise Indėlių Ir Investicijų Draudimas in financial liabilities.*





The overview further briefly presents the major events of this sector.

- 23 May 2014 saw the reorganisation of the state-owned enterprises under the **Alytus**, **Marijampolė**, and **Pravieniškės Penitentiaries**. The aim of the reorganisation was to optimise the activities of state-owned enterprises that have the purpose of employing convicted criminals and preparing them for job market after their release, and to improve the operating efficiency of these enterprises. The state-owned enterprises subordinated to the Prison Department were loss making; therefore, for the purpose of optimising their activities, the three enterprises were reorganised through a merger into a new state-owned legal entity **Mūsų Amatai**. The rights and duties of this enterprise will be implemented by the Prison Department under the Ministry of Justice of the Republic of Lithuania.

- 20 March 2014 the Seimas adopted the law whereby it was decided to reorganize the **State Property Fund** following the merger with **Turto Bankas** on 1 October 2014 establishing a centralised state-owned property manager (CPM). **Turto Bankas** was commissioned to the centralised management of state-owned immovable property, privatising state-owned and municipal-owned shares transferred to the CPM in trust, collecting debts owed to the state and administering loans, state guarantees and other property obligations transferred under agency agreements. Also, **Turto Bankas** has been in charge of the Governance coordination centre functions since 17 June 2015.

- 31 March 2015 **Baldžio šilas** terminated its operations. The company was merged to the other state-owned company **Senevita** through the reorganization. Reorganization conditions adopted on 10 March 2015 during the General Meeting of Shareholders provided for that **Senevita** would take over the assets, rights and obligations of **Baldžio šilas** under the act of transfer and acceptance.

- 9 June 2015 the Government decided to terminate the activities of state enterprise **Vilniaus pilių direkcija** in pursuance of paragraph 2 of Article 24 of the Law on State and Municipal Enterprises of the Republic of Lithuania. The directorate was set up to coordinate the construction of the Palace of the Grand Dukes of Lithuania and was not involved in any other projects. The newly founded museum of The Palace of the Grand Dukes of Lithuania, which controls the assets of the palace, will be able to continue the development of their construction.

- State-owned company **Pušyno kelias** was reorganized into a public institution on 13 July 2015. The main argument for the reorganization is that the company will be able to take advantage of the public investment programs, the European Union structural funds and to renovate unrepaired blocks of sanatorium for the rehabilitation activities after changing the status into the public institution and receiving a new founder (Ministry of Health of the Republic of Lithuania).

Enterprises in detail

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The Lithuanian Railways Group

www.litrail.lt

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

The Lithuanian Railways manages 100% of shares of the following companies: Geležinkelio Tiesimo Centras, Vilniaus Lokomotyvų Remonto Depas, Geležinkelių Projektavimas, Gelsauga, Geležinkelių aplinkosaugos centras and Rail Baltica statyba; 49% of capital of Public Institution Vilniaus logistikos parkas' and 34% of the Lithuanian and Austrian associated undertaking VAE Legetecha shares.

- Transportation of fertilizers significantly increased
- Number of transported passengers decreased by 5.5%
- Profitability indicators of the Group are decreasing

In 2014, the Lithuanian Railways transported 49 million tonnes of freight, or 2% more than in 2013. The amount of local transportation decreased by 4.2% to 14.5 million tons (mostly due to the decline of transportation of petroleum and petroleum products of AB ORLEN Lietuva in the first quarter of 2014). International freight volumes increased by 4.9% to 34.5 tons and amounted to 70% of all transported freight.

In 2014, the structure of transported freight has significantly changed. The transportation of chemical and mineral fertilizers has increased even by 31.3%, which made the greatest part of transported freight (15 million tons). Most of the growth was stimulated by the increase in transit transportation of Belarusian fertilizers. At that time, the transportation of one of the most expensive petroleum and oil products went down by 16.2%. Transit of petroleum products in the direction of Kaliningrad declined by 32.7%.

Number of passengers carried decreased by 5.5%, to 4.6 million. Transportation of passengers on domestic routes was 3.6% less than in the year 2013 mainly due to the shortening of some routes and cancelation of trains because of the construction works of the Rail Baltica project. International transportations due to growing competition with alternative modes of transport carriers (flights Vilnius-Moscow-Vilnius are performed daily) and unstable economic and political situation in Russia went down by 12.7%, up to 905 thousand passengers in 2014.

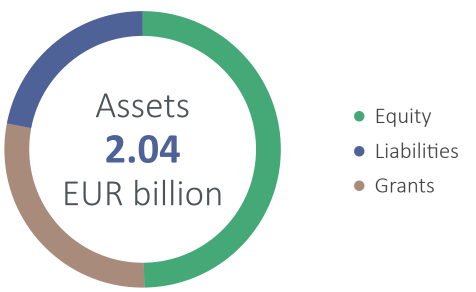
Sales revenue of the Group of companies shrank slightly, to EUR 470.4 million, while the sales revenues of the parent company increased by 1%, up to EUR 461.7 million. During the reference period, the biggest part of the Lithuanian Railways' revenue (EUR 388 million, or 82%) from freight transportation went up by 1.5%, or EUR 5.8 million, due to the increase in freight transportation volumes.

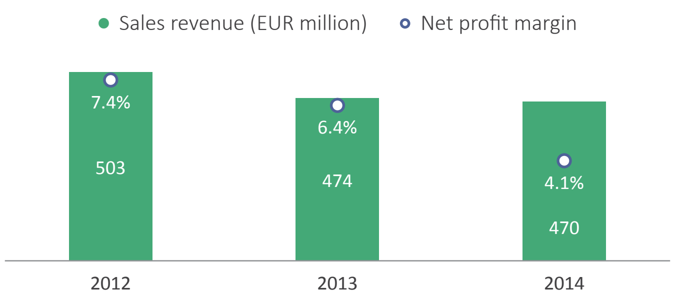
Despite higher revenue, profitability indicators of the Group declined. The expenses of the company increased by 2.8%, mainly due to significant increase in locomotive repair costs and risen monthly minimum salary. As a result, the net profit margin fell by 2.3 percentage point: from 6.4% in 2013 to 4.1% in 2014. It should be noted that the net profit margin in 2011 was 9.4%.

In 201 4, EBITDA of the Group, in comparison with 2013, decreased by 6.1% to EUR 139.6 million. In 2014, the return on equity of the Group dropped from 3.4% to 1.9%, mainly due to the decrease in net profit by 35.9%, which in 2014 amounted to EUR 19.4 million.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**474,109**	**470,355**
Cost of goods sold	390,383	388,318
Gross profit (loss)	**83,726**	**82,036**
Operating expenses	53,216	59,308
Profit (loss) from other activities	8,656	9,178
Operating profit (loss)	**39,167**	**31,907**
EBITDA	**148,614**	**139,597**
Net profit (loss)	**30,229**	**19,376**
Net profit margin	*6.4%*	*4.1%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**1,670,874**	**1,883,174**
Current assets	**141,762**	**154,229**
Cash and cash equivalents	35,006	42,496
Total assets	**1,812,636**	**2,037,403**
Equity	**998,014**	**1,014,966**
Grants and subsidies	**421,481**	**574,116**
Liabilities	**393,140**	**448,320**
Financial liabilities	226,586	311,223
Total equity and liabilities	**1,812,636**	**2,037,403**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	1.8%	1.0%
ROE	3.4%	1.9%
D/E	22.7%	30.7%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	3,075	8,237
Employee information	**2013**	**2014**
Number of employees	12,754	12,534
Number of employees in managerial positions	6	6
Average monthly salary of one employee in a managerial position (gross, EUR)	3,996	5,974
SHAREHOLDERS		
State-owned share		**100%**
Management		
Director General		Stasys Dailydka
Chairman of the Board of Directors		Saulius Girdauskas (Ministry of Transport and Communications)
Members of the Board of Directors		Ričardas Čepas* (Newsec/Re&Solution) Tomas Karpavičius (Ministry of Transport and Communications) Alfonsas Macaitis (Ministry of Transport and Communications) Algimantas Variakojis* („Verslo angelų fondas I“)

**Independent member*





The Lithuanian Post Group

www.post.lt

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

Lithuanian Post controls the subsidiaries: UAB Lietuvos Pašto Finansinės Paslaugos, UAB LP Mokėjimų Sprendimai and UAB Baltic Post (100%).

- Group's sales revenue grew by 10%
- Group's net losses amounted to EUR 524 thousand
- Partnership agreements with the logistics and courier companies operating in China were signed

In 2014, Lithuanian Post provided 181.9 million units of services, i.e. 1% less than in 2013. The amount of provided postal services fell by 0.3% during the reference period, due to rapidly growing popularity of electronic channels resulting in the decreasing demand for traditional postal services. However, subsidiary company Baltic Post provided by 28.2% more courier services year-on-year.

The growing demand for more expensive services determined the increase in the Group's sales revenue, which was 10.4% higher than a year ago amounted to EUR 64.5 million. Postal revenue increased by 8.8% and still represent the largest share of the Group's revenue (53.5%). Revenue from courier services increased by 40.3% (up to EUR 5.4 million), from the financial intermediation – by 5.2% (up to EUR 11.3 million), while the revenue from other services rose by 9.7% (up to EUR 13.3 million); the latter growth was accelerated by the retail expansion and the emergence of new services.

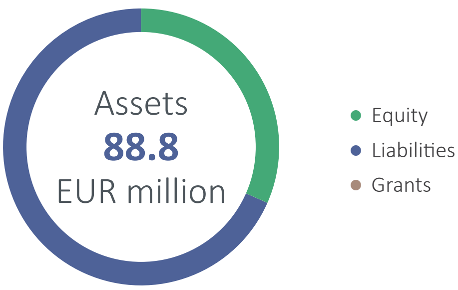
Operating expenses amounted to EUR 65.1 million. In 2013, Group's expenses were reduced by EUR 3.8 million by the recovery of asset value reduction after the Lithuanian Supreme Court had recognized the land plot sale-purchase agreement between the Lithuanian Post and UAB Skala null and void. After elimination of one-off reduction of expenses in 2013, the operating expenses of the Group amounted to EUR 61.6 million. In 2014 operating expenses increased by 5.7%, when revenue grew by 10.4%. The expenses related to the international postal shipments and settlements with foreign posts grew most of all. As a result of the development of the delivery of postal shipments by car during the analysed period, the number of employees decreased by 2.7%, up to 6,038 employees. Therefore, it was possible to reduce the Lithuanian Post salary-related expenses by 2.1% (EUR 0.8 million), despite the increase in monthly minimum salary in the country. While the transport-related expenses increased by EUR 0.2 million, up to EUR 2.5 million year-on-year.

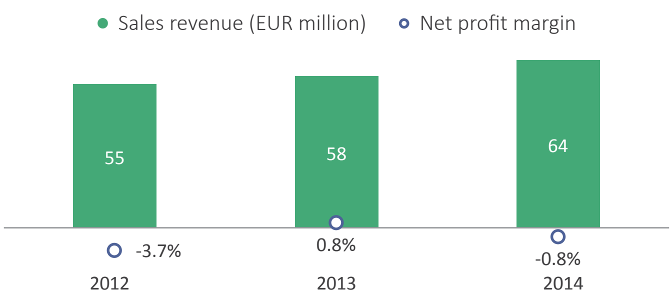
In 2014, the Lithuanian Post Group incurred EUR 524 thousand net losses. Although the parent company earned EUR 233.4 thousand net profit during the reference period, loss-making results of the Group were influenced by EUR 2.4 million losses from the subsidiary UAB Baltic Post. In 2014, EBITDA of the Group amounted to EUR 2.3 million, when a year ago this indicator after the elimination of the revenue from the regeneration of asset value reduction marked EUR 513 thousand losses.

Lithuania Post, in the light of market trends, in May-June of the year 2014 signed a partnership agreement with the international logistics and transport company CLEVY operating on Chinese market and one of the largest companies S.F. Express providing courier services in China.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**58,420**	**64,479**
Operating expenses	57,769	65,090
Operating expenses after elimination of recovery of asset value reduction effect of EUR 3.8 million	61,601	65,090
Profit (loss) from other activities	512	765
Operating profit (loss)	**1,163**	**154**
EBITDA	**3,319**	**2,323**
Net profit (loss)	**459**	**-524**
Net profit margin	*0.8%*	*-0.8%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**39,293**	**43,137**
Current assets	**28,825**	**45,667**
Cash and cash equivalents	4,070	22,787
Total assets	**68,118**	**88,804**
Equity	**31,055**	**28,074**
Grants and subsidies	**0**	**5**
Liabilities	**37,063**	**60,725**
Financial liabilities	13,403	33,631
Total equity and liabilities	**68,118**	**88,804**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	0.7%	-0.7%
ROE	1.5%	-1.8%
D/E	43.2%	119.8%
Return to the shareholders (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Allocated dividends (total)	2,456	187
Employee information	**2013**	**2014**
Number of employees	6,208	6,038
Number of employees in managerial positions	10	10
Average monthly salary of one employee in a managerial position (gross, EUR)	2,624	2,714
SHAREHOLDERS		
State-owned share		**100%**
Management		
Director General		Lina Minderienė
Chairman of the Board of Directors		Alfonsas Macaitis (Ministry of Transport and Communications)
Members of the Board of Directors		Jonas Butautis* („Magnetic MRO")
		Irma Kirklytė (Ministry of Transport and Communications)
		Janina Laskauskienė (Ministry of Transport and Communications)
		Linas Sasnauskas* (independent business consultant)

** Independent member*





Klaipėda State Seaport Authority

www.portofklaipeda.lt

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

- Cargo handling at the port grew by 9%
- Number of cruise ships visiting Klaipėda grew rapidly
- Net profit declined, despite a significant increase in revenue

In 2014, Klaipėda Seaport handled 36.4 million tonnes of cargo - 9% more than in 2013. Most amounts in the history of the port were handled in 2011, when the handling made 36.6 million tons. Klaipėda Seaport handling growth was mainly determined by the increase in turnover fertilizer by 39.2% due to the change of world fertilizer prices (handled 11.9 million tons). Handling of containerized cargo, grain and ore also grew. Handling of petroleum products fell by 12.7%, up to 6.2 million tons.

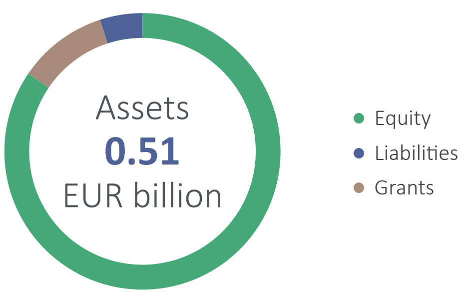
Cruise shipping is rapidly expanding at the seaport. In 2014, 63 cruise ships moored at Klaipėda terminal (40 ships moored in 2013). The number of passengers arrived by cruise ships increased by even 76%- from 32,757 passengers arrived in 2013, up to 57,797 passengers. In total Klaipėda Seaport was visited by 344,837 passengers in 2014- 23% more than in 2013 and the greatest amount during the whole history of the seaport.

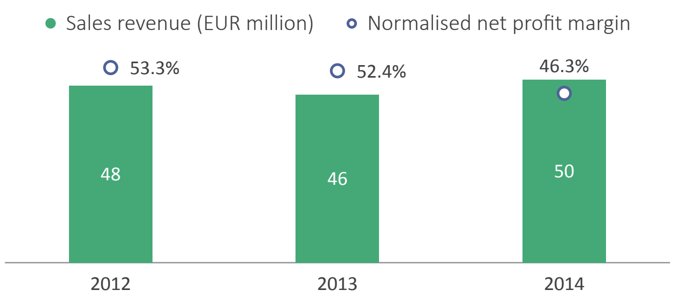
Sales revenue of the Klaipėda Seaport Authority grew by 8.8%, up to EUR 50 million. The revenue from charges, constituting 85% of revenue from the seaport's core activities, increased by 8.3%, up to EUR 42.7 million, while the revenue from land lease- 12,7%, up to EUR 7 million. The growth trend of the latter revenue is influenced by the implementation of the reconstruction of embankments, deepening at embankments and railways construction works, which determine the increase in rental rates.

Normalized net profit of the year 2014 of Klaipėda Seaport Authority went down by 3.9%, up to EUR 23.1 million. The profit declined due to the fact that operating expenses of the company grew slightly more than sales revenues (10.7 %), and due to a significant increase in the financial and investment losses during the analysed period (from EUR 0.5 to 3.3 million), mainly due to counted fines, default interest and influence of negative currency fluctuations. This is reflected by the EBITDA of Seaport Authority, which grew by 8.8%, up to EUR 37.6 million compared with the data of the year 2013.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**45,920**	**49,950**
Operating expenses	21,932	24288
Profit (loss) from other activities	86	317
Operating profit (loss)	**24,075**	**25,980**
EBITDA	**34,601**	**37,635**
Net profit (loss)	**23,593**	**22,662**
Normalised net profit (loss)	**24,062**	**23,120**
Normalised net profit margin	*52.4%*	*46.3%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**485,486**	**495,462**
Current assets	**20,091**	**17,366**
Cash and cash equivalents	6,673	7,990
Total assets	**505,577**	**512,828**
Equity	**410,155**	**433,038**
Grants and subsidies	**59,023**	**53,958**
Liabilities	**36,400**	**25,832**
Financial liabilities	24,417	20,542
Total equity and liabilities	**505,577**	**512,828**
Ratios	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	4.9%	4.5%
Normalised ROE	6.0%	5.5%
D/E	6.0%	4.7%
Return to the shareholders (EUR '000)	**2013**	**2014**
Assigned profit contributions	0	0
Property tax	469	458
Total contributions and non-standard taxes to the state	469	458
Employee information	**2013**	**2014**
Number of employees	242	246
Number of employees in managerial positions	5	5
Average monthly salary of one employee in a managerial position (gross, EUR)	3,356	3,547

Management	
Director General	Arvydas Vaitkus
Chairman of the Board of Directors	Tomas Karpavičius (Ministry of Transport and Communications)
Members of the Board of Directors	Juozas Darulis (Ministry of Transport and Communications) Saulius Kerza (Ministry of Transport and Communications) Toma Kuzminskaitė (Ministry of Transport and Communications) Andrius Šniuolis (Ministry of Transport and Communications)





Lithuanian Shipping Company

www.ljl.lt

LIETUVOS JŪRŲ LAIVININKYSTĖ

Maritime freight water transport services

- Sales revenue shrank by a one-fourth
- Net loss of the Company decreased to EUR 6.3 million
- The authorized capital is reduced to EUR 24 million

During the analysed period, the company earned EUR 20.3 million of revenue, i.e. by 24.1% less than a year ago. This was influenced by the fact that during the accounting period the company worked with just seven ships, i.e. three ships less than at the end of the year 2013. The results of the company were also affected by the decline in employment rates of vessels due to the crisis in the global shipping market. A smaller number of operated vessels, accordingly, reduced the cost of sales, which went down by 26.2%, to EUR 22 million during the reference period. In 2014, the negative variation of exchange rates resulted in a significant increase in losses of financial activities, which during the analysed period amounted to EUR 2.4 million (for comparison, in 2013, the company experienced EUR 17 thousand losses from financial and investment activities).

In 2014 the company experienced a EUR 6.3 million net loss, i.e. EUR 5.6 million less than in 2013. The company's EBITDA remained positive and during the accounting period amounted to EUR 0.6 million. In 2014, the operating losses of the company, compared with 2013, went down by 67% and reached EUR 3.9 million.

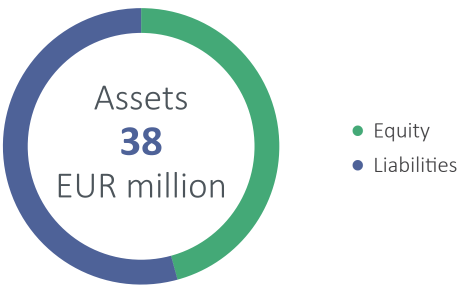
In July 2014, the ship Daina was sold; this is the fourth ship sold by the company since December 2013. Losses from the sale amounted to EUR 0.4 million due to reductions in the value. In November 2014, the sale of another two ships (Audrė and Akvilė) was approved. If those two vessels were sold, the company would have five currently available vessels of maximum deadweight (up to 25 thousand tons) left with EBITDA in 2014 amounting to 1.7 million Euros. It is expected to reorient the existing fleet to more efficient mini Handysize segment, to reduce the company's obligations to commercial bank and improve the company's liquidity. It should be noted that all ships, as well as all current and future cash have been pledged to a commercial bank. In November 2014, the company sold office spaces after the sale of which the company accounted for EUR 0.3 million of value reduction loss in administrative expenses.

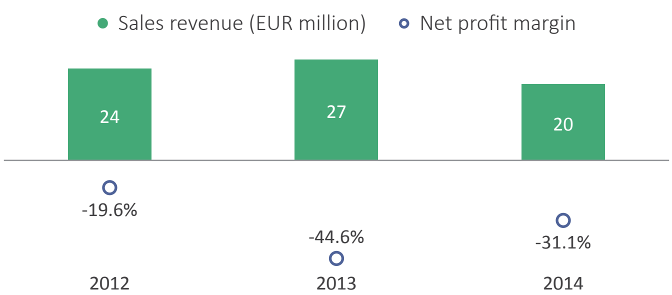
In the third quarter of 2014, the cancellation of company shares was completed. The authorized capital of the company was reduced from EUR 58.2 million at the end of 2013 to EUR 24 million. The company does not have any accumulated funds in its legal reserve

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**26,743**	**20,284**
Cost of goods sold	29,825	22,009
Gross profit (loss)	**-3,083**	**-1,725**
Operating expenses	8,895	2,187
Profit (loss) from other activities	127	13
Operating profit (loss)	**-11,850**	**-3,898**
EBITDA	**944**	**643**
Net profit (loss)	**-11,918**	**-6,314**
Net profit margin	*-44.6%*	*-31.1%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**41,175**	**35,336**
Current assets	**6,061**	**2,657**
Cash and cash equivalents	464	108
Total assets	**47,236**	**37,992**
Equity	**23,697**	**17,383**
Grants and subsidies	**0**	**0**
Liabilities	**23,539**	**20,610**
Financial liabilities	15,297	13,283
Total equity and liabilities	**47,236**	**37,992**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	-22.4%	-14.8%
ROE	-40.2%	-30.7%
D/E	64.6%	76.4%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	0
Employee information	**2013**	**2014**
Number of employees	340	258
Number of employees in managerial positions	4	4
Average monthly salary of one employee in a managerial position (gross, EUR)	2,539	2,703
Shareholders		
State-owned share		**56.7%**
DFDS TOR LINE A/S		5.5
Other shareholders		37.8%

Management	
Director General	Audronis Lubys
Chairman of the Board of Directors	Saulius Girdauskas (Ministry of Transport and Communications)
Members of the Board of Directors	Andrius Šniuolis (Ministry of Transport and Communications) Stepas Telešius* (UAB „ACME Grupė“) Mindaugas Utkevičius* („AS LHV Capital“) Eglė Vyšniauskaitė (Ministry of Transport and Communications)
Members of the Supervisory Board	Ona Barauskienė (Ministry of Transport and Communications) Gytis Kaminskas* („Baltic Legal Solutions Lietuva“) Tomas Karpavičius (Ministry of Transport and Communications) Saulius Kerza (Ministry of Transport and Communications) Laimutė Tinglum* (UAB „Scandinavian Accounting and Consulting“)

** Independent member*





Lithuanian Airports

www.ltou.lt

LIETUVOS ORO UOSTAI
VNO KUN PLQ

Operation of airports, lease of premises and parking lots, advertisement

- Was founded on 1 July 2014 after reorganisation of Vilnius, Kaunas and Palanga airports
- Number of flights and passengers served increased
- Net profit of the enterprise grew almost five-fold

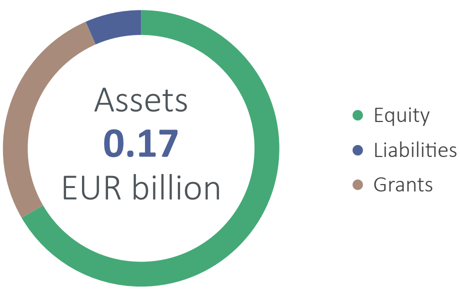
In 2014, Lithuanian airports served 3.8 million passengers, i.e. 9% more than in 2013. During the reference period, the Vilnius branch served 77% of all passengers, Kaunas branch – 19%, and Palanga branch – 4%. Cheap flights carriers carried 52% of all passengers in 2014. Number of served flights was 47,417 and, in comparison with the results of the year 2013, increased by 10.2%. The major increase (by 13.7%) of the number of flights served was in Vilnius branch, up to 37 254. The number of flights served in Kaunas slightly decreased.

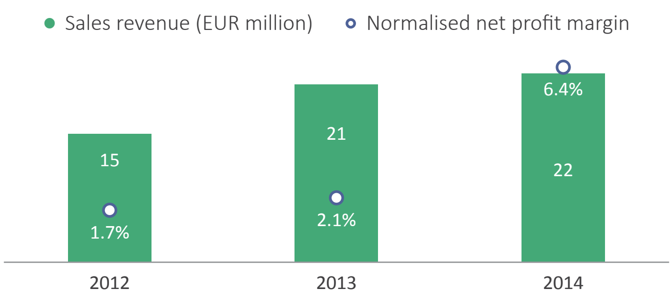
Sales revenue of Lithuanian airports in 2014 amounted to EUR 21.9 million and was up by 5.9% year-on-year. Aviation operating revenue of the reference period, compared with 2013, increased by 13.8%, up to EUR 13.9 million. The growth of aviation revenue was determined by increased number of passengers and aircrafts served. While, the non-aviation revenue of Lithuanian airports, which mainly include income from the lease of property, decreased by 5.5%, to EUR 8.1 million. Operating expenses of the enterprise increased by 1.1% and amounted to EUR 20.5 million in 2014. Depreciation and amortization amounted to EUR 5.7 million in 2014, i.e. 16.3% more compared to 2013. The higher growth of revenue than expenses resulted in the fact that Lithuanian airports, in 2014, earned net profit of EUR 1.2 million or EUR 1.4 million normalized net profit. **Normalized return on equity of the company rose by 0.8 percentage points and amounted to 1.3% at the end of 2014.**

In 2014, debt to equity ratio was 4.6%, i.e. 1.9 percentage points lower than in 2013. Low debt level enables the company to attract funding for investments in the development of commercial activities, in order to increase company's operating income. In 2014, the company invested EUR 6.3 million, of which 53% consisted of investments in buildings and structures. The company allocated EUR 3.4 million for investments, i.e. 53.7% of all investments (the other part was funded by the State budget and the EU funds).

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**20,661**	**21,885**
Expenses of core activities	20,284	20,500
Profit (loss) from other activities	59	29
Operating profit (loss)	**435**	**1,414**
EBITDA	**5,273**	**7,027**
Net profit (loss)	**176**	**1,214**
Normalised net profit (loss)	**443**	**1,410**
Normalised net profit margin	*2.1%*	*6.4%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**158,072**	**153,835**
Current assets	**12,478**	**11,741**
Cash and cash equivalents	6,464	8,203
Total assets	**170,550**	**165,575**
Equity	**108,687**	**110,748**
Grants and subsidies	**45,858**	**43,575**
Liabilities	**16,004**	**11,252**
Financial liabilities	7,014	5,147
Total Equity and liabilities	**170,550**	**165,575**
Ratios	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	0.3%	0.8%
Normalised ROE	0.5%	1.3%
D/E	6.5%	4.6%
Return to the shareholders (EUR '000)	**2013**	**2014**
Assigned profit contributions	609	0
Property tax	314	230
Total contributions and non-standard taxes to the state	**923**	**230**
Employee information	**2013**	**2014**
Number of employees	542	532
Numbers of employees holding managerial positions	9	8
Average monthly salary of employees holding managerial positions (gross, EUR)	2,021	2,786

Management	
Director General	Gediminas Almantas
Chairman of the Board of Directors	Arijandas Šliupas (Ministry of Transport and Communications)
Members of the Board of Directors	Indrė Bernotaitė (Ministry of Transport and Communications) Gražvydas Jakubauskas (Ministry of Transport and Communications) Janina Laskauskienė (Ministry of Transport and Communications) Vilius Veitas (Ministry of Transport and Communications)





Lithuanian Radio and Television Centre

www.telecentras.lt

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

- Revenue of the company increased, operating expenses and cost of goods sold decreased
- Operation of the company became profitable
- EBITDA increased from EUR 3.9 to 5.5 million

In 2014, sale revenue of the company was 2.3% higher than in 2013 and amounted to EUR 18.6 million. The company earned most from telecommunications activities (data transmission services), where revenue amounted to EUR 10.6 million, i.e. 5% more than in 2013. This change was determined by the increase in the number of clients. In 2014, cost of goods sold decreased by 0.9%, to EUR 14 million, while operating expenses went down by 17.7%, to EUR 4.6 million, mainly due to lower marketing, depreciation, utilities and other expenses. The increase in revenue and decrease in cost of goods sold as well as operating expenses resulted in EUR 72 thousand net profit of the company earned in 2014. During the corresponding period in 2013, the company experienced a net loss of EUR 1.9 million.

EBITDA indicator of the company amounted to EUR 5.5 million in 2014 and was 41.1% higher than in 2013. EBITDA margin increased by 8.2 percentage points and amounted to 29.7%.

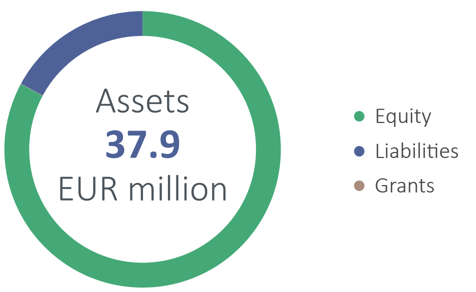
At the end of 2014, debt outstanding by the clients of the company totalled EUR 2.9 million and in the last quarter of the year decreased by EUR 1.2 million. The debt of the public enterprise Lietuvos Nacionalinis Radijas Ir Televizija to the Lithuanian Radio and Television Centre comprise the largest part of the debt (EUR 1.9 million).

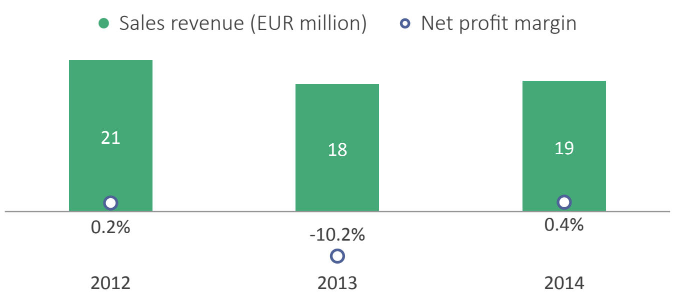
From financing and investing activities during the reference period the company earned EUR 30.7 thousand. Revenue from financial activities increased from EUR 16.6 thousand to EUR 148.9 thousand after the change in accounting estimates, and the loan repayment on time and reduction of interest led to 39.5% lower expenditure of financial activities which at the end of the period amounted to EUR 118.2 thousand.

During 2014, the company invested EUR 0.8 million in the development and maintenance. The Lithuanian Radio and Television Centre participated in the state's funding programme For The Implementation of Transport and Communications Policies. In 2014, EUR 92.2 thousand of the state budget funds of allocated total EUR 144.8 thousand were used for the investment project Emergency Radio and TV Notification System (ETVNS).

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**18,127**	**18,550**
Cost of goods sold	14,105	13,974
Gross profit (loss)	**4,022**	**4,576**
Operating expenses	5,472	4,505
Profit (loss) from other activities	-286	-86
Operating profit (loss)	**-1,736**	**-16**
EBITDA	**3,904**	**5,510**
Net profit (loss)	**-1,856**	**72**
Net profit margin	*-10.2%*	*0.4%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**33,848**	**30,580**
Current assets	**7,194**	**7,271**
Cash and cash equivalents	1,200	3,102
Total assets	**41,042**	**37,851**
Equity	**31,281**	**31,353**
Grants and subsidies	**10**	**16**
Liabilities	**9,751**	**6,481**
Financial liabilities	6,878	4,224
Total Equity and liabilities	**41,042**	**37,851**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	-4.3%	0.2%
ROE	-5.7%	0.2%
D/E	22.0%	13.5%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	0
Employee information	**2013**	**2014**
Number of employees	383	352
Numbers of employees holding managerial positions	5	6
Average monthly salary of employees holding managerial positions (gross, EUR)	2,946	3,438
Shareholders		
State-owned share		100%
Management		
Director General		Remigijus Šeris
Chairman of the Board of Directors		Arijandas Šliupas (Ministry of Transport and Communications)
Members of the Board of Directors		Saulius Kerza (Ministry of Transport and Communications) Janina Laskauskienė (Ministry of Transport and Communications) Arūnas Šikšta* (VU TVM Director) Viktorija Trimbel* (Quantum Capital)

**Independent member*





Road Maintenance Enterprises

www.lakd.lt

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

- Revenue of road maintenance enterprises and operating expenses increased, but cost of goods sold decreased
- Normalised net profit increased by a quarter

During the reference period, the operating revenues of road maintenance enterprises amounted to EUR 77.5 million and were 1% higher than at the same time in 2013. The revenue of state-owned enterprise Vilniaus Regiono Keliai increased the most: by 5.3%, up to EUR 9 million. This change was determined by 16.9%, to EUR 1.8 million increase in contracting income. Operating expenses of road maintenance enterprises also increased by 5.3% and amounted to EUR 6.9 million. During the reference period, cost of goods sold of road maintenance enterprises decreased slightly- by 0.3%, to EUR 70 million. Among all road maintenance enterprises, the enterprise that reduced the cost of goods sold the most was Šiaulių Regiono Keliai (by 7.1%, to EUR 9.9 million). The drop in reduction of cost of goods sold of the company resulted from similarly fallen revenues.

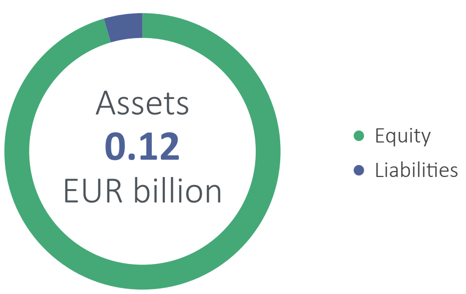
In 2014, all road maintenance enterprises earned a total net profit of EUR 1.1 million, whereas during same period in 2013, they earned EUR 0.5 million net profit. The increase was due to the growth in sales revenue and decrease in cost of goods sold. All the eleven enterprises operated at a profit in 2014, posting a normalised net profit of EUR 3 million in total, i.e. by 24.5% more than in 2013.

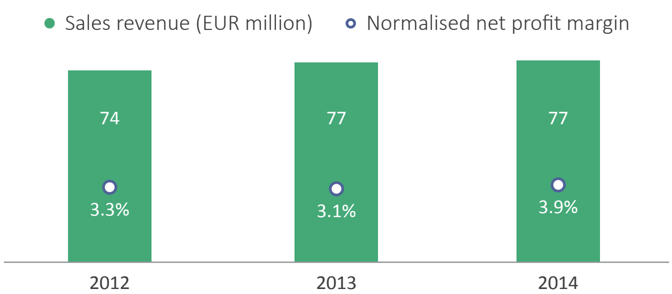
In 2014, 3,325 accidents occurred on Lithuanian roads - a figure that was lower by 66 accidents, compared to 2013. Road traffic injuries went down from 4,007 to 3,889, but road deaths went up from 256 to 265.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**76,696**	**77,490**
Cost of goods sold	70,226	69,981
Gross profit (loss)	**6,471**	**7,509**
Operating expenses	**6,536**	**6,883**
Profit (loss) from other activities	661	660
Operating profit (loss)	**596**	**1,286**
EBITDA	**10,152**	**10,968**
Net profit (loss)	**501**	**1,093**
Normalised net profit (loss)	**2,415**	**3,073**
Normalised net profit margin	*3.1%*	*3.9%*
Balance sheet[1] (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**96,957**	**97,154**
Current assets	**28,166**	**27,158**
Cash and cash equivalents	10,624	13,894
Total assets	**125,123**	**124,312**
Equity	**117,858**	**118,701**
Grants and subsidies	**0**	**0**
Liabilities	**7,265**	**5,611**
Financial liabilities	0	0
Total Equity and liabilities	**125,123**	**124,312**
Ratios[1]	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	1.9%	2.4%
Normalised ROE	2.0%	2.5%
D/E	0.0%	0.0%
Return to the shareholders (EUR '000)	**2013**	**2014**
Assigned profit contributions	221	422
Property tax	2,252	2,252
Total contributions and non-standard taxes to the state	**2,473**	**2,674**
Employee information	**2013**	**2014**
Number of employees	2,706	2,684
Numbers of employees holding managerial positions	47	47
Average monthly salary of employees holding managerial positions (gross, EUR)	2,473	2,637

Management	
Automagistralė	Vladislovas Molis
Alytaus regiono keliai	Bronius Vaičiulionis
Kauno regiono keliai	Vidmantas Lisauskas
Klaipėdos regiono keliai	Petras Kaučikas
Marijampolės regiono keliai	Juozas Litvinas
Panevėžio regiono keliai	Rolandas Žagaras
Šiaulių regiono keliai	Piotras Bakanovas
Tauragės regiono keliai	Vytautas Povilaika
Telšių regiono keliai	Romualdas Kačerauskas
Utenos regiono keliai	Edmantas Šakalys
Vilniaus regiono keliai	Petras Džervus

1 – Upon eliminating the book value of roads and current liabilities due to asset appreciation, accounted for at the end of 2012 following the transfer of the road maintenance enterprises to the Lithuanian Road Administration.





Klaipėdos Nafta

www.oil.lt, www.sgd.lt

Storage of crude oil and petroleum products, loading and related services, implementation of the LNG Terminal project and operation of LNG terminal (since 27 November 2014).

- New activity (operation of LNG terminal) was launched on 27 November 2014
- Loading of petroleum products decreased by 6.2%
- Return on equity decreased from 6.4 to 5.4%

In 2014, loading of oil products compared with 2013 decreased by 6.2% and amounted to 5.5 million tons. The deterioration of performance results were caused by extremely unfavourable situation on the market of petroleum products in the first half of 2014. Due to sharp drop of petroleum product margins during this period, the main client AB ORLEN Lietuva of the company, whose loading in 2014 was 63% of total cargo handling of the company, reduced the production of petroleum products and, consequently, the export. Also, because of the growing competition of the ports in Russia at the beginning of 2014, the flows of petroleum products produced by oil refining factories in Russian decreased sharply as well. In the second half of 2014 the oil products market recovered, and handling of oil products began to grow, but, despite this, the annual loading flows compared with 2013 recorded an overall decline.

The company's revenue in 2014 increased by 8.3%, up to EUR 39.8 million. The majority of revenue was earned in the last quarter of 2014: EUR 15.6 million, or 39.2% of total annual revenue. The revenue of the company last quarter was grown by EUR 5.8 million operating revenue of LNG terminal, as well as overactive oil products market. In 2014, the revenue for oil loading services amounted to EUR 31.8 million and was 8.7% lower than in 2013.

In the reference period, respectively, cost of sale also increased by 20.8%, up to EUR 26.6 million. It was the most affected by the expenses necessary for LNG terminal operation. In 2014, the rent of floating storage and related costs amounted to EUR 4.4 million (these expenses came together with the start of operation of LNG terminal). Also, salary-related costs increased by 10.9%, up to EUR 6 million. For these reasons, operating profit of the company went down by 10.3% and amounted to EUR 9.3 million. **Return on equity decreased from 6.4 to 5.4%.**

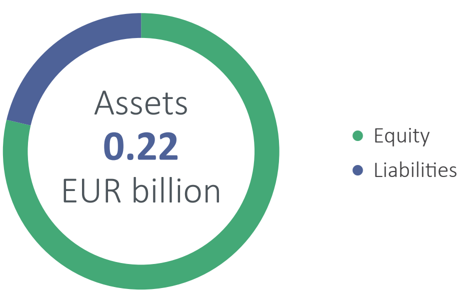
EBITDA indicators amounted to EUR 16.9 million, i. e. 7.9% less than in 2013. It was the most affected by the decline in revenues from reloading of petroleum products.

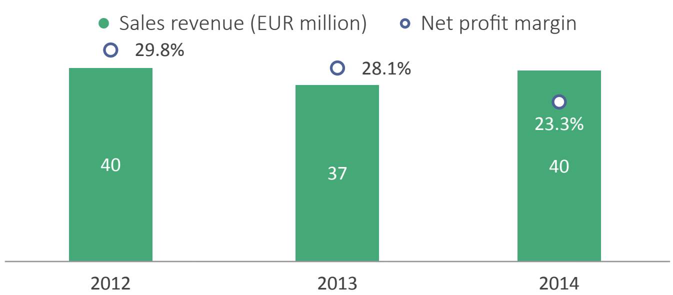
The Company's financial liabilities have doubled as a result of the loans from the European Investment Bank for the funding of the LNG terminal implementation, which in 2014 amounted to EUR 29.8 million. During the year, the loan size having doubled, the debt of the company and assets ratio rose by 8.1 percentage points to 17.1%. The company has not concluded any other credit agreements.

On 27 October 2014 ship-storage Independence successfully moored the LNG terminal. This event symbolically marked the opening of Lithuanian LNG terminal. The terminal earned EUR 5.8 million income by the end the of reference period.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**36,741**	**39,775**
Cost of goods sold	22,037	26,625
Gross profit (loss)	**14,704**	**13,150**
Operating expenses	**3,651**	**3,886**
Profit (loss) from other activities	71	89
Operating profit (loss)	**11,124**	**9,353**
EBITDA	**18,330**	**16,889**
Net profit (loss)	**10,325**	**9,257**
Net profit margin	*28.1%*	*23.3%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**151,668**	**189,232**
Current assets	**44,067**	**32,686**
Cash and cash equivalents	26,036	10,902
Total assets	**195,735**	**221,918**
Equity	**165,562**	**174,715**
Grants and subsidies	**0**	**0**
Liabilities	**30,174**	**47,203**
Financial liabilities	14,871	29,887
Total Equity and liabilities	**195,735**	**221,918**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	5.8%	4.4%
ROE	6.4%	5.4%
D/E	9.0%	17.1%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	103	93
Employee information	**2013**	**2014**
Number of employees	382	369
Numbers of employees holding managerial positions	32	37
Average monthly salary of employees holding managerial positions (gross, EUR)	3,302	3,482
Shareholders		
State-owned share		**72.3%**
UAB Achema Group		10.2%
Other shareholders		17.5%
Management		
Director General		Mantas Bartuška
Chairman of the Board of Directors		Not appointed
Members of the Board of Directors		Rytis Ambrazevičius* (Nexetic representative Office in the Baltics) Mantas Bartuška (AB Klaipėdos nafta Director General) Dainius Bražiūnas (Ministry of Energy) Mindaugas Jusius* (AB Swedbank Life Insurance)
Members of the Supervisory Board		Agnė Amelija Petravičienė (Ministry of Energy) Eimantas Kiudulas* (UAB Klaipėdos LEZ) Romas Švedas* (Independent consultant)

** Independent member*





The Lietuvos Energija Group

www.le.lt

Electricity and heat production and supply, electricity trading and distribution, natural gas trading and supply, as well as maintenance and development of the electricity sector

The Lietuvos Energija Group includes Lietuvos Energijos Gamyba (owns 96.1% of shares), Lietuvos Dujos (96.6%), the electricity distribution network operator LESTO (94,39%), LITGAS (66.67%), Verslo aptarnavimo centras (51%), NT Valdos (94.7%), Duomenų logistikos centras (80%), Technologijų ir inovacijų centras (50%), Lietuvos dujų tiekimas, VAE SPB, Vilniaus kogeneracinė jėgainė, Kauno kogeneracinė jėgainė, public institution Energetikų mokymo centras, Elektros tinklo paslaugos, Kauno energetikos remontas and Energijos tiekimas (100%).

- The company acquired shares of Lietuvos Dujos and LESTO
- Net profit of the group was affected by the revaluation of LESTO's assets

In 2014, the Lietuvos Energija Group received EUR 972.7 million revenues, i.e. by 15.5% more than in 2013. The growth of Group's revenues was mostly influenced by the inclusion of EUR 170 million revenues from gas distribution, supply and trading activities. At the time, after the National Control Commission for Prices and Energy has reduced the electricity transmission service rate, the revenue from electricity transmission decreased by EUR 58.5 million, while the revenue from balancing, regulation and capacity reservation fall by EUR 23.1 million.

Operating expenses of the Group amounted to EUR 751.2 million in 2014, i.e. 2.7 times more than in 2013. This change was determined by negative result of the revaluation of non-current tangible assets of LESTO. The value of LESTO's assets was reduced by EUR 618.4 million. The Group's operating costs without impairment, depreciation and amortization expenses, and after eliminating operating expenses associated with the takeover of gas supply and distribution activities amounted to EUR 115.5 million in 2014 and was lower than in 2013 (EUR 115.6 million).

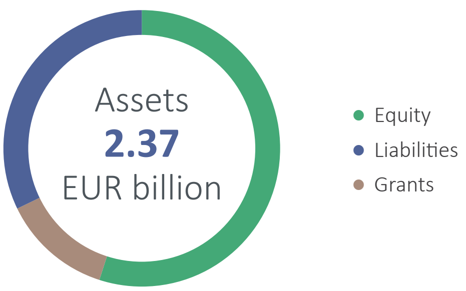
During the reference period, the Group incurred net losses of EUR 280 million, although net profit of EUR 40.8 million was accounted for in 2013. Eliminating the impact of one-off factors: the revaluation of LESTO's assets, Lietuvos Dujos acquisition-related taxes and reserves for the reduction of gas price share for non-domestic consumers, the net profit of the Group amounted to EUR 58.5 million in 2014 and grew by 43.4% year-on-year.

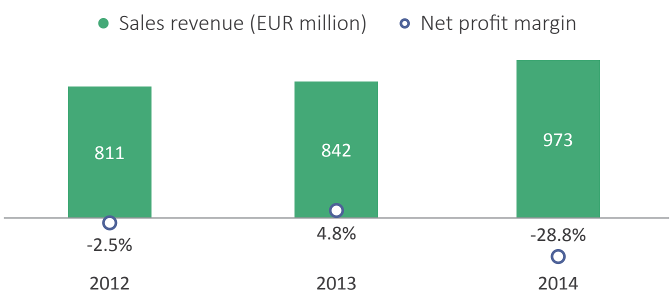
For the first half of 2014, Lietuvos Energija paid the state EUR 24.6 million interim dividends. In total the parent company allocated to the state EUR 52.7 million dividends for the year 2014.

In 2014, Lietuvos Energija redeemed shares of the natural gas supply and distribution company Lietuvos Dujos and the electricity distribution network operator LESTO from the German concern E.ON Ruhrgas International and the Russian company Gazprom. Now Lietuvos Energija holds 96.6% of Lietuvos Dujos and 94.4% of LESTO shares.

Profit (loss) statement (EUR '000)	2013	2014[1]
Sales revenue	**842,081**	**972,689**
Cost of goods sold	516,850	612,380
Gross profit (loss)	**325,231**	**360,309**
Operating expenses	281,208	751,220
Operating profit (loss)	**44,023**	**-390,911**
EBITDA	**197,102**	**216,872**
Net profit (loss)	**40,784**	**-279,961**
Net profit margin	*4.8%*	*-28.8%*
Minority share in the profit (loss)	3,151	-18,532
Normalised net profit (loss)	**40,784**	**58,462**
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014[1]**
Non-current assets	**2,454,957**	**1,935,232**
Current assets	**328,082**	**433,943**
Cash and cash equivalents	161,723	211,019
Total assets	**2,783,038**	**2,369,176**
Equity	**1,781,872**	**1,308,890**
Minority shareholder equity	202,510	48,830
Grants and subsidies	**316,123**	**304,449**
Liabilities	**685,043**	**755,836**
Financial liabilities	341,777	391,606
Total Equity and liabilities	**2,783,038**	**2,369,176**
Ratios	**31 DEC 2013**	**31 DEC 2014[1]**
Normalised ROA	1.5%	2.5%
Normalised ROE	2.3%	3.8%
D/E	19.2%	30.0%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	52,697
Employee information	**2013**	**2014**
Number of employees	4,378	5,602
Numbers of employees holding managerial positions	60	77
Average monthly salary of employees holding managerial positions (gross, EUR)	4,135	3,861
Shareholders		
State-owned share		**100%**
Management		
Director General		Dalius Misiūnas
Chairman of the Board of Directors		Dalius Misiūnas (Director General)
Members of the Board of Directors		Dalia Andrulionienė (Generation and Services Director) Ilona Daugėlaitė (Director of Organizational Development) Darius Kašauskas (Finance and Treasury Director) Mindaugas Keizeris (Strategy and Development Director)
Members of the Supervisory Board		Rokas Baliukovas (Ministry of Energy) Antanas Danys* (VšĮ Lietuvos Junior Achievement) Tomas Garasimavičius (advisor to the Prime Minister) Šarūnas Kliokys* (UAB Avestis) Virginijus Lepeška* (UAB Organizacijų vystymo centras) Rasa Noreikienė (Ministry of Economy) Aloyzas Vitkauskas (Ministry of Finance)

1 – 2014 data including AB Lietuvos Dujos financial data.
** Independent member*





The Lietuvos Energijos Gamyba Group

www.gamyba.le.lt

Electricity and heat production and supply, and electricity trading

The enterprise is the manager of Elektrenai complex with a reserve Power Plant and combined cycle unit, as well as Algirdas Brazauskas Hydroelectric Power Plant in Kaunas and Kruonis Pumped Storage Hydroelectric Plant. The construction of new thermal power generation from biomass capacity at Elektrenai complex is being completed.

- The company produced and sold less electricity
- Net profit margin of the group increased by 7 percentage points
- Return on equity increased to 10.5%.

In 2014, Lietuvos Energijos Gamyba generated 1.84 TWh of electricity – 11% less than in 2013. The quantities generated declined due to the fact that the volumes produced by Elektrėnai complex was by 20.4% less, and the electricity volume produced by Kaunas A. Brazauskas hydro power plant (HPP) dropped by 22.5%, up to 0.32 TWh in consequence of the dry weather. At the time, Kruonis Pumped Storage Hydroelectric Plant (PSHP) output, compared with 2013, grew by 39.3%, up to 0.66 TWh of electricity.

In 2014, after the amendment of the contract with the public electricity supplier LESTO, electricity sales of Lietuvos Energijos Gamyba to LESTO declined by almost three-fold, to 0.83 TWh. While, the Group's sales on the free market increased by 21.8%, up to 1.62 TWh, as a result of effective exploitation of Kruonis PSHP.

Decrease in production and sales volumes resulted in decline of revenues of the Group in 2014, which were by 26.6% lower than the revenues of the year 2013 and amounted to EUR 254.9 million. The revenues from commercial activities of the Group during the reference period decreased by 37.8%, up to EUR 123.2 million. The commercial activity includes the production of electricity at Kruonis PSHP and Kaunas A. Brazauskas HPP, electricity wholesale and retail trade in the free market, and other commercial services. Adjustable operating revenue went down by 11.9%, up to EUR 131.7 million.

The Group's main operating expenses in 2014 decreased by 34.8% and amounted to EUR 203.3 million. Expenses decreased markedly due to 30% lower fuel costs, which in 2014 amounted to EUR 75,9 million, and having used favourable opportunity to purchase electricity. Electricity acquisition expenses fell by 43.3%, up to EUR 68.2 million.

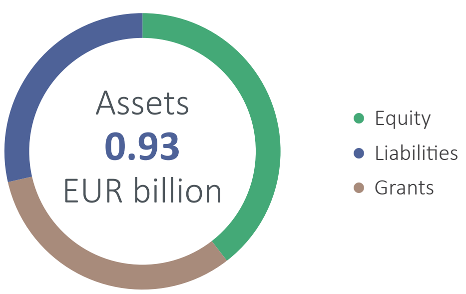
In 2014, the Group earned a EUR 41 million net profit, i.e. 30.5% more than in 2013. This was influenced by the revaluation profit of emissions trading system of EUR 5.7 million accepted in 2014, when in 2013 the loss of EUR 4.6 million incurred. The increase in net profit **led to the increase of net profit margin of the Lietuvos Energijos Gamybos Group by 7 percentage points, up to 16.1%.**

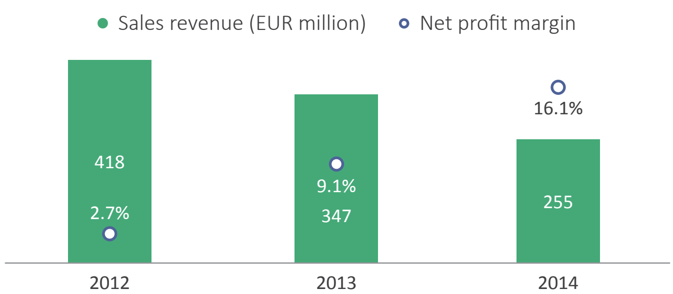
Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**347,369**	**254,930**
Expenses of core activities	311,831	203,252
Operating profit (loss)	**35,538**	**51,677**
EBITDA	**69,295**	**77,150**
Net profit (loss)	**31,455**	**41,043**
Net profit margin	*9.1%*	*16.1%*
Minority share in the net profit (loss)	695	82
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**828,676**	**801,603**
Current assets	**130,431**	**131,374**
Cash and cash equivalents	63,643	79,434
Total assets	**959,107**	**932,977**
Equity	**409,377**	**374,480**
Minority shareholder equity	12,713	0
Grants and subsidies	**307,788**	**297,205**
Liabilities	**241,942**	**261,293**
Financial liabilities	163,488	165,765
Total Equity and liabilities	**959,107**	**932,977**
RATIOS	**31 DEC 2013**	**31 DEC 2014**
ROA	3.2%	4.3%
ROE	7.9%	10.5%
D/E	39.9%	44.3%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	43,443	41,952
Employee information	**2013**	**2014**
Number of employees	1,104	736
Numbers of employees holding managerial positions	25	13
Average monthly salary of employees holding managerial positions (gross, EUR)	3,873	3,622

Shareholders	
„Lietuvos energija", UAB (shares indirectly owned by the state)	**96,1 proc.**
Other shareholders	3.9%

Management	
Director General	Juozas Bartlingas
Chairman of the Board of Directors	Juozas Bartlingas (Director General)
Members of the Board of Directors	Adomas Birulis (Director of Business Development Department) Eglė Čiužaitė (Director of Finance and Law Department) Darius Kucinas (Director of Power Generation Department) Vidmantas Salietis (Director of Wholesale Electricity Trade Department
Members of the Supervisory Board	Mindaugas Keizeris (Lietuvos Energija, UAB) Dalius Misiūnas (Lietuvos Energija, UAB) Pranas Vilkas*

**Independent member*





The LESTO Group

www.lesto.lt

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

- Electricity sales were by 5.3% higher
- Revalued non-current tangible assets reduced to EUR 618 million

In 2013, LESTO transmitted 8.39 million TWh of electricity to customers, i.e. 2.3% more than in 2013. The electricity sales volume accounted for 3.22% TWh, and it was 5.3% more than in 2013 at the same period.

Sales revenue of the LESTO Group shrank by 5.5% to EUR 665.2 million, compared to 2013. Revenue declined due to lower final electricity prices for consumers than in 2013. These rates declined due to reduced quotas for thermal power plants, drop in natural gas and smaller PSO rates. The largest portion of revenue (69%) consisted of electricity transmission revenues.

Non-current tangible assets of LESTO were revalued in the last quarter of 2014. The revaluation result amounted to EUR 618.3 million and increased operating expenses by EUR 219.9 million. The Group's operating expenses in 2014 amounted to EUR 856.2 million (almost a quarter more than in 2013).

Expenses of core activities of the Group, eliminating write-off of losses of the assets revaluation of EUR 221.9 million, amounted to EUR 634.3 million, and was 7,9% lower than a year ago, mainly due to 9.2% lower electricity purchase expenses (EUR 438.9 million). A part of the electricity was purchased by LESTO at the exchange. Also, during the reference period the number of Group employees decreased by 6.5%, leading to decrease in wage costs by 3.9%, up to EUR 44.6 million.

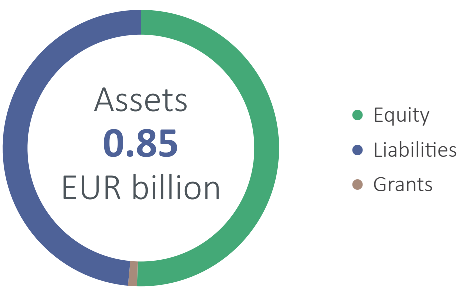
Due to lower electricity purchase expenses and more efficient operation, despite the decline in revenue, **the Group's EBITDA result increased by 1.2%, up to EUR 135.0 million during the reference period.** Normalized net result of LESTO Group, eliminating the influence of the revaluation of assets, amounted to EUR 24.6 million, 78.6% more than in 2013.

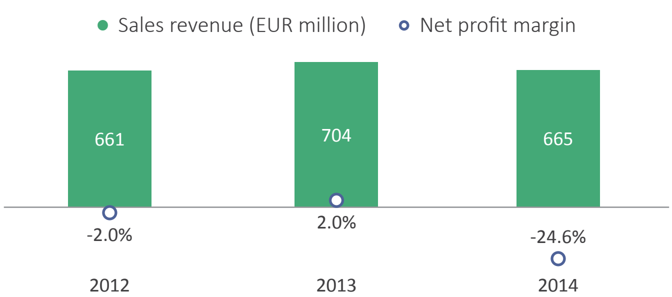
During the reference period LESTO investments amounted to EUR 101.4 million, or 17.3% more than in 2013. EUR 50 million was invested for the development and EUR 51.5 million to the maintenance and modernisation of distribution network. In 2014, LESTO connected 26,433 new users, i.e. 28% more than it was connected during the year 2013.

In 2014, Lietuvos Energija redeemed 11.76% of LESTO shares from the German concern E.ON Ruhrgas International for EUR 34.1 million. After the transactions, Lietuvos Energija owns 94.4% of the company's shares.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**704,113**	**665,160**
Expenses of core activities	688,524	856,165
Operating profit (loss)	**15,589**	**-191,005**
EBITDA	**133,425**	**135,049**
Net profit (loss)	**13,799**	**-163,787**
Net profit margin	*2.0%*	*-24.6%*
Minority share in the net profit (loss)	339	238
Normalised net profit (loss)	**13,746**	**24,556**
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**1,396,797**	**774,357**
Current assets	**76,388**	**78,020**
Cash and cash equivalents	7,701	10,401
Total assets	**1,473,185**	**852,377**
Equity	**975,759**	**429,290**
Minority shareholder equity	36,776	37,556
Grants and subsidies	**14,037**	**8,983**
Liabilities	**497,426**	**423,087**
Financial liabilities	178,269	222,078
Total Equity and liabilities	**1,473,185**	**852,377**
Ratios	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	0,9%	2,1%
Normalised ROE	1,4%	3,5%
D/E	18,3%	51,7%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	33,234	31,319
Employee information	**2013**	**2014**
Number of employees	3,212	3,004
Numbers of employees holding managerial positions	22	24
Average monthly salary of employees holding managerial positions (gross, EUR)	3,866	3,261
Shareholders		
Lietuvos energija, UAB (shares indirectly owned by the state)		**94.4 proc.**
Other shareholders		5.6%
Management		
Director General		Aidas Ignatavičius
Chairman of the Board of Directors		Aidas Ignatavičius (Director General)
Chairman of the Board of Directors		Andrius Bendikas (Director of Finance and Administration Division) Sergejus Ignatjevas (Director of Customer Service Division) Virgilijus Žukauskas (Director of Electricity Division)
Members of the Supervisory Board		Petras Povilas Čėsna* Ilona Daugėlaitė (Lietuvos energija, UAB) Darius Kašauskas (Lietuvos energija, UAB)

** Independent member*





Lietuvos Dujos

www.lietuvosdujos.lt

Provision of natural gas distribution services, development of rational Lithuanian natural gas distribution infrastructure

- Natural gas supply activities are transferred to Lietuvos Dujų Tiekimas
- Distributed gas amount reduced by 13%
- EUR 5.9 million net profit was earned from gas distribution

In pursuance of legislation requirements, Lietuvos Dujos has completed the separation of activities. On 31 July 2013, Lietuvos Dujos transferred natural gas transmission activities to Amber Grid at the first stage of the reorganization, and on 31 October 2014 transferred natural gas supply activities with all its assets, rights and obligations to Lietuvos Dujų Tiekimas (100% of shares are owned by Lietuvos Energija).

In 2014, Lietuvos Dujos allocated 747.8 million cubic meters of gas, 13% less than a year ago. Last year gas distribution volumes fell due to the warm winter, reduced electricity generation in thermal and electricity power plants and change in consumption for biofuel instead of natural gas.

During the reference period the company earned EUR 55.6 million revenue from continuing operations, 16.3% more than in 2013. Growth in revenue was due to increased distribution price, fixed at the beginning of the new price regulation period (2014-2018).

In 2014, the expenses of continued operation of the company amounted to EUR 49.8 million (in 2013, EUR 105.9 million). A significant difference is due to retrospectively recorded impairment of non-current asset after the recoverable value of distribution activities was calculated by cash flow method. After the elimination of the impact of the impairment, the expenses amounted to EUR 43.6 million in 2014 (in 2013, EUR 48.2 million). Cost shrank due to the depreciation expenses decreased by 30.2% after retrospective record of the impairment, as well as significant fall of natural gas import price.

In 2014, net result of Lietuvos Dujos from continuing gas distribution activities amounted to EUR 5.9 million. Eliminating the impairment of non-current assets, the company's net profit of continuing activities would amount EUR 0.8 and EUR 11.2 million in 2013 and 2014 respectively. Net profit of Lietuvos Dujos from continued gas distribution activities and discontinued gas supply activities (including the result of transfer of activities) totalled EUR 42.4 million in 2014. In 2013, including discontinued transmission performance, the company suffered EUR 30.8 million losses.

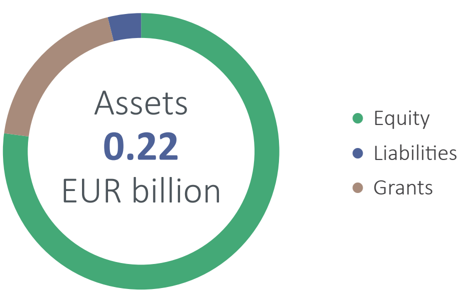
On 21 May 2014, Lietuvos Energija redeemed 38.9% of Lietuvos Dujos shares for EUR 63.4 million from German concern E.ON Ruhrgas International. On 19 June, Lietuvos Energija redeemed another 40% of shares for EUR 76 million from Russian company Gazprom and the minor shareholders. After these transactions, Lietuvos Energija owns 96.6% of Lietuvos Dujos shares.

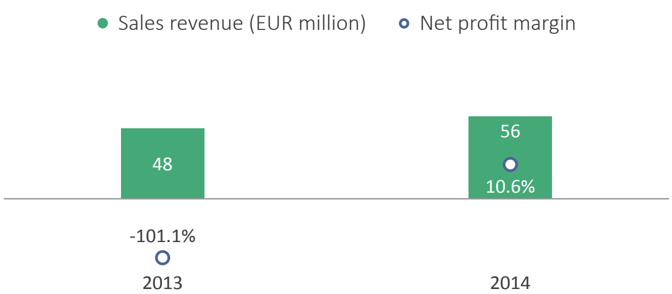
Supervisory Board of the company was appointed by the resolution of the general meeting of shareholders in October 2014. New Board and CEO were elected in November 2014.

Profit (loss) statement (EUR '000)[1]	2013 (reorganised)	2014
Revenue	**47,824**	**55,629**
Expenses of core activities	105,919	49,844
Operating profit (loss)	**-58,095**	**5,785**
EBITDA	**11,044**	**20,306**
Net profit (loss)	**-48,332**	**5,871**
Net profit margin	*-101.1%*	*10.6%*
Net profit (loss) (including terminated operations)	-30,752	42,353
Balance sheet[2] (EUR '000)	**31 DEC 2013 (reorganised)**	**31 DEC 2014**
Non-current assets	**173,256**	**178,461**
Current assets	**73,637**	**36,818**
Cash and cash equivalents	19,416	19,751
Total assets	**246,894**	**215,278**
Equity	**153,959**	**165,590**
Grants and subsidies	**39,351**	**40,874**
Liabilities	**53,583**	**8,814**
Financial liabilities	0	0
Total Equity and liabilities	**246,894**	**215,278**
Ratios[2]	**31 DEC 2013**	**31 DEC 2014**
ROA	-8.8%	2.5%
ROE	-12.9%	3.7%
D/E	0.0%	0.0%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	15,431	48,198
Employee information	**2013**	**2014**
Number of employees	1,364	1,136
Numbers of employees holding managerial positions	N/A	11
Average monthly salary of employees holding managerial positions (gross, EUR)	N/A	6,938

Shareholders	
Lietuvos energija, UAB (shares indirectly owned by the state)	**96.64%**
Other shareholders	3.36%
Management	
Director General	Liudas Liutkevičius
Chairman of the Board of Directors	Liudas Liutkevičius (Director General)
Members of the Board of Directors	Nemunas Biknius (Director of Services and Development Division Valentina Birulienė (Director of Organizational Development Division) Giedrė Glinskienė (Director of Finance and Treasury Division) Darius Svetulevičius (Director of Gas Network Division)
Members of the Supervisory Board	Petras Povilas Čėsna* Ilona Daugėlaitė (Lietuvos energija, UAB) Darius Kašauskas (Lietuvos energija, UAB)

1 – Results are presented only from continued distribution activities.
2 – Balance sheet data includes terminated activities.
**Independent member*





The Litgrid Group

www.litgrid.eu

Litgrid (subsidiary of the SOE EPSO-G) is an operator of Lithuania's electricity transmission system, managing electricity flows in Lithuania and maintaining stable operation of the national electricity grid. The company is responsible for the integration of Lithuanian electricity grid in the European electricity infrastructure and enables the operation of electricity market.

Litgrid group includes electrical equipment maintenance company Tetas ((owns 100% of shares), International connections (HVDC) operations competencies company Tinklo priežiūros centras (100%) and energy resources exchange operator Baltpool (67%). In addition, Litgrid owns 50% of the shares in LitPol Link and 20% of the shares in Duomenų Logistikos Centras.

- Group's revenue fell by 30%
- Group's net losses amounted to EUR 112 million
- EBITDA indicator decreased by one fifth

In 2014, revenue of the Litgrid Group amounted to EUR 119.9 million, i.e. 29.7% lower than in 2013. More than half of revenue (EUR 60.6 million) was the revenue from electricity transmission. Decrease of the Group's revenue was mainly determined by 9% lower transmission rate approved and rate for system services reduced more than double by the NCC for the year 2014.

Executing the functions of electricity transmission system operator Litgrid transmitted 9.3 TWh of electricity for the country needs via high-voltage electrical equipment in 2014, i.e. nearly as much as during the same period in 2013.

Net result of the Group was negative in 2014; Litgrid incurred net losses of EUR 111.6 million, due to the revaluation of long-term real estate. After the revaluation of assets, EUR 123.2 million were included in operating expenses. By comparison, in 2013 the Group earned net profit of 7.3 million Euros.

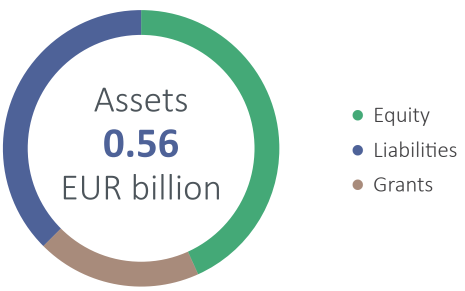
The Group's EBITDA resulted in EUR 37.7 million for the year 2014, i.e. 21.8% less than in 2013.

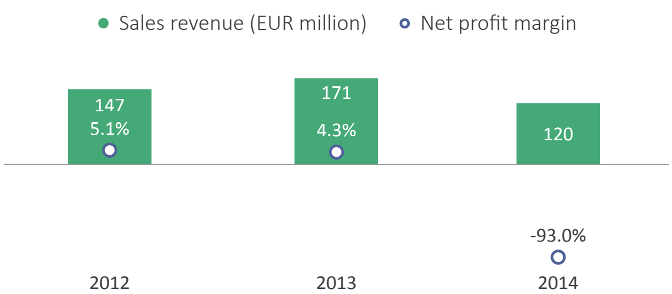
Litgrid investments amounted to EUR 100.8 million during the reference period. The enterprise is implementing Lithuania's strategic electricity projects: the international power links NordBalt (Lithuania–Sweden) and LitPol Link (Lithuania–Poland). To ensure investment funding, the company has entered into credit agreements with financial institutions, so the Group's financial liabilities, in 2014, increased almost two-fold (up to EUR 129.4 million). Debt to equity ratio of the Group was 54% at the end of 2014, i.e. 39,3 percentage points higher year-on-year.

Profit (loss) statement (EUR '000)	2013	2014
Revenue	**170,619**	**119,941**
Expenses of core activities	78,504	199,988
Operating profit (loss)	**7,607**	**-130,735**
EBITDA	**48,171**	**37,670**
Net profit (loss)	**7,344**	**-111,600**
Net profit margin	*4.3%*	*-93.0%*
Minority share in the profit (loss)	-90	-75
Normalised net profit (loss)	**7,344**	**-6,880**
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**592,324**	**450,988**
Current assets	**107,568**	**112,759**
Cash and cash equivalents	23,622	25,293
Total assets	**699,892**	**563,747**
Equity	**436,903**	**239,573**
Minority shareholder equity	75	57
Grants and subsidies	**86,040**	**108,140**
Liabilities	**176,949**	**216,034**
Financial liabilities	64,157	129,380
Total Equity and liabilities	**699,892**	**563,747**
Ratios	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	1.0%	-1.1%
Normalised ROE	1.7%	-2.0%
D/E	14.7%	54.0%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	32,674	0
Employee information	**2013**	**2014**
Number of employees	670	707
Numbers of employees holding managerial positions	13	15
Average monthly salary of employees holding managerial positions (gross, EUR)	4,049	3,708

Shareholders	
UAB EPSO-G (shares indirectly owned by the state)	**97.5%**
Other shareholders	2.5%

Management	
Director General	Daivis Virbickas
Chairman of the Board of Directors	Daivis Virbickas (Director General)
Members of the Board of Directors	Rimantas Busila (Director of Finance Division) Vidmantas Grušas (Director of Transmission Grid Management) Rolandas Masilevičius (Director of Information and Communications Division) Karolis Sankovski (Director of Strategic Electricity Grid Division)
Members of the Supervisory Board	Audrius Misevičius (Government Office) Aleksandras Spruogis (Ministry of Energy) Rolandas Zukas (UAB EPSO- G Director General)





Amber Grid

www.ambergrid.lt

Amber Grid is the operator of Lithuanian natural gas transmission system responsible for the natural gas transmission (transportation via high-pressure pipelines) to the users of the system, operation, maintenance and development of natural gas infrastructure. The customers of the enterprise are large Lithuania (electricity, district heat production, industrial) and medium business enterprises and natural gas companies. Amber Grid is an associate member of the European Network of Transmission System Operators (ENTSO).

- Volumes of transported natural gas decreased by 3.9%
- Recorded asset impairment had a significant impact on the results of the company
- The gas transmission systems investments amounted to nearly EUR 26 million

During 2014, Amber Grid transported 2,562.5 million cubic meters of gas to the users. Compared with the same period in 2013, the transfer volumes decreased by 3.9% (from January to July 2013 gas transmission activities were carried out by Lietuvos Dujos). Reduction in transmission volumes was largely due to warmer winter and the use of alternative fuel for electricity and heating.

During the reference period, the company earned EUR 51.8 million revenue. The largest share of the revenue (96.2% of total revenue) was earned by Amber Grid carrying out the transmission of natural gas and transit via trunk pipeline systems to the users.

In 2014, the company's financial results were significantly affected by the increase in expenses, which amounted to EUR 187.2 million. This increase in expenses was determined by recorded long-term asset impairment, which amounted to EUR 141.9 million. For this reason, the long-term asset value of the company decreased by 30.4% and at the end of 2014 amounted to EUR 319.3 million. Also due to retained losses (EUR 109 million), resulting from the reduction in the value of assets, equity value of the company declined by 32.4%, up to EUR 236.6 million. During the reference period the company suffered EUR 113.4 million net losses. Without assessment of the impact of asset impairment, the company's net profit amounted to EUR 7.2 million.

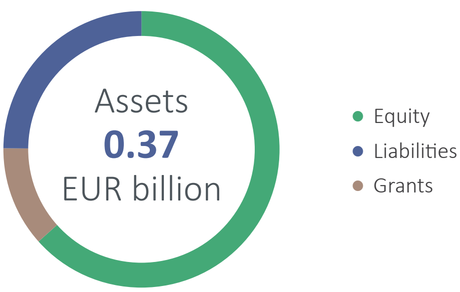
In 2014 the company invested EUR 25.9 million in the transmission system expansion and modernization. 61.7% of this amount was invested in the pipeline Klaipeda-Kiemenai capacity building project.

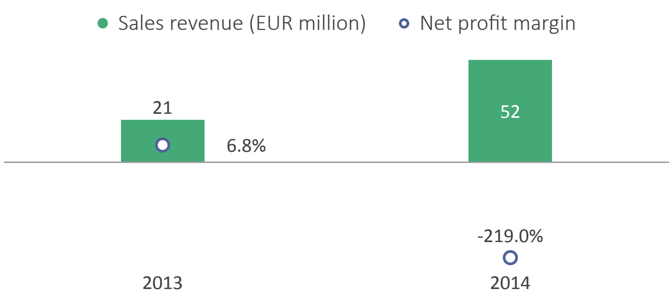
On 21 May 2014, EPSO-G redeemed 38.9% of Amber Grid shares from the German concern E.ON Ruhrgas International GmbH for EUR 49.8 million. On 19 June, EPSO-G redeemed another 39.96% of shares of the company for EUR 54.3 million from the Russian company Gazprom and the minor shareholders. After these transactions EPSO-G owns 96.58% of Amber Grid shares.

Profit (loss) statement (EUR '000)	2013[1]	2014
Revenue	**21,461**	**51,791**
Expenses of core activities	20,440	187,200
Operating profit (loss)	**1,021**	**-135,410**
EBITDA	**10,374**	**28,546**
Net profit (loss)	**1,469**	**-113,408**
Net profit margin	*6.8%*	*-219.0%*
Normalised net profit (loss)	**1,469**	**7,219**
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**458,683**	**319,280**
Current assets	**47,841**	**54,024**
Cash and cash equivalents	5,711	1,715
Total assets	**506,524**	**373,304**
Equity	**350,023**	**236,616**
Grants and subsidies	**37,961**	**43,836**
Liabilities	**118,540**	**92,853**
Financial liabilities	52,190	39,133
Total Equity and liabilities	**506,524**	**373,304**
Ratios	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	N/A	1.6%
Normalised ROE	N/A	2.5%
D/E	14.9%	16.5%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	57,997
Employee information	**2013**	**2014**
Number of employees	356	361
Numbers of employees holding managerial positions	5	5
Average monthly salary of employees holding managerial positions (gross, EUR)	4,685	5,588
Shareholders		
UAB EPSO-G (shares indirectly owned by the state)		**96.58%**
Other shareholders		3.42%
Management		
Director General		Saulius Bilys
Chairman of the Board of Directors		Aleksandras Spruogis (Ministry of Energy)
Members of the Board of Directors		Dainius Bražiūnas (Ministry of Energy) Nerijus Datkūnas* (Independent expert) Agnė Petravičienė (Ministry of Energy)

1 – Data of year 2013 are calculated for the period from the date when the company was founded on 25 June 2013 till the end of year 2013.

**Independent member*





Forest Enterprises

www.gmu.lt

Forest maintenance and reforestation, logging and timber trading

- Amount of round timber sold decreased by 4.8%
- Sales revenue of forest enterprises grew by 7.5%
- Normalised net profit of forest enterprises rose by 4.2%

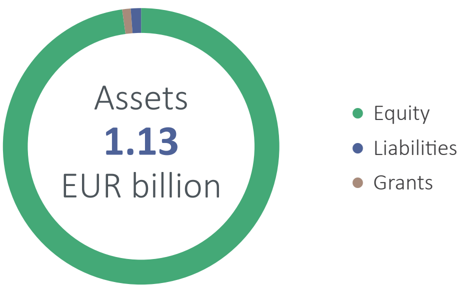
In 2014, the amount of round timber sold by forest enterprises was 4.8% less than in 2013 and amounted to 3,466 thousand cubic meters. However, the sales revenue of forest enterprises during the reference period increased by 7.5% and amounted to EUR 165.7 million. The revenue increase was determined by increased sales price of round timber. The average sales price of round timber per cubic meter increased by 13.6%, from EUR 38.6 in 2013 to EUR 43.8 in 2014. From the main source of revenue – sales of round timber and uncut down forest – forest enterprises earned EUR 152.7 million during 2014, i.e. nearly EUR 11.2 million more than in 2013.

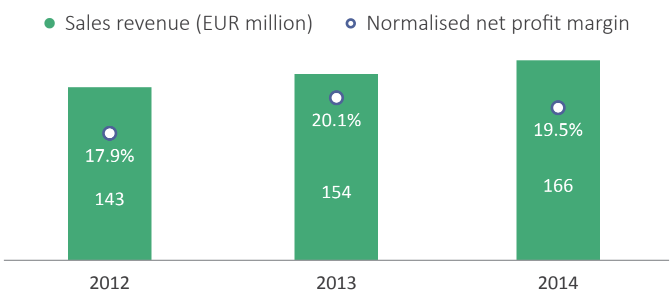
Operating expenses of the forest enterprises went up by 15.3% to EUR 92.4 million. This change was mostly determined by the expenses of reforestation and enlargement of forest resources which increased by 23.6%, up to EUR 42.8 million due to increased volumes of forest roads-related repair and maintenance works during the implementation of priority task set by the Ministry of Environment to improve conditions of local forest roads. Also, the operating tax expenses, which rose by 7.4%, up to EUR 25.6 million, contributed to the change in operating expenses as well as ecological and social operation expenses that increased by EUR 1.3 million and amounted to EUR 8.8 million.

Normalised net profit of the forest enterprises increased by 4.2% and amounted to EUR 32.2 million. This increase was mainly determined by the increase in sales revenue. Although the normalized net profit for the year 2014 was increasing compared to 2013, normalized net profit margin of forest enterprises fell by 0.6 percentage points, to 19.5% as a result of significant increase in reforestation and enlargement of forest resources expenses.

Profit (loss) statement (EUR '000)	2013	2014
Sales revenue	**154,044**	**165,663**
Cost of goods sold	63,656	61,486
Gross profit (loss)	**90,388**	**104,177**
Operating expenses	80,122	92,355
Profit (loss) from other activities	2,344	625
Operating profit (loss)	**12,610**	**12,447**
EBITDA	**24,973**	**25,378**
Net profit (loss)	**11,125**	**10,906**
Normalised net profit (loss)	**30,943**	**32,236**
Normalised net profit margin	*20.1%*	*19.5%*
Balance sheet (EUR'000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets[1]	**990,566**	**1,064,726**
Current assets	**67,579**	**65,283**
Cash and cash equivalents	21,257	16,152
Total assets	**1,058,145**	**1,130,008**
Equity[1]	**1,034,671**	**1,105,202**
Grants and subsidies	**10,375**	**11,227**
Liabilities	**13,099**	**13,580**
Financial liabilities	193	420
Total Equity and liabilities	**1,058,145**	**1,130,008**
Ratios[1]	**31 DEC 2013**	**31 DEC 2014**
Normalised ROA	3.0%	2.9%
Normalised ROE	3.0%	3.0%
D/E	0.0%	0.0%
Return to the shareholders (EUR '000)	**2013**	**2014**
Assigned profit contributions	5,563	5,453
Property tax	2,111	2,183
Raw material tax	21,204	22,911
Total contributions and non-standard taxes to the state	**28,877**	**30,547**
Employee information	**2013**	**2014**
Number of employees	3,735	3,751
Numbers of employees holding managerial positions	85	84
Average monthly salary of employees holding managerial positions (gross, EUR)	1,924	1,921
Management		
Director of the Directorate General of State Forests		Rimantas Prūsaitis
Deputy Director of the Directorate General of State Forests		Gintaras Visalga

1 – The consolidated book values of non-current assets and equity of the forest enterprises were increased by the forest value, which at the beginning of 2015 was estimated (using the discounted cash flow method) at 952.3 million Euros. The ratios were estimated according to the increased values of non-current assets and equity.





Evaluation Methodology

The analysis of indicators of SOE portfolio 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 Lietuvos Energija (previously Visagino Atominė Elektrinė), EPSO-G, Lithuanian Railways, and Lithuanian Post groups as well as 42 forest enterprises controlled by the Directorate General of State Forests.

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 2014);
- 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 the beginning of 2015, the value of forests was adjusted to reflect a change in market conditions. It was estimated that the value of forests increased by 7.4% from EUR 887 million at the end of 2013 to EUR 952 million at the end of 2014;
- the book value of roads (EUR 1.9 billion at the end of 2014) 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 2013, the outstanding amount of the loan comprised EUR 785 million, and at the end of 2014 it stood at EUR 311 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 typical and other 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 additionally indicates normalised net profit (losses) of the SOE portfolio and individual state enterprises. Normalised net profit (losses) 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 2014 is calculated on the basis of profit earned by the company between 1 January 2014 and 31 December 2014. Accordingly, the equity average values are calculated on the basis of book values of equity on 1 January 2014 and 31 December 2014.

In 2014, financial indicators of SOEs were affected by the losses accounted for due to the bankruptcy of banks, revaluation of assets and other one-off events. As for the better comparability of the data, the normalised net profit after elimination of non-standard taxes and effects of bankruptcy of banks, and deduction of revaluation losses of Lietuvos Energija, EPSO-G and Geoterma as well as one-off results of non-typical factors of Lietuvos Energija and EPSO-G, is indicated in the overviews of the SOE portfolio and reports of sectors. The effect of bankruptcy of banks is eliminated by adding losses included in the financial or operating costs of the enterprises to the net profit after the elimination of non-standard taxes to the state, resulting from the reduction in value of financial assets (write-off). Since such expenses are not considered to be allowable deductions under the Law on Corporate Income Tax (i.e. the amount of revenue taxed by profit tax is not reduced by said expenses), the total amount of expenses is added when adjusting the net profit; i.e. it is not reduced by a share of profit tax. Normalized net result of Lietuvos Energija, EPSO-G and Geoterma is rated by companies by a separate request of Governance Coordination Centre.

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 the 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.

In the descriptions of the enterprises, the compositions of the boards of SOEs are indicated on the basis of the data provided by 1 June 2015, and the numbers of employees and employees holding managerial positions are presented as they were at the end of the reporting period (31 December 2014).

In the P/E Ratio subsection of the Overview of Portfolio Results, P/E ratio of comparable foreign sectors were estimated based on the Capital IQ and Bloomberg data. Ratios of the comparable foreign sectors were calculated by taking the average P/E ratios of Eastern Europe, Asian and Latin American companies from the same sectors to which listed Lithuanian SOEs are assigned. P/E ratios of listed Lithuanian SOEs were estimated by dividing the company's market capitalisation by net profit of 2014.

This Annual Report has been prepared by the State-Owned Enterprises Governance Coordination Department of the State Enterprise Turto bankas 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; and Resolution No 665 of 6 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 Ministry of Transport and Communications, Ministry of Energy, Statistics Lithuania, State Forest Survey Service, Energy Exchange BALTPOOL, Forest Institute of Lithuanian Agriculture and Forestry Research Centre, National Control Commission for Prices and Energy, Communications Regulatory Authority, Lithuanian Road Administration, Directorate General of State Forests, Lithuanian Forest Cluster, Capital IQ, Bloomberg, 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	Assets as of 31 Dec 2014 (EUR'000)	Sales revenue in 2014 (EUR '000)	EBITDA in 2014 (EUR '000)	Net profit in 2014 (EUR '000)
1	Lietuvos energija UAB Group[1]	100.0%	Ministry of Finance	Energy	1B	I	2,369,176	972,689	216,867	-279,961
1a	AB Lietuvos Energijos Gamyba Group[2]	96.1%	Lietuvos energija UAB Group	Energy	-	-	932,977	254,930	74,683	41,403
1b	AB LESTO Group[3]	94.4%	Lietuvos energija UAB Group	Energy	-	-	852,377	665,160	-87,700	-163,787
1c	AB Lietuvos dujos[4]	96.9%	Lietuvos energija UAB Group	Energy	-	-	215,278	55,629	14,041	5,871
2	UAB EPSO-G	100.0%	Ministry of Energy	Energy	1B	I	901,073	147,105	45,635	-13,291
2a	AB Litgrid Group	97.5%	UAB EPSO-G	Energy	-	-	563,747	119,941	-91,964	-111,600
2b	AB Amber Grid[5]	96.5%	UAB EPSO-G	Energy	-	-	373,304	51,791	-113,423	-113,408
3	AB Klaipėdos nafta	72.3%	Ministry of Energy	Energy	1B	I	221,918	39,775	16,889	9,257
4	VĮ Energetikos agentūra	-	Ministry of Energy	Energy	2	V	965	0	0	0
5	VĮ Ignalinos atominė elektrinė[6]	-	Ministry of Energy	Energy	2	III	576,302	152	-35	-1,075
6	VĮ Radioaktyviųjų atliekų tvarkymo agentūra	-	Ministry of Energy	Energy	2	V	334	38	16	3
7	VĮ Visagino energija	-	Ministry of Economy	Energy	1A	II	54,389	16,175	1,763	65
8	UAB Geoterma	99.1%	VĮ Turto bankas	Energy	1A	IV	7,892	2,094	-121	-465
9	VĮ Lietuvos naftos produktų agentūra	-	Ministry of Energy	Energy	2	I	95,090	32,889	-398	-397
10	AB Lietuvos geležinkeliai Group	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	I	2,037,403	470,355	139,597	19,376
11	AB Lietuvos jūrų laivininkystė	56.7%	Ministry of Transport and Communications	Transport and Communications	1A	II	37,992	20,284	-41	-6,314
12	AB Lietuvos Paštas Group	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	I	88,804	64,479	2,323	-524
13	AB Smiltynės perkėla	99.0%	Ministry of Transport and Communications	Transport and Communications	1B	IV	11,730	4,513	2,728	1,142
14	VĮ Oro navigacija	-	Ministry of Transport and Communications	Transport and Communications	2	II	45,968	28,053	6,757	-1,900
15	VĮ Klaipėdos valstybinio jūrų uosto direkcija	-	Ministry of Transport and Communications	Transport and Communications	1B	I	512,828	49,950	37,635	22,662
16	VĮ Lietuvos oro uostai[7]	-	Ministry of Transport and Communications	Transport and Communications	1B	I	165,575	21,885	7,131	1,214
17	VĮ Vidaus vandens kelių direkcija	-	Ministry of Transport and Communications	Transport and Communications	2	IV	26,114	2,231	-78	-367
18	AB Lietuvos radijo ir televizijos centras	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	II	37,851	18,550	5,510	72
19	VĮ Automagistralė	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	292,715	8,902	1,012	169
20	VĮ Alytaus regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	103,060	4,659	786	23
21	VĮ Kauno regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	233,541	9,319	1,356	93

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Assets as of 31 Dec 2014 (EUR'000)	Sales revenue in 2014 (EUR '000)	EBITDA in 2014 (EUR '000)	Net profit in 2014 (EUR '000)
22	VĮ Klaipėdos regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	171,836	5,799	689	94
23	VĮ Marijampolės regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	145,902	4,552	849	83
24	VĮ Panevėžio regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	124,213	8,788	1,277	84
25	VĮ Šiaulių regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	263,663	11,002	1,763	309
26	VĮ Tauragės regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	82,542	4,466	699	98
27	VĮ Telšių regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	97,401	4,203	564	19
28	VĮ Utenos regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	153,138	6,782	988	64
29	VĮ Vilniaus regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	325,004	9,018	984	57
30	AB Autoūkis	87.4%	VĮ Turto bankas	Transport and Communications	1A	V	2,611	709	137	-2
31	VĮ Valstybinis miškotvarkos institutas	-	Ministry of Environment	Forestry	1A	V	1,583	1,982	178	107
32	VĮ Alytaus miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,286	2,713	425	194
33	VĮ Anykščių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,963	3,350	386	168
34	VĮ Biržų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,876	4,687	665	296
35	VĮ Druskininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,619	2,408	342	166
36	VĮ Dubravos eksperimentinė-mokomoji miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	5,608	2,938	334	77
37	VĮ Ignalinos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,620	2,878	312	134
38	VĮ Jonavos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,367	3,353	517	229
39	VĮ Joniškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,313	2,681	453	211
40	VĮ Jurbarko miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,100	5,371	1,085	580

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Assets as of 31 Dec 2014 (EUR'000)	Sales revenue in 2014 (EUR '000)	EBITDA in 2014 (EUR '000)	Net profit in 2014 (EUR '000)
41	VĮ Kaišiadorių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,715	3,816	491	159
42	VĮ Kauno miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,851	3,193	465	174
43	VĮ Kazlų rūdos mokomoji miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,721	4,598	696	325
44	VĮ Kėdainių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	6,320	4,391	576	140
45	VĮ Kretingos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,987	5,352	1,138	567
46	VĮ Kupiškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	1,428	1,957	146	51
47	VĮ Kuršėnų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,677	3,496	417	187
48	VĮ Marijampolės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,464	3,451	313	103
49	VĮ Mažeikių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,881	4,478	601	344
50	VĮ Nemenčinės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,626	4,394	553	282
51	VĮ Pakruojo miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,373	3,773	435	222
52	VĮ Panevėžio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	III	7,575	6,991	1,179	548
53	VĮ Prienų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,740	3,287	647	295
54	VĮ Radviliškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,234	3,652	541	340
55	VĮ Raseinių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,694	3,502	532	226
56	VĮ Rietavo miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,067	3,163	436	100
57	VĮ Rokiškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,483	3,622	359	141
58	VĮ Šakių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,758	4,428	728	312
59	VĮ Šalčininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,370	3,504	575	334
60	VĮ Šiaulių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,423	4,060	605	183
61	VĮ Šilutės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,846	4,683	730	360
62	VĮ Švenčionėlių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,269	4,962	806	396
63	VĮ Tauragės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,149	6,378	996	309
64	VĮ Telšių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,820	4,919	668	153
65	VĮ Tytuvėnų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,685	2,710	396	155
66	VĮ Trakų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,702	6,154	1,020	547
67	VĮ Ukmergės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,827	6,469	1,165	538
68	VĮ Utenos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	1,567	2,055	176	71

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Assets as of 31 Dec 2014 (EUR'000)	Sales revenue in 2014 (EUR '000)	EBITDA in 2014 (EUR '000)	Net profit in 2014 (EUR '000)
69	VĮ Valkininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,725	3,747	541	224
70	VĮ Varėnos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	4,204	3,506	587	252
71	VĮ Veisiejų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,148	3,456	556	370
72	VĮ Vilniaus miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,557	4,865	705	288
73	VĮ Zarasų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,101	2,271	298	153
74	UAB Projektų ekspertizė	100.0%	Ministry of Environment	Other	1A	V	859	371	62	49
75	VĮ Statybos produkcijos sertifikavimo centras	-	Ministry of Environment	Other	1B	V	1,114	1,066	149	81
76	UAB Būsto paskolų draudimas	100.0%	Ministry of Finance	Other	1B	III	27,609	1,324	47	3
77	VĮ Indėlių ir investicijų draudimas	-	Ministry of Finance	Other	2	III	34,789	644	10	560
78	VĮ Lietuvos prabavimo rūmai	-	Ministry of Finance	Other	2	V	3,512	610	31	7
79	VĮ Turto bankas[8]	-	Ministry of Finance	Other	2	III	171,905	4,574	1,465	1,574
80	UAB Viešųjų investicijų plėtros agentūra[9]	100.0%	Ministry of Finance	Other	-	IV	30,178	474	248	171
81	VĮ Mūsų amatai[10]	-	Prison Department	Other	1B	-	6,961	6,288	-885	-1,128
82	UAB Lietuvos kinas	100.0%	Ministry of Culture	Other	2	V	742	201	-26	-638
83	VĮ Vilniaus pilių direkcija	-	Ministry of Culture	Other	2	III	33,433	159	6	-8
84	VĮ Lietuvos paminklai	-	Department of Cultural Heritage	Other	2	IV	908	7,998	42	11
85	UAB Respublikinė mokomoji sportinė bazė	100.0%	Department of Physical Education and Sports	Other	1A	V	69	97	13	11
86	UAB Sportininkų testavimo ir reabilitacijos centras	100.0%	VĮ Turto bankas	Other	2	V	432	72	-35	-50
87	UAB Lietuvos monetų kalykla	100.0%	Bank of Lithuania	Other	1B	IV	8,719	14,008	1,619	1,149
88	AB Informacinio verslo paslaugų įmonė	51.7%	Statistics Lithuania	Other	1A	V	1,256	650	160	128
89	VĮ distancinių tyrimų ir geoinformatikos centras Gis-centras	-	National Land Service	Other	2	V	4,010	921	272	202
90	UAB Baldžio šilas	70.6%	Department for the Affairs of the Disabled	Other	1A	V	2,030	623	-4	-82
91	VĮ Seimo leidykla Valstybės žinios	-	Office of the Parliament	Other	2	V	1,847	599	54	12
92	AB Detonas	100.0%	Ministry of Transport and Communications	Other	1B	V	3,932	1,978	348	121
93	AB Problematika	100.0%	Ministry of Transport and Communications	Other	1A	IV	7,547	3,938	513	243
94	UAB Universiteto vaistinė	100.0%	Ministry of Health	Other	1A	V	1,396	2,731	1,559	68
95	AB Mintis	80.7%	VĮ Turto bankas	Other	1A	V	248	92	-217	-240
96	UAB Kauno Petrašiūnų darbo rinkos mokymo centras	54.2%	Ministry of Education and Science	Other	2	V	739	417	32	-112
97	VĮ Registrų centras	-	Ministry of Justice	Other	2	II	22,826	29,251	1,222	97
98	AB Giraitės ginkluotės gamykla	100.0%	VĮ Turto bankas	Other	1A	III	20,637	5,193	1,235	881
99	UAB Investicijų ir verslo garantijos	100.0%	Ministry of Economy	Other	2	IV	16,724	1,415	1,338	1,394
100	UAB Toksika	92.5%	Ministry of Economy	Other	1A	IV	33,516	1,259	-368	1,887

No	Enterprise	State interest*	Accountability	Sector	Group	Category	Assets as of 31 Dec 2014 (EUR'000)	Sales revenue in 2014 (EUR '000)	EBITDA in 2014 (EUR '000)	Net profit in 2014 (EUR '000)
101	UAB Lietuvos parodų ir kongresų centras LITEXPO	98.8%	Ministry of Economy	Other	1A	IV	13,794	5,100	1,215	544
102	UAB poilsio namai Baltija	100.0%	VĮ Turto bankas	Other	1A	V	6,681	586	-606	-850
103	AB Klaipėdos metrologijos centras	100.0%	Ministry of Economy	Other	1B	V	790	345	36	4
104	AB Šiaulių metrologijos centras	100.0%	Ministry of Economy	Other	1B	V	442	349	38	8
105	AB Vilniaus metrologijos centras	100.0%	Ministry of Economy	Other	1B	V	2,824	1,368	207	139
106	AB Kauno metrologijos centras	100.0%	Ministry of Economy	Other	1B	V	1,315	633	116	53
107	AB Panevėžio metrologijos centras	100.0%	Ministry of Economy	Other	1B	V	392	328	39	17
108	UAB Senevita	100.0%	Ministry of Social Security and Labour	Other	1A	V	1,000	1,823	28	0
109	UAB sanatorija Pušyno kelias	100.0%	Ministry of Social Security and Labour	Other	1A	V	2,042	1,513	61	8
110	VĮ Infostruktūra	-	Ministry of the Interior	Other	1B	III	8,084	7,132	967	224
111	VĮ Regitra	-	Ministry of the Interior	Other	2	II	18,188	23,998	4,308	2,358
112	AB Jonavos grūdai	70.1%	Ministry of Agriculture	Other	1B	IV	6,126	4,930	979	385
113	AB Lietuvos veislininkystė	99.0%	Ministry of Agriculture	Other	2	V	1,514	975	109	76
114	AB Kiaulių veislininkystė[11]	99.0%	Ministry of Agriculture	Other	2	-	1,683	1,386	-64	-94
115	UAB Gyvulių produktyvumo kontrolė	100.0%	Ministry of Agriculture	Other	2	V	1,114	1,064	92	31
116	UAB Lietuvos žirgynas	89.6%	Ministry of Agriculture	Other	2	V	2,200	287	132	29
117	UAB Panevėžio veislininkystė	97.9%	Ministry of Agriculture	Other	1A	V	750	69	-39	-52
118	UAB Šeduvos avininkystė	100.0%	Ministry of Agriculture	Other	2	V	596	108	35	3
119	UAB Šilutės polderiai	81.0%	Ministry of Agriculture	Other	1A	V	1,409	2,817	167	72
120	UAB Šilutės veislininkystė	96.5%	Ministry of Agriculture	Other	2	V	1,449	151	55	-20
121	UAB Valstybinė projektų ir sąmatų ekspertizė	100.0%	Ministry of Agriculture	Other	1A	V	111	125	4	3
122	UAB Aerogeodezijos institutas	99.8%	Ministry of Agriculture	Other	1A	V	1,940	622	-248	-334
123	UAB Dotnuvos eksperimentinis ūkis	100.0%	Ministry of Agriculture	Other	1A	V	3,741	1,598	254	27
124	UAB Klaipėdos žuvininkystės produktų aukcionas	100.0%	Ministry of Agriculture	Other	2	V	2,338	87	-57	-71
125	UAB Upytės eksperimentinis ūkis	100.0%	Ministry of Agriculture	Other	1A	V	2,614	1,452	167	32
126	UAB Žemės ūkio paskolų garantijų fondas	100.0%	Ministry of Agriculture	Other	2	III	27,741	362	-392	78
127	VĮ Pieno tyrimai	-	Ministry of Agriculture	Other	2	IV	5,561	3,979	731	166
128	VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra	-	Ministry of Agriculture	Other	2	V	4,103	275	36	2
129	VĮ Valstybės žemės fondas	-	Ministry of Agriculture	Other	2	IV	9,250	6,387	431	114
130	VĮ Žemės ūkio informacijos ir kaimo verslo centras	-	Ministry of Agriculture	Other	2	V	4,174	528	258	-7
131	UAB Mokslas ir technika	100.0%	Lithuanian Academy of Sciences	Other	-	V	8	48	-16	-16
Enterprises undergoing liquidation or bankruptcy										
1	VĮ Visagino statybininkai[12]	-	Ministry of Economy	Other	1A	V	N/A	N/A	N/A	N/A
2	UAB Lietuvos tyrimų centras[13]	100.0%	Ministry of Education and Science, Ministry of Economy	Other	-	-	N/A	N/A	N/A	N/A

** Directly and indirectly; state enterprises (SE) are 100% owned by the state.*

1 *On 30 August 2013, the group of energy enterprises and the holding company Visagino Atominė Elektrinė were renamed to Lietuvos Energija. The name of the company was changed as a result of the Group undergoing reorganisation of its corporate governance.*

2 *As a result of the Group undergoing transformation of its corporate governance, Lietuvos Energija was renamed to Lietuvos Energijos Gamyba on 5 August 2013.*

3 *On 21 May 2014, Lietuvos Energija Group bought 11.76% of shares in LESTO from E.ON Ruhrgas International GmbH and currently owns 94.4% of LESTO shares.*

4 *On 21 May 2014, Lietuvos Energija Group bought 38.9% of Lietuvos Dujos shares from E.ON Ruhrgas. In June 2014, 37.1% of Lietuvos Dujos shares were bought from Gazprom, as well as a smaller part of shares from minority shareholders. After the buy up, Lietuvos Energija Group owns 96,6% of Lietuvos Dujos shares.*

5 *On 21 May EPSO-G acquired 38.9% of Amber Grid shares from E.ON Ruhrgas. In June 2014, 37.1% of Amber Grid shares were bought from Gazprom, as well as a smaller part of shares from minority shareholders. After the buy up, EPSO-G owns 96,5% of Amber Grid shares.*

6 *Ignalina Nuclear Power Plant is in the decommissioning stage (production was carried out until 31 December 2009).*

7 *Lietuvos oro uostai was established on 1 July, 2014 by merging Kauno aerouostas and Tarptautinis Palangos oro uostas into Tarptautinis Vilniaus oro uostas.*

8 *On 1 October 2014, the State Property Fund was merged into Turto bankas.*

9 *Viešųjų Investicijų Plėtros Agentūra was registered on 11 April, 2013.*

10 *On 1 June 2014, a new state-owned legal entity Mūsų amatai was established by merging Alytus, Marijampolė and Pravieniškės Penitentiaries.*

11 *Kiaulių veislininkystė was registered on 31 December 2013, after being separated from the Lietuvos Veislininkystė.*

12 *On 2 July 2014, Visagino statybininkai was declared bankrupt.*

13 *On 26 August 2013, bankruptcy proceedings were started against Lietuvos Tyrimų Centras. On 2 February 2014, the company was declared bankrupt.*

Financial Results of SOEs Not Included Into the SOE Portfolio

AB poilsio namai Baltija

State-owned share		**100.0%**
Profit (Loss) Statement (EUR '000)	**2013**	**2014**
Sales revenue	**1,198**	**586**
Cost of goods sold	1,408	1,055
Gross profit (loss)	**-210**	**-469**
Operating expenses	263	352
Profit (loss) from other activities	33	22
Operating profit (loss)	**-441**	**-800**
EBITDA	**-376**	**-606**
Financial and Investment activities	-17	-50
Profit (loss) before taxes	**-458**	**-850**
Profit tax	0	0
Net profit (loss)	**-458**	**-850**
Net profit margin	*-35.4%*	*-144.9%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**1,802**	**6,636**
Current assets	**37**	**45**
Cash and cash equivalents	3	1
Total assets	**1,839**	**6,681**
Equity	**520**	**5,056**
Grants and subsidies	**425**	**0**
Liabilities	**894**	**1,625**
Financial liabilities	849	1,401
Total Equity and liabilities	**1,839**	**6,681**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	-46.2%	-19.9%
ROE	-163.2%	-30.5%
D/E	163.0%	27.7%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	0
Property tax	135	0
Employee information	**2013**	**2014**
Number of employees	78	49
Numbers of employees holding managerial positions	2	2

UAB Viešųjų investicijų plėtros agentūra

State-owned share **100.0%**

Profit (Loss) Statement (EUR '000)	2013	2014
Sales revenue	**46**	**474**
Cost of goods sold	41	119
Gross profit (loss)	**4**	**355**
Operating expenses	47	112
Profit (loss) from other activities	0	0
Operating profit (loss)	**-43**	**243**
EBITDA	**-41**	**248**
Financial and Investment activities	0	-38
Profit (loss) before taxes	**-43**	**204**
Profit tax	-6	34
Net profit (loss)	**-36**	**171**
Net profit margin	*-79.4%*	*36.0%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**46**	**8,947**
Current assets	**20,027**	**21,231**
Cash and cash equivalents	20,014	20,873
Total assets	**20,073**	**30,178**
Equity	**65**	**235**
Grants and subsidies	**0**	**0**
Liabilities	**20,008**	**29,942**
Financial liabilities	20,008	29,754
Total Equity and liabilities	**20,073**	**30,178**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	-0.4%	0.7%
ROE	-111.7%	113.7%
D/E	30,771.8%	12,636.3%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	0	57
Employee information	**2013**	**2014**
Number of employees	8	14
Numbers of employees holding managerial positions	2	2

UAB Lietuvos žirgynas

State-owned share		89.6%
Profit (Loss) Statement (EUR '000)	**2013**	**2014**
Sales revenue	**1,358**	**1,425**
Cost of goods sold	172	115
Gross profit (loss)	**1,185**	**1,310**
Operating expenses	1,153	1,279
Profit (loss) from other activities	0	6
Operating profit (loss)	**32**	**37**
EBITDA	**123**	**132**
Financial and Investment activities	-8	-6
Profit (loss) before taxes	**24**	**31**
Profit tax	1	2
Net profit (loss)	**23**	**29**
Net profit margin	*1.7%*	*2.0%*
Balance sheet (EUR '000)	**31 DEC 2013**	**31 DEC 2014**
Non-current assets	**1,759**	**1,714**
Current assets	**412**	**486**
Cash and cash equivalents	23	200
Total assets	**2,171**	**2,200**
Equity	**1,427**	**1,568**
Grants and subsidies	**228**	**187**
Liabilities	**516**	**445**
Financial liabilities	104	69
Total Equity and liabilities	**2,171**	**2,200**
Ratios	**31 DEC 2013**	**31 DEC 2014**
ROA	2.1%	1.3%
ROE	3.2%	1.9%
D/E	7.3%	4.4%
Return to the shareholders (EUR '000)	**2013**	**2014**
Allocated dividends (total)	56	71
Employee information	**2013**	**2014**
Number of employees	82	85
Numbers of employees holding managerial positions	3	2

Abbreviations and Definitions

AB	Public limited liability company
Asset turnover	Financial indicator, which shows the amount of sales generated per euro of assets
CSR	Corporate social responsibility – business principles, pursuant to which companies voluntarily seek to achieve social and environmental objectives, thus having regard to the interests of all the parties concerned
DGSF	Directorate General of State Forests under the Ministry of Environment
DuPont	A type of analysis, which breaks down the ratio of return on equity into the product of net profit margin, asset turnover, and financial leverage
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
EU	European Union
Financial leverage	Financial indicator showing the proportion of equity and asset within a company
GDP	Gross domestic product
Governance Coordination Centre (GCC)	A legal entity or institution appointed under the 6 June 2012 Government Resolution No 665 to observe and analyse the implementation of state policy in SOEs. According to the Resolution, the corporate governance functions were assigned to the state enterprise State Property Fund, which on 1 October 2014 was merged into the state enterprise Turto bankas
Government	Government of the Republic of Lithuania
LNG	Liquefied Natural Gas
LRA	Lithuanian Road Administration under the Ministry of Transport and Communications
NCC	National Control Commission for Prices and Energy
Net profit margin	Indicator derived by dividing the operational profit by net turnover
Non-commercial functions/ Special obligations	Functions performed by an SOE that a company would not assume on a commercial basis (or would carry it out for a price higher than the set price) and that are assigned to enterprises by decisions of the shareholder/owner, i.e. the state
Non-standard taxes	Property tax and raw material tax
Normalised net profit	Net profit, following the elimination of non-standard state taxes, the effect of the bankruptcies of the bank Snoras and Ūkio Bankas, asset revaluation of Lietuvos Energija, EPSO-G amd Geoterma, as well as tax expenses incurred due to the acquisition of Lietuvos Dujos and Amber Grid, and Lietuvos Dujos unset reserves for the lower gas price for non-industrial consumers.
Normalised net profit margin	Indicator derived by dividing the normalised net profit by net turnover
OECD	The Organisation for Economic Co-operation and Development
Operating profit margin	Indicator derived by dividing the operating profit by net turnover
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
Property tax	Tax paid by state enterprises for the use of entrusted state property
PSO	Public service obligations
P/E	Price to Earnings – an indicator showing the proportion of company's share price and profit per share
Raw material tax	Mandatory deductions from round wood and stumpage sales paid by forest enterprises
RES	Renewable energy sources
ROA	Return on assets – 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 – 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
SO	Special Obligations (see Non-commercial functions/Special obligations)

SOE	State-owned enterprise – a state enterprise or a public or private limited liability company in which the state holds shares which entitle it to more than ½ of all the votes at the general meeting of shareholders of the company
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
UAB	Private limited liability company
VAE	UAB Visagino Atominė Elektrinė (Visaginas Nuclear Power Plant)
VA	Value added – an indicator which shows how much value or assets are created through joint efforts of the enterprise's equity owners, the management and employees during the reference period
VAT	Value added tax
VIPA (PIDA)	UAB Viešųjų Investicijų Plėtros Agentūra (Public Investment Development Agency)
VĮ (SE)	State enterprise
Wh	Energy measurement unit used for measuring electricity used or generated by electrical devices (kilowatt-hour = 10^3 Wh, terawatt = 10^{12} Wh)

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For further information, please contact:
State-Owned Enterprises Governance Coordination Centre
SE Turto Bankas
Vilniaus st. 16, 01402 Vilnius
Phone: 8 5 269 0025, e-mail: vkc@turtas.lt
vkc.turtas.lt/en