STATE-OWNED ENTERPRISES IN LITHUANIA

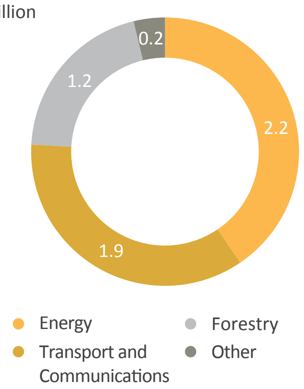
ANNUAL REPORT 2016

SOE Portfolio: a Brief Overview

SOE Portfolio Value

31 December 2016	**5.6**	1.2%
31 December 2015	5.5	

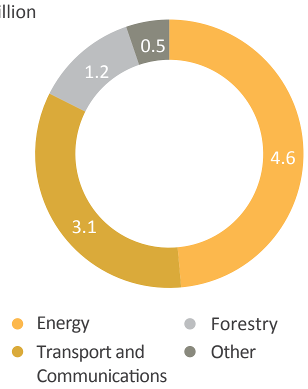
EUR billion



SOE Portfolio Value of Book Assets

31 December 2016	**9.5**	+2.8%
31 December 2015	9.2	

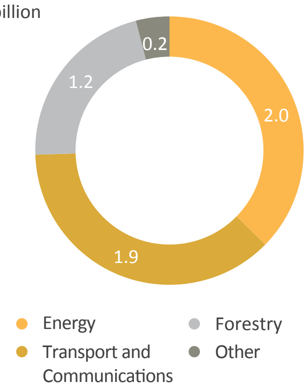
EUR billion



SOE Portfolio Equity Value

31 December 2016	**5.3**	+2.6%
31 December 2015	5.2	

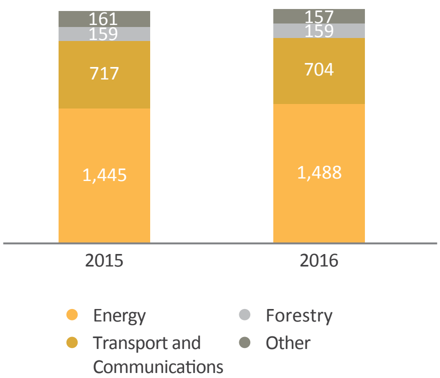
EUR billion



SOE Portfolio Sales Revenue

2016	**2,507**	+1.0%
2015	2,481	

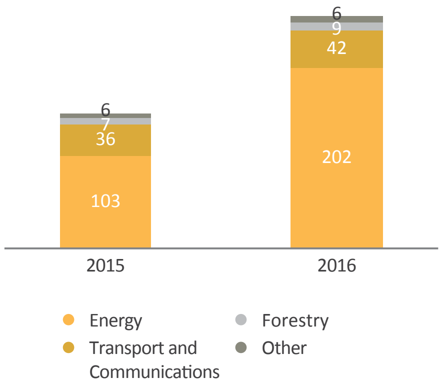
EUR million



SOE Portfolio Operating Profit

2016	**259**	+71.0%
2015	152	

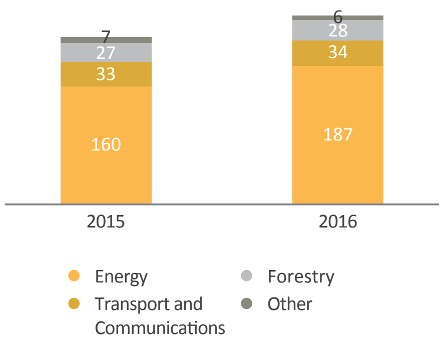
EUR million



SOE Portfolio Normalised Net Profit

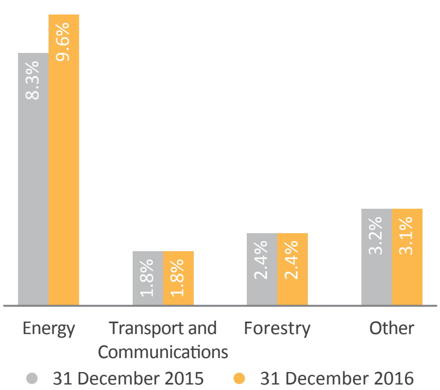
2016	**256**	+13.2%
2015	226	

EUR million



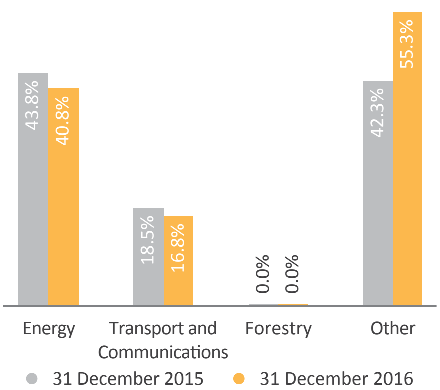
SOE Portfolio ROE

31 December 2016	**4.8%**
31 December 2015	4.4%



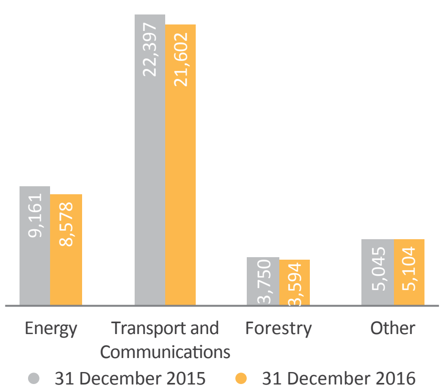
SOE Portfolio Financial Leverage

31 December 2016	**23.4%**
31 December 2015	24.7%



SOE Employees

31 December 2016	**38,878**	-3.7%
31 December 2015	40,353	



Contents of the Report

The Report is available online at vkc.turtas.lt/en
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VĮ Klaipėdos valstybinio jūrų uosto direkcija, VĮ Pieno tyrimai, The Lithuanian Road Administration under the Ministry of Transport and Communications photos were used for the this report.

State-owned enterprises comprise a significant part of the overall country's economy – they are important from a strategic point of view as well as a social point of view, and because of these reasons, it is in the interest of all of us, that activities of these enterprises are efficient and transparent.

The Report provides information about assets, activity results, operating efficiency, and consideration of the essential influencing factors of 118 state-owned enterprises. In 2016 state-owned enterprises' contribution to Lithuanian economy amounted to 3.5% of the total gross domestic product. Last year normalised net profit of the aforesaid enterprises amounted to EUR 256 million – 13.2% more than in 2015. The sales revenue grew by 1% reaching EUR 2.5 billion, while their estimated market value increased by 1.2% – up to EUR 5.6 billion.

These results show, that the significant changes initiated in the state-owned enterprise sector yields positive state-owned enterprises' management results and enables Lithuania to rapidly advance towards becoming a member of the Organisation for Economic Co-operation and Development (OECD).

One of the most important changes initiated, while implementing the recommendations of OECD, was to strengthen the independence of supervisory and management boards. Furthermore, the selection and nomination procedure to the state-owned enterprises' collegial governance bodies was improved – now at least half of each board's members should be independent experts, selected while following transparent procedures. It is worth noting, that politicians directly linked with executive powers are now prohibited to participate in the aforesaid collegial bodies – this will increase the independence of said collegial bodies from political aspects.

Moreover, the transparency requirements of the state-owned enterprises were toughened; the legal forms of these enterprises were reviewed; suggestions were made concerning the goals and the expedience of continuation of participation of the State in the management of these state-owned enterprises; processes of the review of the enterprises' activities were started; the process of aid provision of the state-owned limited liability companies was improved which will allow the public to oversee, to which goals the State funds are used by these companies.

In pursuit of the highest standards of governance, the management of the energy sector enterprises was reformed – today it is regarded as the most effective and in line with the good international governance practices; significant and mandatory reforms of the management of UAB EPSO-G, AB Lietuvos geležinkeliai and road maintenance enterprises were implemented or initiated.

In pursuit of the management efficiency and transparency together with higher return of state-owned enterprises to the public, we will continue to improve the governance of these companies. It will allow us to strive for better results for the State and its people.

Yours sincerely,
Mindaugas Sinkevičius
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 consumers and compete successfully on the market, while their operating results can equal or even surpass those of private companies. Modern and effectively functioning SOEs may contribute significantly to state budgets, while additional funds may be distributed to various areas – from pensions, teachers' and doctors' remuneration to important national investment projects. Furthermore, these enterprises, by implementing innovative governance models, become an example of transparent and responsible business, thus promoting a sustainable development of the economy. The aim of turning state-owned enterprises into the 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

General experience of foreign states demonstrates that the implementation of the principles of good governance in SOEs is an important but complicated initiative. The major challenge is to strike a balance between the state's commitment to actively perform its ownership functions (such as setting financial and other goals as well as monitoring) and the unbiased regulation of a sector, in which the enterprise operates.

For these reasons, various countries adopt legislation on 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 enterprises, demand effective operation and good results, but would not interfere with their daily business.

OECD Guidelines

In 2015, the Organisation for Economic Co-operation and Development (OECD) updated and announced the Guidelines of Corporate Governance of State-Owned Enterprises, a document defining the key principles of SOE governance. OECD 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 www.oecd.org. The adjustments to the guidelines were made with regard to the development and experience of states in order to identify the new emerging problem areas at national and international level.

The OECD Guidelines provide specific suggestions on solving various SOE governance problems. For example, they suggest that the state should define its ownership policy to make a clear distinction between ownership implementation and regulatory functions. The Guidelines also describe the target roles of the members of SOE collegial bodies (management boards and supervisory boards) and provide recommendations regarding the composition and selection procedures. The document stresses the necessity to establish equal competitive 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 the 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 reorganisation of the SOE governance policy in Lithuania was also largely based on these Guidelines.

In September, 2015, OECD presented specific recommendations for Lithuania in the area of good governance of SOEs. Suggestions and recommendations highlight four priority areas:

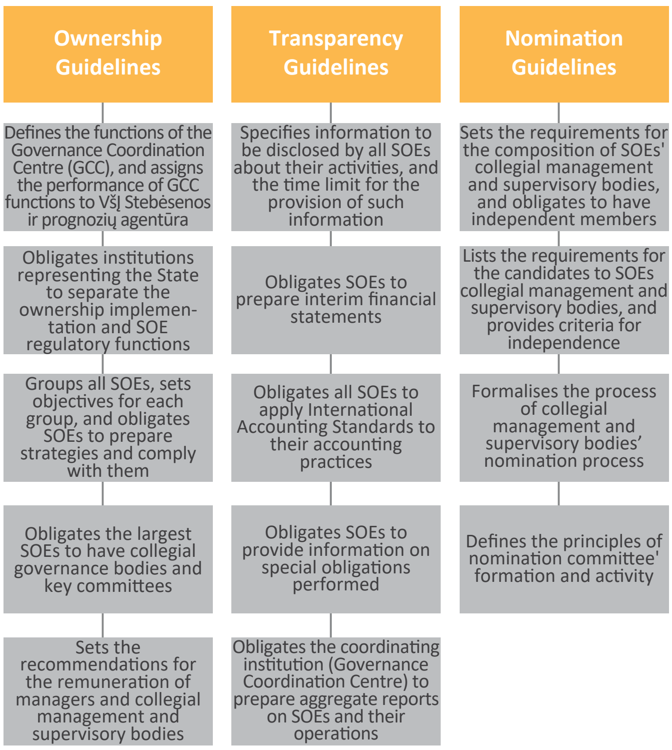
- The State should strive to strengthen ownership functions, while optimising GCC status, ensuring independence and adequate resources for the performance of its functions.
- The autonomy of supervisory and management boards should be increased through the standardisation and formulation of high criteria for the selection of collegial bodies' members.
- The state enterprise legal form should be revised and gradually shifted towards common legal forms or legal entities.
- The Transparency Guidelines should be mandatory at least for the large state-owned enterprises.

While striving to become a member of OECD, Lithuania is committed to implement these recommendations, and in the last few years a considerable progress was made to implement all four priority recommendations.

Key Legal Acts in Lithuania

For a long time after Lithuania regained its independence SOEs in the country remained unchanged – they lacked transparency, high performance goals were not set, and there was no single centralised institution that would analyse the activities of state-owned enterprises. In 2009, the Ministry of Economy of the Republic of Lithuania prepared an overview of Lithuanian SOEs, which revealed 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 directions for SOE governance reform in order to enhance the efficiency of enterprises and defined the principles and expected results of the reform.



Based on the OECD recommendations and on the good international practice, in 2010 the Government adopted a Resolution "Concerning the Approval of the Description of the Guidelines on Assurance of State-Owned Enterprise Activity, Transparency and Appointment of a Coordinating Authority" (referred to as the Transparency Guidelines), which laid down high standards for all SOEs, and in 2012 the Resolution "Concerning the Approval of the Description of the Procedure for the Implementation of the Property and Non-Property Rights of the State in State-Owned Enterprises" (referred to as Ownership Guidelines), which define the Government ownership policy with respect to SOEs. The Ownership Guidelines provide principles that should be followed in defining strategic and financial objectives, separating ownership and regulatory functions, forming management and supervisory boards, etc. The Ownership Guidelines enshrines three essential measures for consolidating SOE governance – a strong shareholder, strong management of the enterprises and clear objectives. In 2015, to enhance the independence of the management and supervisory boards as well as strengthen the procedures of selection of their members, the Government adopted a Resolution "Concerning the Approval of the Description of the Procedure for the Selection of Candidates for the Municipal and State Enterprises', Municipal and State-Owned Limited Liability Companies' and Public Limited Liability Companies' Collegial Supervisory and Management Bodies, Nominated by the General Shareholder Meeting" (referred to as Nomination Guidelines), which was later complimented with the provision from the Ownership Guidelines. The Nomination Guidelines formalises the process of collegial bodies' nomination process, sets the requirements for the composition of these bodies and requirements for the candidates.

Taking into account the OECD recommendations presented to Lithuania in 2015 in the area of SOE governance improvement, the Ministry of Economy has prepared an action plan for implementation of recommendations, which was approved by the Government of the Republic of Lithuania in April, 2016. This plan lays down the measures and period on how and when the problematic aspects of SOE governance raised by OECD will be addressed. The plan takes into account the four areas accentuated by OECD and the principal measurements are: to transfer GCC functions to a public legal entity, ensuring appropriate resources and capabilities to carry out its functions adequately; to strengthen the functions of managerial and supervisory boards, improving the selection procedures and adopting legislative amendments; to consider and address the issues regarding the legal forms of SOEs, primarily, consolidating forestry enterprises and road maintenance companies; and to alter the Transparency Guidelines, establishing their imperative nature for large SOEs.

Lithuanian Ownership Policy

1. Application of the Ownership Guidelines

The provisions laid down in the Ownership Guidelines are of compulsory nature and must be followed by all state institutions participating in SOE governance. To some provisions of the Ownership Guidelines, a rule "comply or explain" applies, which means that any deviation from these provisions is possible only when that is required for objective reasons – in such cases each deviation must be rationally justified and explained.

2. Governance Coordination Centre

To ensure the consistent and professional SOE governance, the Government has adopted a decision to establish the Governance Coordination Centre – an institution that would monitor and analyse the implementation of the State policy in the state-owned enterprises. Under the Ownership Guidelines, the performance of GCC functions was assigned to VĮ Valstybės turto fondas, which established a special division for this purpose in September, 2012. On the 1st of October, 2014, VĮ Valstybės turto fondas was incorporated into VĮ Turto bankas, and VĮ Turto Bankas was assigned to carry out the functions of GCC. Since the 1st of July, 2017, after amendments to the Ownership Guidelines, the GCC functions are performed by VšĮ Stebėsenos ir prognozių agentūra (the owner of which is the Ministry of Economy). Before the adoption of Ownership Guidelines, the functions of SOEs' coordination, collection and analysis of information fell under the competency of the Ministry of Economy.

The Ownership Guidelines define the essential GCC functions. The GCC is obliged to coordinate the implementation of good strategic planning practices in SOEs, access the level of ambition of set SOE strategic goals, monitor the implementation of important strategic ratios, and set the return on equity ratios for Group 1A and Group 1B enterprises and access their implementation. The GCC also analyses financial and non-financial information disclosed by SOEs as well as operational trends of these enterprises, publishes aggregate reports on the SOE sector, forecasts the amounts of dividends and profit contributions paid to the State by SOEs, provides an opinion on matters related to the determination of the amounts of dividends and profit contributions paid to the State by SOEs. Additionally, GCC participates in the selection of collegial management and supervisory bodies' candidates: participates in the activities of the Selection Committee; advises the public institutions (which represent the State) on the special requirements for the potential candidates. 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

In order to improve the efficiency of SOEs' performance, the state must clearly identify objectives set for SOEs, while these objectives must be coordinated 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 based on the objectives set by the State

- Group 1A. This group includes enterprises, from which the State expects growth in their business value and a yield from dividends and profit contributions.
- Group 1B. This group comprises companies, from which the State expects not only growth in their business value and yield from dividends and profit contributions, but also safeguarding of national strategic interests: national economic security, implementation of strategic projects, quality infrastructure and other objectives.

SOE objectives

Group 1A (includes 19 SOEs)	Group 1B (includes 58 SOEs)	Group 2 (includes 39 SOEs)
Growth in business value (yield from dividends or profit contributions	**Growth in business value, and safeguarding national strategic interests**	**Implementation of the State's social and political objectives;** profitable operations have secondary role
Examples: UAB Geoterma, AB Giraitės ginkluotės gamykla, UAB LITEXPO	**Examples:** Lietuvos energija, UAB, AB Klaipėdos nafta, AB Lietuvos geležinkeliai	**Examples:** VĮ Ignalinos atominė elektrinė, VĮ Lietuvos naftos produktų agentūra, Regional road enterprises

Except for UAB Viešųjų investicijų plėtros agentūra and VĮ Mašinų bandymo stotis, as these enterprises were not assigned to any group in 2016

- Group 2. Governing the enterprises included in this group, the State gives priority to the attainment of social and political objectives, while profitable activities have a secondary role. Enterprises of this group should engage only in non-commercial operations that other profit-making companies would refuse to perform or would perform for a higher price.

Having divided all SOEs into these three groups, the State expects, that the SOEs belonging to Groups 1A and 1B will achieve a cost of capital pre-set by the State, which is calculated every three years by the GCC (which also monitors the implementation of this goal) and approved by the Government. For the period of 2013 – 2015, the Government set an average annual return on equity of at least 5% for these enterprises (except **forest enterprises**); and a requirement of at least EUR 28.1 million of consolidated normalised net profit for the **forest enterprises**. For the period of 2016 – 2018, the average annual required return on equity is set and calculated for each SOE individually, based on their systematic risk profile, and varies from 4% to 8%, while the **forest enterprises** need to achieve an average annual consolidated normalised net profit of EUR 40 million.

From the enterprises of Group 2 the State demands the highest possible transparency and efficiency of the fund usage in their operations.

3.2. SOE Strategies

SOEs must have clear strategic plans that would serve as means of communication between the Government, an institution implementing the shareholder rights, managerial boards of enterprises and executives. The Government has obligated all SOEs to prepare their operational strategies. The strategies should be prepared for the period of minimum three years (four years for state enterprises) and updated at least once a year. The strategies must specify the lines along which enterprises develop their activities, long-term and short-term objectives and specific indicators that would be used to measure the set targets. The plans should also specify the effect of strategic projects on the value of an enterprise, their funding sources, analysis of the enterprise's environment, available resources, etc.

By November 15 of each year enterprises are obliged to submit their strategy projects to the Governance Coordination Centre, which provides recommendations and suggestions for their improvement.

Institutions representing the State interest in the SOEs are also obliged at least once every four years to submit Letters of Expectation regarding SOEs, where the main lines along which enterprises develop their activities should be specified, together with the main financial and non-financial indicators, that should be used when preparing the company's strategy as well as the requirements of the accountability. Based on these Letters of Expectation, SOEs prepare their operational strategies.

Strategic Plan of an Enterprise

4. Collegial Management and Supervisory Bodies

One of the essential factors for profitable and effective operations of an enterprise is a competent, motivated and independent management or supervisory board (if formed). The management board is the principal governing body that determines strategic priorities of the enterprise, evaluates activities of executive managers, and ensures their accountability.

All Lithuanian SOEs have been divided into five categories based on their revenue and the value of owned assets. The first category includes the largest SOEs (**Lietuvos energija, UAB, Group, AB Klaipėdos nafta,** etc.), while the fifth category – the smallest SOEs. All enterprises attributed to the first and second categories, and all Lithuanian SOEs of strategic significance (which employ more than 10 employees) must have active collegial bodies. The formation of management (or supervisory) boards at smaller SOEs (attributed to categories III, IV and V) is at the discretion of individual institutions representing the State.

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

State enterprises are companies established using state assets or companies transferred to the state according to the procedure established by law, which are the property of the state and the assets, transferred to them or acquired by them, are managed, used and disposed of according to the right of trust. Lithuania has 78 state enterprises, among them: regional **road maintenance companies, forest enterprises, VĮ Lietuvos oro uostai** (airports), **VĮ Klaipėdos valstybinio jūrų uosto direkcija** (seaports), etc.

State-owned public LLCs (AB) and private LLCs (UAB) are private legal entities with limited civil liability, whose all or a part of shares are owned by the state. In Lithuania, 13 SOEs have a legal form of a public LLC (among them – **AB Lietuvos paštas Group, AB Lietuvos Geležinkeliai Group, AB Klaipėdos nafta,** etc.), and 27 SOEs have the legal form of private LLC (for example **Lietuvos energija, UAB, Group, UAB EPSO-G Group, UAB Lietuvos parodų ir kongresų centras LITEXPO,** etc.).

5. Committees

SOEs, which belong to Category I or Category II as well as SOEs, which, according to the Financial Statements' Audit Law of the Republic of Lithuania, are attributed to the public interest enterprises, are obliged to form Auditing Committees, which are assigned to strengthen the internal control of the enterprise – to monitor the preparation of financial reports, the effectiveness of internal control systems, auditing, etc. The Auditing Committee must comprise of no less than three members, at least half of whom need to be independent. The Chairman of the Auditing Committee is elected out of the independent members of the committee.

All state-owned limited liability companies, which are seen as large enterprises according to the Law on Financial Accountability of the Republic of Lithuania, are obliged to form a Remuneration Committee which is tasked to prepare suggestions regarding the policies of the remuneration of the executives.

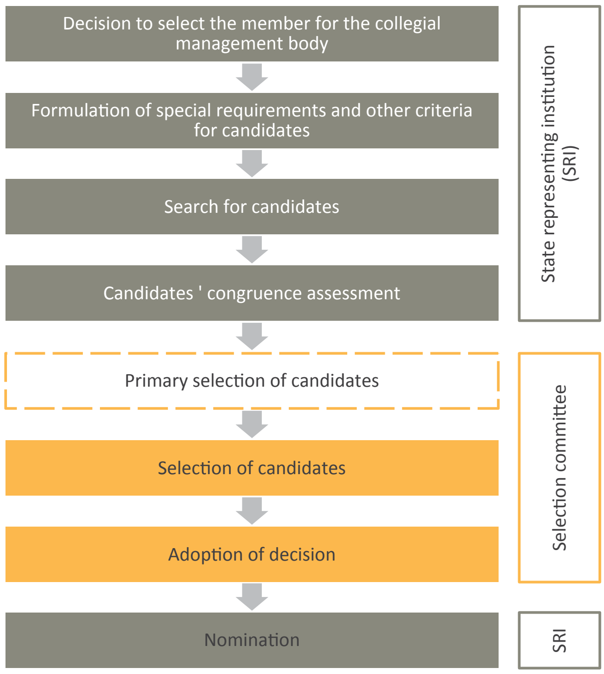
6. Remuneration

With a purpose of attracting as many independent professionals to collegial bodies as possible, such persons may receive remuneration for their work. The issue of remuneration to the members of collegial bodies must be discussed at a general shareholders' meeting of each enterprise, but it is recommended that members of managerial and supervisory boards of the state-owned enterprises are paid a fixed remuneration not exceeding 1/4 of the salary of enterprise's executive manager, and remuneration to chairpersons of the managerial and supervisory boards should not exceed 1/3 of the said salary. Members of the collegial bodies, who are public servants or employees of the state-representing institution are not paid any remuneration for their work at the collegial bodies of the SOEs.

The remuneration for the members of the managerial boards of state enterprises is regulated by a separate Resolution, which states, that these members are advised to be paid a remuneration not exceeding 1/5 of the salary of enterprise's executive manager. The remuneration for the members of the management board, who are public servants, is transferred directly to the State budget.

The Process of Nomination of Collegial Bodies' Members

In March, 2017, the Government of the Republic of Lithuania transferred the regulation of the nomination process of SOEs' collegial body members from Ownership to Nomination Guidelines and unified the regulations for state-owned limited liability and state enterprises. The changes made resulted in strengthening of the independence of the SOEs' collegial bodies, as previously, the requirement that at least 1/3 of the member of collegial bodies was only mandatory for the largest SOEs. The changes also include a strict separation between the function of sector's policy formation and ownership implementation function.



The provisions of the Nomination Guidelines set the principles of formation of collegial management and supervisory bodies, independence criteria of their members, the principles for the requirements for candidates, the procedures of the selection and nomination, and the composition of the Selection Committee.

1. The Composition of Collegial Governing Bodies

The essential provision of the Nomination Guidelines – to ensure the higher level of independence of the collegial bodies, no less than 1/2 of members of the collegial bodies must meet the independence criteria stated in the Nomination Guidelines (comes into force after the end of the term of a collegial body, but no later than the 1st of January, 2018), i.e. be independent. Additionally, the Guidelines prohibit politicians linked directly with executive powers, or persons who are responsible for the formation of public policy of the sector, were the company is operating, to be nominated to the collegial bodies of SOEs. This separates the State's ownership function from the sector's policy formation function. Until the end of the term of collegial body, but no later than the 1st of January, 2018, the SOEs should follow the current regulations, which state, that the largest SOEs' collegial bodies should comprise of no less than 1/3 of independent members, while other SOEs should act at their discretion. Additionally, persons linked directly to executive powers, public servants and employees can be nominated to the collegial bodies.

2. Requirements for the Candidates

Based on the Nomination Guidelines, the general and special requirements for the candidates are established. All candidates to the collegial governing bodies of SOEs must meet the general requirements set in the Nomination Guidelines. The general requirements specify that the candidate must have higher education, have impeccable reputation, cannot be a shareholder or a representative of the shareholder of the SOE or an enterprise linked with SOE, into which collegial body he applies to. The special requirements for candidates are established by the state-representing institution, based on the specific needs of the company as well as missing or preferable competences of the collegial body.

The Nomination Guidelines also establish the required competences of the SOE collegial governing body. Every SOEs' collegial body must have members, which have knowledge of the sector, the company operates in, finance, and strategic planning and management. Individual members are not required to have all these competences, but collegial body, as a whole, must.

3. The Selection and Nomination of the Candidates

The Nomination Guidelines states, that when the state-representing institution decides to select and nominate independent members for the collegial governing body of the SOE, it needs to inform the forth mentioned SOE on the planned selection process, as well as stating to which particular collegial body position (based on the required competencies) the nomination will take place. When undertaking the selection process, the procedures are started by formulating the requirements for candidates and publicizing the selection ad. Other members of the collegial bodies (who are not independent) can be selected and nominated while not adhering the procedures established in the Nomination Guidelines.

After checking, if candidates meet the general and special requirements as well as independence criteria, the list of potential candidates is handed over to the Selection Committee. The Selection Committee is authorised to select independent members of the collegial governing bodies by making a short list of potential candidates as well as carrying out interviews with selected candidates. The winner is determined according to the voting procedures stated in the Nomination Guidelines – the winner is then presented to the state-representing institution, which in turn nominates the candidate for the position of the member of the collegial body.

The Selection Committee, based on the decision of the state-representing institution, is formed out of seven members. The Committee comprises of: a member nominated by the Prime Minister, a member nominated by the Finance Minister, a member nominated by the Economy Minister, a member nominated by GCC, and three members nominated by the state-representing institution. Additionally, based on the decision by the state-representing institution, experts from other institutions, offices and organisation can be invited to participate in the selection process. However, these experts can only advice the Selection Committee and do not have any voting rights.

SOE Transparency

Operational transparency is especially important for state-owned enterprises as the owners of the SOEs are, albeit indirectly, all citizens of the state. To achieve good enterprise governance, it is necessary not only to declare clear objectives for SOEs and their managers, but also to periodically assess whether SOEs have achieved these objectives.

Based on the world's best practice and the OECD Guidelines, the Government has adopted the Transparency Guidelines, which stipulate that SOEs must comply with similar transparency requirements that the companies, quoted on the stock exchange, comply with. Also, it is recommended, that SOE accounting practices and audits of annual financial statements should be executed following international standards. Based on the Transparency Guidelines, the SOEs are obliged to present the information on the performance of special obligations together with annual financial statements.

1. Application of the Transparency Guidelines

The Transparency Guidelines must be followed by all Lithuanian SOEs, and state-owned limited liability companies are recommended to make sure that their subsidiaries also comply with the 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 quoted on the NASDAQ OMX Vilnius with respect to information disclosure, regardless of whether a SOE is quoted on the exchange, or not.

2. Information Provided

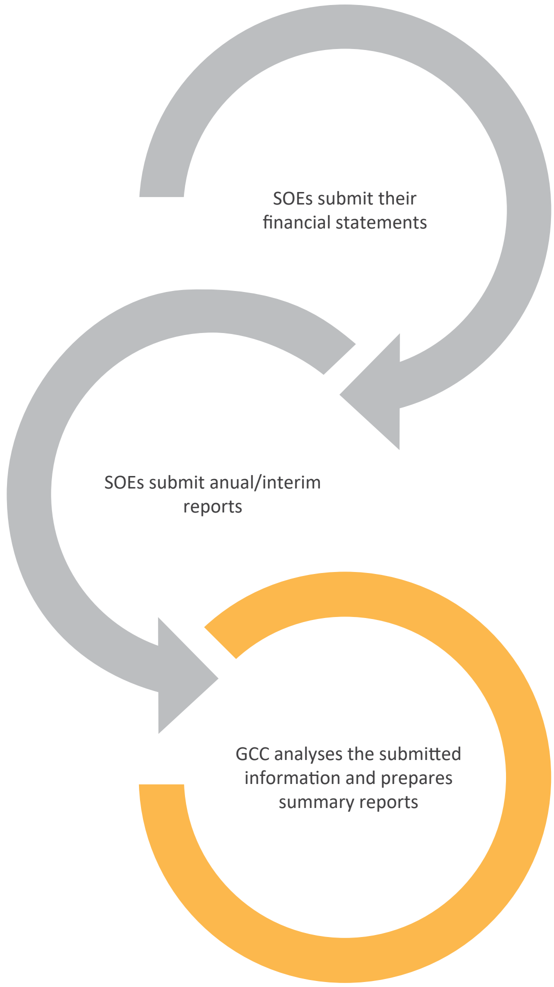
State-owned limited liability companies must prepare annual and six-month financial statements, while state enterprises – annual and quarterly financial statements. All SOEs must also prepare annual reports (private and public limited liability companies) and annual activity reports (state enterprises) – documents that overlook financial and other operational indicators of an entire year, social, environmental and other initiatives, annual remuneration find, executive salaries, investments planed or made during the financial year, composition of the collegial governing bodies, dividend policy, auditing, information on the compliance with Transparency Guidelines, etc. Large SOEs must also prepare six-month reports or six-month activity reports.

These documents must be presented in accordance with the deadlines set by Transparency Guidelines and published online, where they could be easily accessed by 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. Accordingly, a general overview of the SOE activities is published two times a year. This periodicity has been chosen with a purpose of establishing regular public accountability of enterprises, monitoring changes in the SOE portfolio, and responding adequately.

Summary reports present financial information and dynamics of the SOE sector, discuss the principles of implementation of governance and ownership functions of these enterprises, while the major and most important companies are reviewed separately. Additionally, GCC analyses and provides information on the fulfilment of special obligations and financial information on them, as well as the analysis of the executive remuneration. All these reports are submitted to the Government and published on the GCC website (http://vkc.turtas.lt). This website also publishes all SOEs' financial statements, annual and six-month reports and activity reports and all other related SOE information.



4. Disclosure of Information on Special Obligations

Based on the OECD Guidelines and with a purpose of increasing operational transparency and facilitating financial analysis, Lithuanian SOEs have been obligated to provide information on the pursued non-commercial activities (special obligations) together with annual financial reports. This means that SOEs must also publish the costs of all social commitments or public obligations assumed, various subsidies and financial support, employed capital, etc. The separation and reveal of the special obligations is important in order to assess the results of SOE's commercial activities, and to set clear and transparent mechanisms of financing non-commercial functions, which would prevent market distortions – enterprises, while pursuing commercial activities, must act under conditions of fair competition.

The Governance Coordination Centre is obliged to provide, in addition to summary annual reports on SOEs, summary information on special obligations implemented by SOEs. Such analysis in presented in Special Obligations part (page 15).

Remuneration of Executives

Managing state-owned enterprises is no less challenging than managing private business, as enterprises' executives have to successfully compete with the private sector as well as frequently exercise exceptional goals (non-commercial functions) set by a shareholder (owner). In order to properly reward executives for their work, the Government of the Republic of Lithuania adopted a resolution "On the Remuneration for Work of Executives in State-Owned Enterprises" (hereinafter the Resolution), which regulates the remuneration of SOEs' executives and their deputies. This Resolution is obligatory to the enterprises with a legal form of state enterprise, and recommended to public and private limited liability companies.

According to the Resolution, monthly salary of the executives consists of fixed and variable parts. The fixed part of monthly salary is determined using the ratios according to the basic amounts of official salary of politicians, judges, public officials and civil servants of the Republic of Lithuania as established by the Seimas of the Republic of Lithuania, and considering the category of the enterprise. The category of an enterprise is determined on the basis of indicators of previous year's sales revenue and average number of employees or owned assets in the enterprise. Considering the indicators, the enterprises are classified into categories I to IV. If an enterprise has the power to perform public administration functions provided for by the laws, it is attributed to a next higher category than it would have been according to indicators. The table below presents the indicators set according to the categories of companies.

Category	***Sales revenue (EUR)***	***Average number of employees or assets managed (EUR)***	***Ratios (according to the basic amounts of official salary of politicians, judges, public officials and civil servants of the Republic of Lithuania as established by the Seimas of the Republic of Lithuania)***
I	*≥57,924,004*	*≥1,000 or ≥150,000 000*	*19.2 - 21.8*
II	*Revenues ≥57,924 004 or employees ≥1,000 or assets managed ≥150,000,000*		*16.2 - 19.2*
III	*≥8,690,000*	*<1,000 and <150,000,000*	*12.7 - 16.2*
IV	*<8,688,601*	*<1,000 and <150,000,000*	*9.3 - 12.7*

The higher the category of an enterprise, the higher the fixed rate of the monthly salary of an executive. The set rate of the fixed part of the salary of an executive of a state enterprise having strategic significance to national security could be increased up to 75%, if the institution implementing the state enterprise owner's rights and obligations makes a well-grounded request to **VĮ Turto bankas** (until July 1st, 2017) and obtains its favourable opinion.

According to the Resolution, the variable part of executives' monthly salary cannot exceed 50% of the set amount of the fixed part and is set for one financial year, taking into consideration the last financial year's specific performance indicators achieved by the state enterprise. The variable part of monthly salary is set by the institution implementing the enterprise owner's rights and obligations. Also an executive may be paid a bonus from the profit of the state enterprise, the amount of which may not exceed four fixed parts of his/her monthly salary, or paid a bonus from the saved funds for remuneration, the amount of which may not exceed one fixed part of his/her monthly salary.

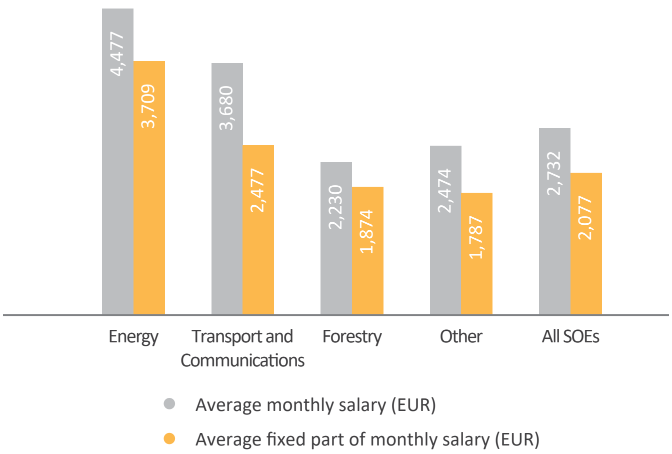
Although the Resolution is obligatory to all state enterprises, it is not applicable to **VĮ Ignalinos atominė elektrinė** considering the nature of the enterprise's activities and the fact that the activities of the enterprise and employee salaries are mostly funded by the European Union funds.

Presented below is the summary information on remuneration of SOEs' executives in 2016. The summary information includes data of 118 enterprises.

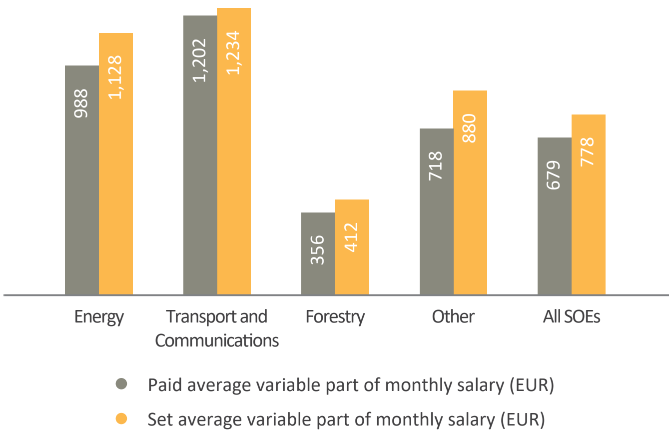
Remuneration of Executives by Sectors

Based on the information received from 118 enterprises, the average monthly salary of an enterprise's executive, before taxes amounted to EUR 2,732 in 2016, and the average fixed part of monthly salary was EUR 2,077. In 2016, the highest salaries were received in the energy sector enterprises. The average salary amounted to almost EUR 4.5 thousand, and the fixed part of the salary was EUR 3.7 thousand. Significantly higher salaries in the energy sector are determined by the fact that enterprises attributed to this sector are among the largest in SOE portfolio according to the revenue and number of employees; also, by the fact that the salary of the Chief Executive of **VĮ Ignalinos atominė elektrinė**, which is mostly funded by the European Union funds, significantly increases the average of the sector. The average salary of an enterprise executive in the transport and communications sector amounted to over EUR 3.7 thousand and the fixed part of the salary was EUR 2.5 thousand.

Remuneration of Executives by Sectors



Variable Part of Remuneration of Executives by Sectors

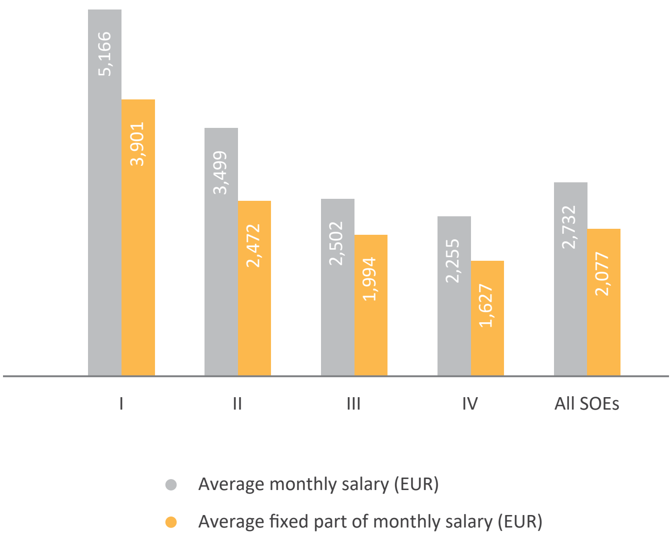


In 2016, not all enterprises' executives were paid variable part of the salary, therefore, the variable part of average monthly salary of SOEs' executives is provided only for the enterprises that had defined it. In 2016, the average paid variable part of a salary in state-owned enterprises amounted to EUR 679, while the established maximum average variable part of a salary was higher by EUR 99. The largest difference between the established and paid variable part was in the other companies' sector enterprises and amounted to 18.4% of the established variable part of an average salary, whereas the lowest (only 2.6%) was in the transport and communications sector enterprises. It is worth noting that the average variable part of monthly salary paid to the executives of the transport and communications sector was the highest and amounted to almost the maximum allowable portion of the fixed part of average monthly salary. The lowest variable part in 2016 was set and paid in the forestry sector. On average, the variable part of monthly salary paid to the executives of the **VĮ Lietuvos miškotvarkos institutas** and **42 forest enterprises** amounted to EUR 356.

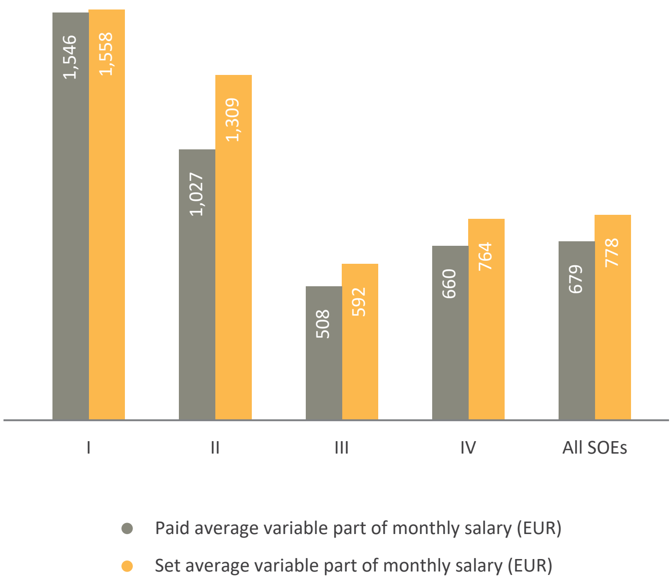
Remuneration of SOEs' Executives by Categories

In 2016, the highest average monthly salary of executives and average fixed part of monthly salary, as required by the Resolution, was in the enterprises of Category I – the average monthly salary of an executive amounted to EUR 5,166. Meanwhile, in the smallest enterprises, attributed to Category IV, the average monthly salary amounted to EUR 2,255 and was more than two times lower compared to that of the largest SOEs. Although under the Resolution the variable part of monthly salary may constitute 50% of the fixed part of monthly salary, in practice the variable part of monthly salary usually does not amount to the maximum value. In 2016, the set variable part of the average monthly salary amounted to 38% of the fixed part of the average monthly salary. Also, it is worth noting that four enterprises paid their executives only the fixed part of monthly salary and did not set the variable part of the salary.

Remuneration of Executives by Categories



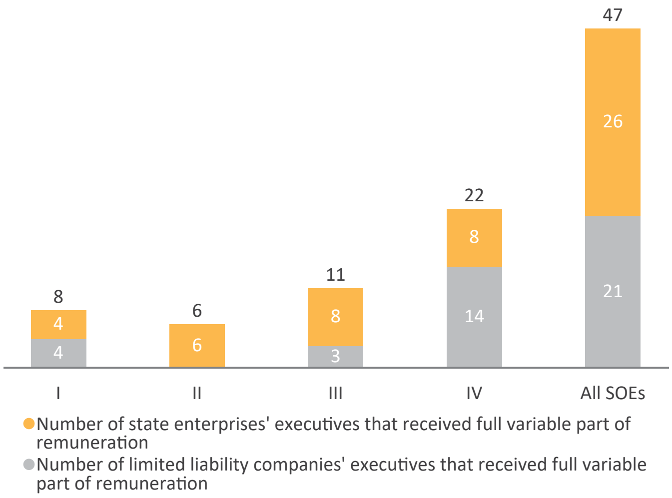
Variable Part of Remuneration of Executives by Categories



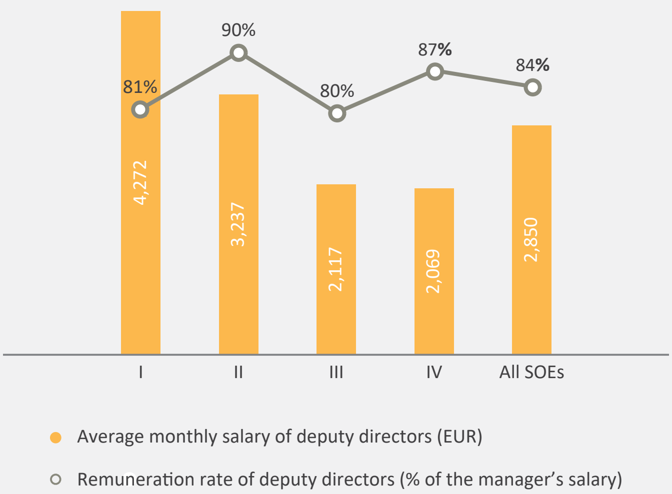
In 2016, out of 114 enterprises' executives to whom institutions implementing the owner's rights and obligations had set the amounts and indicators of variable salary parts the implementation of which entitles to the payment of the set variable part of monthly salary, 47 executives received the maximum variable part of monthly salary. Mainly the smallest enterprises (Category IV) implemented all the intended performance indicators. However, the executive of one state enterprise did not receive the variable part of monthly salary (even though it was possible) due to the failure to achieve the set performance indicators.

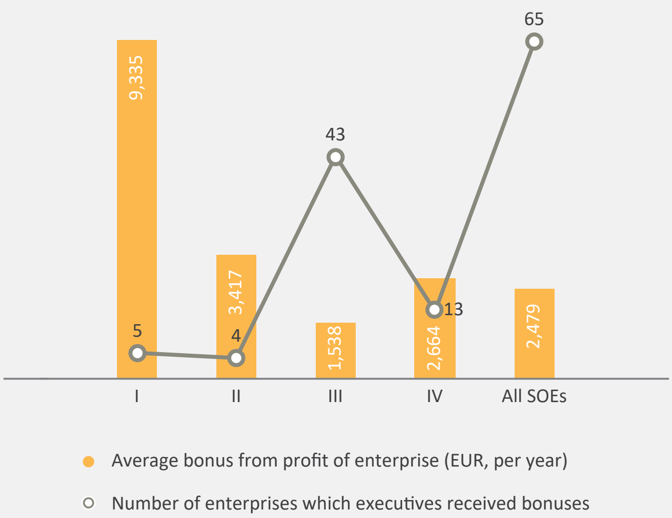
Based on the data provided by the enterprises, in 2016 deputy directors of SOEs earned an average monthly salary of EUR 2,850 or 84% of the average monthly salary of executives. The highest salaries to deputy directors were paid in enterprises of Category I – EUR 4,272. It is worth noting that the average monthly salary of deputy directors of Category II enterprises was the highest in terms of percentage as compared to the average salary of executives, and amounted to EUR 3,237. The lowest average monthly salary was received by deputy directors of the smallest enterprises (Category IV). Their average monthly salary amounted to EUR 2,069, or 87% of the average monthly salary of executives.

According to the Resolution, an executive may be paid a bonus from the profit of the state enterprise, the amount of which may not exceed four fixed parts of his/her monthly salary, or paid a bonus from the saved funds for remuneration, the amount of which may not exceed one fixed part of his/her monthly salary. Based on the collected data, in 2016, 65 enterprises allocated a bonus to their executives, the average of which amounted to EUR 2,479. The highest bonus paid



amounted to EUR 18.2 thousand; it was paid to the chief executive of private limited liability company, i.e. according to the Resolution, bonus allocation in such a case is only recommended, not mandatory. Also, a tendency is observed that most of the bonuses were paid to the executives of Category III enterprises. A large number of Category III enterprises that have paid bonuses was determined by the fact that the majority of **forest enterprises** are attributed to Category III. 35 of 42 **forest enterprises** allocated bonuses to forest management officials in 2016.

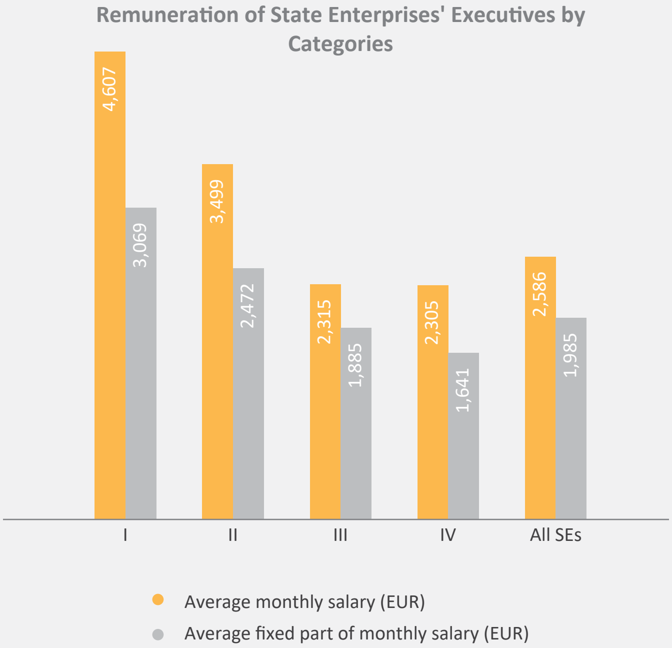


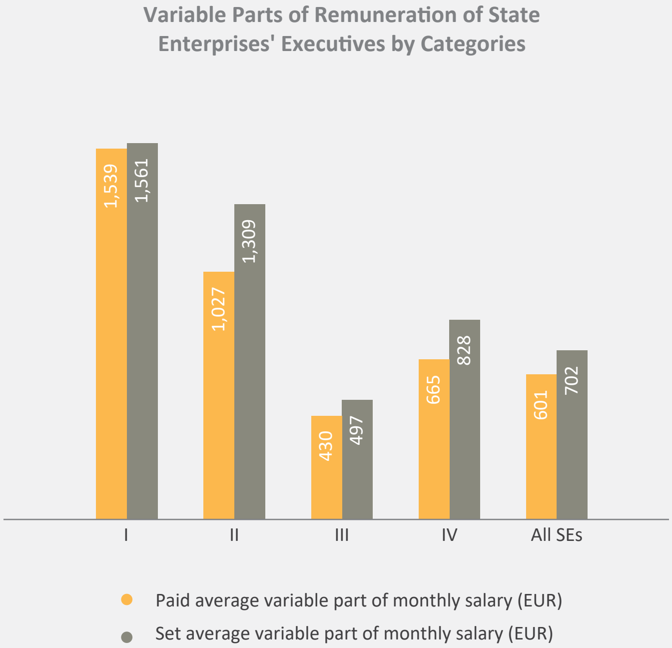


Remuneration of SEs' Executives by Categories

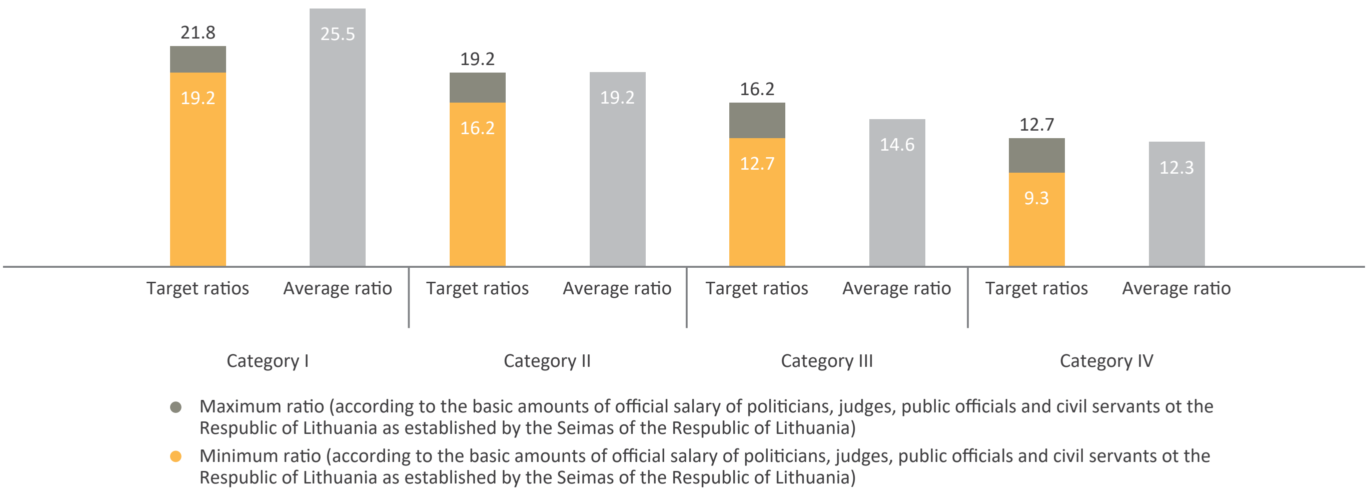
Hereinafter is presented the aggregate information exclusively on remuneration to state enterprise executives, since the Resolution of the Government is obligatory to these enterprises. Whereas the Resolution is not applicable to **VĮ Ignalinos atominė elektrinė**, data about this enterprise is not included in the statistics of state enterprises.

In 2016, the average monthly salary of SEs' executives amounted to EUR 2,586, and the average fixed part constituted EUR 1,985. The average monthly salary of executives in the largest enterprises (Category I) stood at EUR 4,607, while in the smallest enterprises (Category IV) executives earned an average of EUR 2,305. The set average variable part of monthly salary in state enterprises amounted to EUR 702, and the average paid monthly variable part amounted to EUR 601.



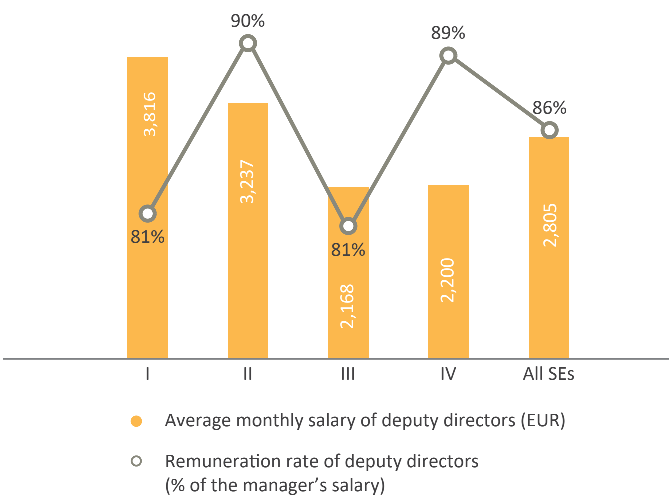


The graph presented below shows the minimum and maximum amounts of a potential fixed part of monthly salary set for each category of enterprises and what average amounts were set for the executives of the enterprises. The collected data reveals that almost all institutions implementing the owner's rights and obligations set the maximum allowable fixed part of average monthly salary for the executives of subordinate enterprises. In 2016, the maximum fixed part of average monthly salary was set for the executives of Category



II enterprises. The fixed salary rate of Category I enterprises was significantly higher than the maximum allowable because **VĮ Lietuvos oro uostai** and **VĮ Klaipėdos valstybinio jūrų uosto direkcija** (the enterprises of strategic importance to the national security) saw an increase of said rates to 32.6 and 32.3 respectively.

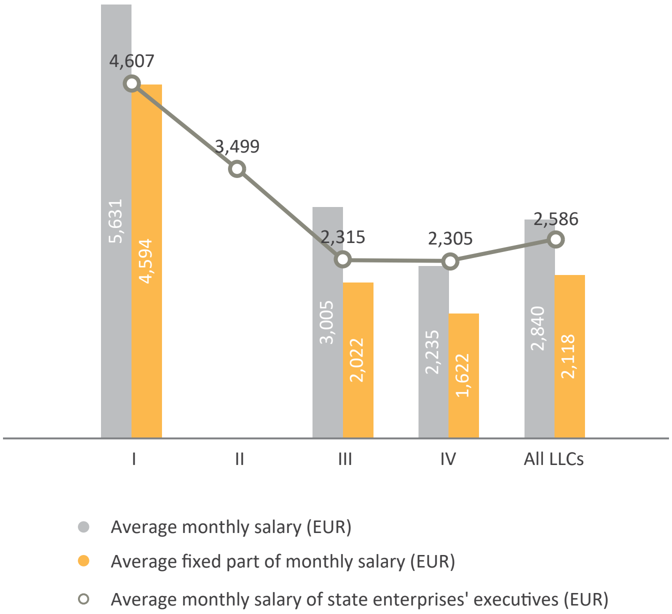
In 2016 deputy directors of SEs earned an average monthly salary of EUR 2,805 or 86% of the average monthly salary of executives. The highest salaries to deputy directors were paid in Category I enterprises – EUR 3,816.



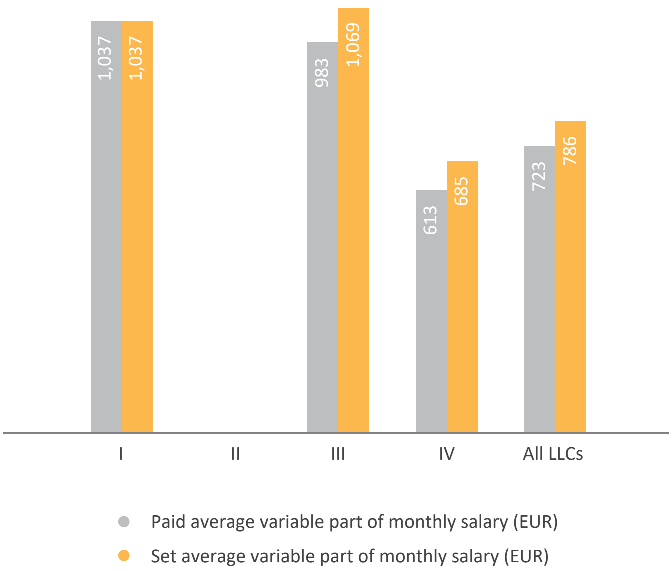
Remuneration of Public/Private Limited Liability Companies' Executives by Categories

Although for the public and private limited liability companies the requirements of the Resolution are only recommendatory, a number of companies indicated their category when providing data on the company. To the companies that did not indicate their category, the Governance Coordination Centre attributed a suitable category based on the indicators specified in the Resolution. There are no public or private limited liability companies 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 2016, the average monthly salary of state-owned limited liability companies' executives amounted to EUR 2,840 and was EUR 254 higher than the average monthly salary of state enterprises' executives. However, a more significant difference is noticed in the remuneration of executives of the largest enterprises (Category I). In 2016, the average monthly salary of limited liability companies' executives amounted to EUR 5,631 and was more than EUR 1 thousand higher than the average monthly salary of the executives of same category state enterprises. In limited liability companies as well as in state enterprises, the remuneration to executives depends on the company's size. The average monthly salary of executives in the smallest companies, Category IV, is two-and-a-half times lower than in companies of Category I, and in 2016 amounted to EUR 2,235. In 2016, the average variable part of monthly salary paid to the executives of the companies amounted to EUR 723, while the set average variable part of monthly salary was higher by EUR 63.

Summary

- In 2016, the average monthly salary of SOEs' executives amounted to EUR 2,732. Compared by sectors, it ranged from EUR 4.5 thousand in the energy sector to EUR 2.2 thousand in the forestry sector.

- Comparison of the fixed part limits of the salaries of SEs' executives set by the Government with the fixed parts that were actually allocated reveals that in most cases the maximum allowable fixed part of monthly salary is set for the SEs' executives.

- The average variable part of monthly salary paid to SEs' executives was only 14.4% lower than the average set amount, and 26 of 77 SEs' executives received the maximum variable part of monthly salary in 2016. The observed tendency enables to presume that the performance indicators set for the variable part are not ambitious enough and do not motivate to improve performance results of an enterprise. In individual cases, it may be related to the fact that the remuneration limits defined by the Government Resolution did not meet the market conditions; therefore, it was difficult to attract and retain qualified executives of enterprises and, at the same time, motivate them by setting ambitious goals.

- Although there is no significant difference between the average salary of SEs' executives and executives of public/private LLCs, a clear tendency is observed that the executives of the largest state enterprises (Categories I-II), where remuneration limits are regulated by the Resolution of the Government, earn significantly less than the executives of public or private limited liability companies, to whom the conditions of the Resolution are only recommended, but not mandatory. In individual cases this might be related to the above discussed remuneration limitations applied to SEs' executives. This situation is somewhat modified by the fact that the enterprises of strategic importance to the national security have the possibility to pay competitive salary similar to that paid to executives of large LLCs.

- In 2016, 65 enterprises awarded a bonus to their executives, the average of which amounted to EUR 2,479. The highest bonus paid amounted to EUR 18.2 thousand. The greatest proportion of the enterprises that paid bonuses were the **forest enterprises**. 35 of 42 **forest enterprises** allocated bonuses to forest management officials in 2016.

Special Obligations of SOEs

Lithuanian state-owned enterprises, implementing State asset governance policy, are often engaged in both commercial activities and special activities and functions assigned by the State as to ensure the implementation of the State's social and strategic objectives or the provision of public services (for example, **AB Lietuvos paštas Group** 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 that are financed from the State budget or profit of commercial activities.

Special obligations are functions performed by SOEs that a company would not assume on a commercial basis (or would do so 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 activities). An illustrating example could be the passenger transportation on local routes by the **AB Lietuvos geležinkeliai Group** – this activity is loss-making and is covered by the profit from the company's commercial activities. Therefore, when assessing SOEs and performance of their managerial bodies as well as determining operational objectives and the required rates of return, it is important to duly separate and eliminate the effect of the special obligations on an enterprise's financial results.

This part of SOE activity report, revealing the aggregate information on non-commercial functions, allows an objective assessment 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 (loss) statements.

The financial information on special obligations is presented in accordance with the data provided by the enterprises and analysis of the Governance Coordination Centre. It is noteworthy that the analysis excludes the functions assigned to state-owned enterprises, regulated pricing of which ensures reimbursement of costs 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 to obtain financial benefits from other financial 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 the information received from 118 SOEs, more than half of them perform special obligations. In 2016, special obligations were performed by 74 enterprises, but 42 of them were **forest enterprises** and 11 were **road maintenance companies**. Also, of the enterprises that perform special obligations, 15 enterprises that incurred expenses due to special obligations did not account such expenses in part or in full in the profit (loss) statements, but were directly compensated from the State budget or other sources of funding, reducing the selling or operating expenses by the amount of the compensation.

Presented below is the aggregate financial information of all SOEs, divided into segments of special obligations and commercial functions. Aggregated financial data does not correspond to the SOE portfolio data because of different number of enterprises, which were included in the SOE portfolio. Of 118 SOEs, the results of two enterprises – **UAB Klaipėdos žuvininkystės produktų aukcionas** (because insufficient data was provided) and **VĮ Mašinų bandymo stotis** (due to the incomparability of the financial data, as the company was established in October, 2015) are not reflected. As the amount of comparability data required is shorter in time than in portfolio analysis, **UAB Viešųjų investicijų plėtros agentūra** and **UAB poilsio namai Baltija** are included in the overview of special obligations.

	2015			2016		
PROFIT (LOSS) STATEMENT (EUR '000)	**Commercial functions**	**Special obligations**	**Total**	**Commercial functions**	**Special obligations**	**Total**
Sales revenue	**2,321,771**	**158,987**	**2,480,758**	**2,374,007**	**127,382**	**2,501,390**
Cost of goods sold	1,490,516	177,167	1,667,683	1,463,592	145,730	1,609,322
Gross profit (loss)	**831,255**	**-18,180**	**813,075**	**910,415**	**-18,348**	**892,067**
Operating expenses	643,842	33,449	677,291	618,737	37,320	656,057
Operating profit (loss)	**187,413**	**-51,629**	**135,784**	**291,678**	**-55,668**	**236,010**
Grants related to revenue	3,048	4,367	7,415	3,280	4,516	7,796
Other activities	13,542	-1,210	12,332	13,632	-302	13,331
Financial and investment activities	-14,207	121	-14,086	-8,409	137	-8,272
Profit (loss) before taxes	**189,796**	**-48,351**	**141,444**	**300,181**	**-51,317**	**248,865**
Normalised profit (loss) before taxes	**267,646**	**-48,351**	**219,294**	**320,585**	**-51,317**	**269,269**
BALANCE SHEET (EUR '000)		**31 DEC 2015**			**31 DEC 2016**	
Total assets	**7,230,264**	**1,040,230**	**9,273,755**	**7,256,321**	**1,183,282**	**9,492,960**

Sales Revenue and Profit

In 2016, the total sales revenue of the portfolio amounted to EUR 2.5 billion. The majority of this amount (94.9%) was generated from commercial activities. In order to disclose profit (loss) before taxes of special obligations more accurately, in 2015 the results of **Lietuvos energija, UAB, Group** and **AB Lietuvos paštas Group**, in 2016 – **Lietuvos energija, UAB, Group** were normalised.

In 2016, SOEs earned EUR 127.4 million of sales revenue from the performance of special obligations operations, but the cost of sales and operating expenses exceeded the revenue significantly, which resulted in EUR 51.3 million losses before taxes from special obligations. Meanwhile, the normalised profit before taxes generated from the commercial activities amounted to as much as EUR 320.6 million. In 2016, the normalised profit before taxes from commercial activities was 19.8% higher than in 2015, when it amounted to EUR 267.6 million. The main reason for this is considered to be the growth of normalised earnings before taxes of **Lietuvos energija, UAB, Group** from EUR 136.8 million in 2015 to EUR 166.8 million in 2016 and **UAB EPSO-G Group**, from EUR 11.2 million in 2015 to EUR 44.5 million in 2016.

Assets

In 2016, the assets of enterprises included in the portfolio amounted to EUR 9.5 billion, 12.5% (EUR 1.2 billion) of which were directly assigned to functions of special obligations. In 2016, the assets allocated to the implementation of the functions of special obligations were EUR 143.1 million or 13.8% higher than in the previous year. In 2016, the greatest share of assets for special obligations was accounted by the **VĮ Ignalinos atominė elektrinė** – EUR 644,9 million.

Special Obligations Generating Highest Expenses

Presented below is the information on special obligations, the performance of which results in the highest expenses incurred by SOEs.

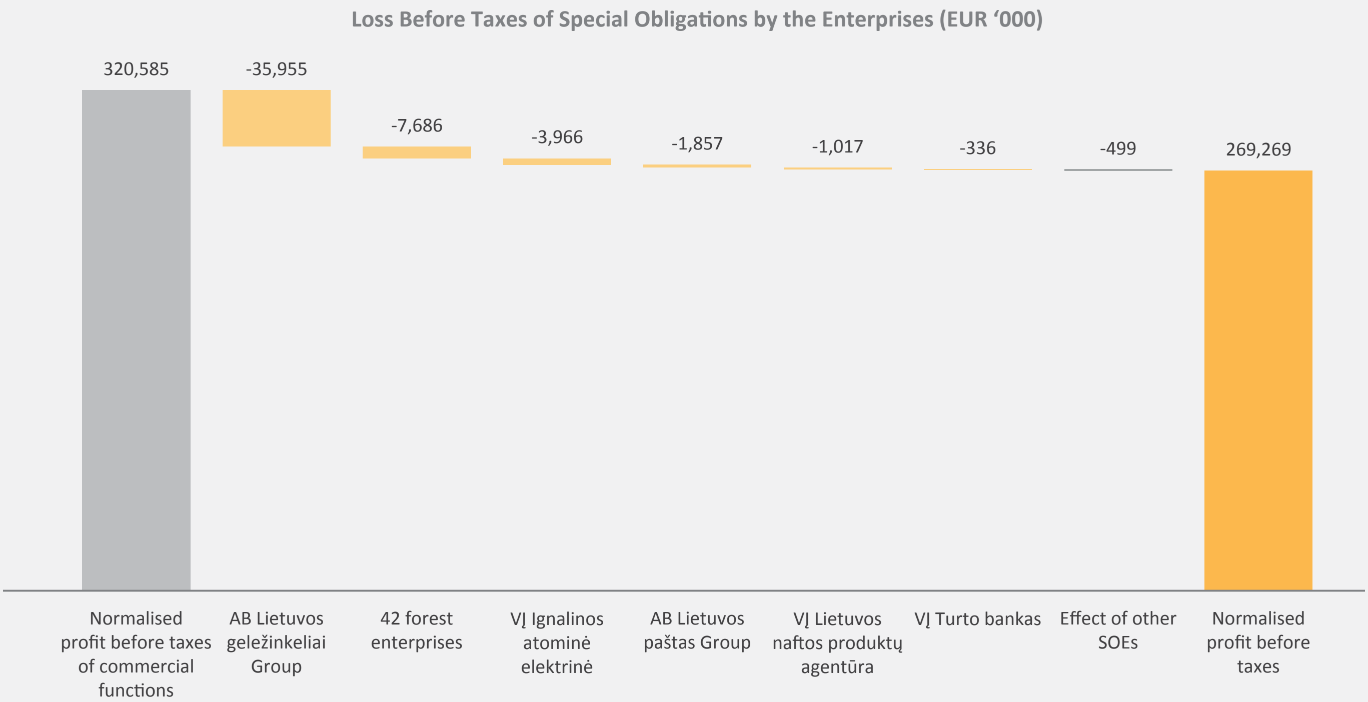
Enterprise	Special obligations	Revenue of special obligations (EUR '000)	Cost of special obligations (EUR '000)	Cost excluded from profit (loss) statement (EUR '000)	Net result of special obligations (EUR '000)
Road maintenance enterprises	Maintenance of roads of national importance and implementation of traffic safety measures on such roads	**65,497.4**	**65,715.8**	**0.0**	**-218.4**
AB Lietuvos geležinkeliai Group	Public services of passenger transport by rail on local routes	**11,459.5**	**47,414.3**	**0.0**	**-35,954.8**
VĮ Lietuvos naftos produktų agentūra	Purchase, sale and renewal (replacement) of the national oil product stock	**32,640.6**	**34,468.1**	**811.0**	**-1,016.5**
AB Lietuvos paštas Group	Sum of special obligations	**9,874.5**	**18,073.0**	**6,341.1**	**-1,857.4**
	Ensuring the provision of universal postal services throughout the teritory of the Republic of Lithuania ar least 5 working days a week	**6,867.0**	**8,724.4**	**0.0**	**-1,857.4**
	Delivery of periodicals to subscribers in rural areas	**3,007.5**	**9,348.6**	**6,341.1**	**0.0**
Forest enterprises	Development of forest selection, conservation of genetic resources of forests, afforestation, protection of forests (fire prevention, sanitary protection) and forests adaptation to scientific and public needs	**0.0**	**7,910.1**	**224.5**	**-7,685.6**
VĮ Ignalinos atominė elektrinė	Safe decommissioning of Ignalina Nuclear Power Plant	**193.5**	**4,159.9**	**0.0**	**-3,966.4**
	Other special obligations	**12,369.5**	**24,294.1**	**11,307.0**	**-617.5**
	Total special obligations	**132,035.1**	**202,035.3**	**18,683.6**	**-51,316.6**

The State incurs the greatest expenses from the maintenance of roads of national importance and the implementation of traffic security. Eleven enterprises engaged in these activities incurred expenses of EUR 65.7 million in 2016. Although these activities are funded from the State budget, in 2016 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 much as EUR 47.4 million was spent to ensure passenger transportation by rail on local routes. From carrying out these activities, **AB Lietuvos geležinkeliai Group** earned only EUR 11.5 million of revenue, while the remaining expenses were covered with profit from commercial activities – freight transportation. **AB Lietuvos geležinkeliai Group** as well as most other enterprises, cover losses incurred from the performance of special obligations with profit from commercial operations.

Special Obligations with the Greatest Impact on Portfolio Profitability

Presented below is the information on profit before taxes of special obligations in the SOE portfolio by the enterprises which perform special obligations.



In 2016, SOEs’ normalised net profit before taxes from commercial activities amounted to EUR 320.6 million. However, due to the losses incurred during the implementation of special obligations, the normalised net profit before taxes of the SOE portfolio constituted EUR 269.3 million, that is EUR 51.3 million less.

The greatest loss from the performance of special obligations was incurred by **AB Lietuvos geležinkeliai Group**. In 2016, the enterprise incurred EUR 36 million of loss before taxes from passenger transportation on local routes. The losses were compensated with the profit from commercial activities (mostly from freight transportation). In 2016, the passenger transportation by rail on local routes cost to the State EUR 38.5 million in total, both directly and indirectly. In 2016 the State compensated only EUR 296 thousand of the loss incurred by **AB Lietuvos geležinkeliai Group** and covered the expense from discounts on tickets and passengers transported on concessionary terms that constituted EUR 2.2 million.

42 forest enterprises incurred loss of EUR 7.7 million from their special obligations. **Forest enterprises** are responsible for the development of forest selection, preservation of the genetic resources of forests, afforestation, forest protection (sanitary and fire prevention), and the adaptation of forests to scientific and public needs. To fulfil the special obligation, **forest enterprises** used grants amounting to EUR 224.5 thousand, which are not reflected in the financial statements of the enterprises. The accounted losses were covered with the profit from commercial activities by **forest enterprises**.

In 2016, **VĮ Ignalinos atominė elektrinė** recorded a loss of EUR 4 million from the decommissioning of the Ignalina Nuclear Power Plant, and management, storage and disposal of nuclear and radioactive materials and waste.

AB Lietuvos paštas Group 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 five working days a week. In 2016, the company incurred a loss of EUR 1.9 million from the performance of special obligations. Losses generated from the provision of universal postal services in rural areas, as expense from the delivery of periodicals is fully reimbursed by the State.

Special obligations performed by **VĮ Lietuvos naftos produktų agentūra** – the implementation of the programme on the accumulation and management of the State reserve of oil products as well as purchase, sale or renewal (replacement) of the State reserve of oil products – resulted in loss of EUR 1 million in 2016. Also, in the process of implementation of the programme on the accumulation and management of the State reserve of oil products, EUR 811 thousand expenses were directly compensated and the expenses incurred by the company were reduced by this amount. The annual audited financial statements show the already reduced expenses.

In 2016, **VĮ Turto bankas** accounted a loss of EUR 335.7 thousand while performing special obligations. The company was compensated more than EUR 1 million expenses (not included in the financial statements) linked with the performance of these obligations. The main special obligations assigned to the enterprise – real estate management, the administration of information regarding State assets search system as well as performance of functions of Governance Coordination Centre (this special obligation is assigned until 1st of July, 2017).

The result of the remaining 27 enterprises performing special obligations reduced SOE portfolio profit (increased loss) before taxes by EUR 499 thousand. Of 27 such enterprises, 13 enterprises incurred loss from the performance of special obligations, for the rest – revenue matched the expenses, or brought some profit.

Disclosure of Special Obligations by the Sectors

Below is the financial information on special obligations split by the four sectors. In providing the financial information on special obligations by the sectors, the incurred costs and their compensations, that are not reflected in the enterprises' profit (loss) statements, are added to the cost of sales, operating expenses and grants related to revenue. The final result – profit (loss) before taxes – remain unchanged.

	Energy		Transport and Communications		Forestry		Other	
PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Sales revenue	**66,630**	**32,834**	**85,637**	**87,993**	**0**	**0**	**6,720**	**6,556**
Cost of goods sold	65,803	32,641	104,986	107,359	0	0	6,474	6,694
Gross profit (loss)	**827**	**194**	**-19,349**	**-19,366**	**0**	**0**	**246**	**-139**
Operating expenses	4,933	8,008	24,443	27,587	8,259	7,910	16,056	11,535
Operating profit (loss)	**-4,105**	**-7,814**	**-43,792**	**-46,953**	**-8,259**	**-7,910**	**-15,810**	**-11,674**
Grants related to revenue	2,377	2,993	7,314	8,860	216	225	14,796	11,122
Other activities	-1,231	-309	0	0	0	0	20	8
Financial and investment activities	137	148	-6	-7	0	0	-10	-4
Profit (loss) before taxes	**-2,822**	**-4,983**	**-36,483**	**-38,100**	**-8,043**	**-7,686**	**-1,003**	**-548**
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**
Total assets	**665,599**	**739,033**	**289,226**	**328,650**	**10,400**	**10,598**	**75,475**	**105,129**

In 2016, the greatest sales revenue – EUR 88 million or as much as 69.1% of the total revenue of the portfolio – from special obligations was generated by the enterprises of transport and communications sector. The largest revenue (EUR 65.5 million) was earned by **11 road maintenance enterprises. AB Lietuvos paštas Group** also earned EUR 9.9 million. Even though enterprises of the transport and communications sector earned the greatest sales revenue, the cost of sales and operating expenses were also the highest, therefore, the sector's loss before taxes amounted to EUR 38.1 million. The greatest loss was incurred by **AB Lietuvos geležinkeliai Group** – EUR 36 million. Loss of **AB Lietuvos paštas Group** from special obligations amounted to almost EUR 1.9 million in 2016.

Enterprises of the forestry sector did not generate sales revenue from special obligations and only incurred operating expenses. In 2016, operating expenses of **42 forest enterprises** (forestry sector) reached EUR 7.9 million, and loss before taxes, due to the reduction of expenses (grants received) by EUR 224.5 thousand, was EUR 7.7 million.

In the energy sector, almost all sales revenue from special obligations (EUR 32.6 million out of EUR 32.8 million) was earned by **VĮ Lietuvos naftos produktų agentūra**. The biggest loss before taxes was incurred by **VĮ Ignalinos atominė elektrinė** – in 2016 losses before taxes amounted to EUR 4 million, and loss of **VĮ Lietuvos naftos produktų agentūra** – EUR 1 million.

Enterprises not classified within any of the three sectors discussed above in 2016 earned revenue of EUR 6.6 million from the activities of special obligations. Cost of sales and operating expenses together amounted to EUR 18.2 million, but the sector of other enterprises incurred relatively insignificant loss before taxes – EUR 548 thousand, since EUR 10 million of cost of sales and operating expenses were excluded from the profit (loss) statement and were directly compensated from the State budget or other funding sources. In 2016, operating expenses of **VĮ Žemės ūkio informacijos ir kaimo verslo centras** were reduced by EUR 5.5 million, **VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra** – by EUR 1.4 million, **VĮ Turto bankas** – by EUR 1.1 million, and of **VĮ Valstybės žemės fondas** and **VĮ distancinių tyrimų ir geoinformatikos centras Gis-centras** – EUR 0.8 million.

The largest assets assigned to the activities of special obligations were accounted by enterprises of the energy sector: in 2016, the value of these assets amounted to EUR 739 million, of which as much as EUR 644.9 million was managed by **VĮ Ignalinos atominė elektrinė**. Enterprises of the transport and communications sector in 2016 operated assets worth EUR 328.7 million while implementing special obligations. The major part of this, EUR 180.6 million, constituted assets assigned to special obligations of **AB Lietuvos geležinkeliai Group**. The assets of special obligations in the sector of other enterprises constituted EUR 105.1 million. Enterprises of the forestry sector in 2016 controlled assets related to special obligations worth EUR 10.6 million. The value of Lithuania's commercial state forests (EUR 1,053 million) is attributed to the commercial activities carried out by the **forest enterprises**.

Disclosure of Special Obligations by the Groups of Enterprises

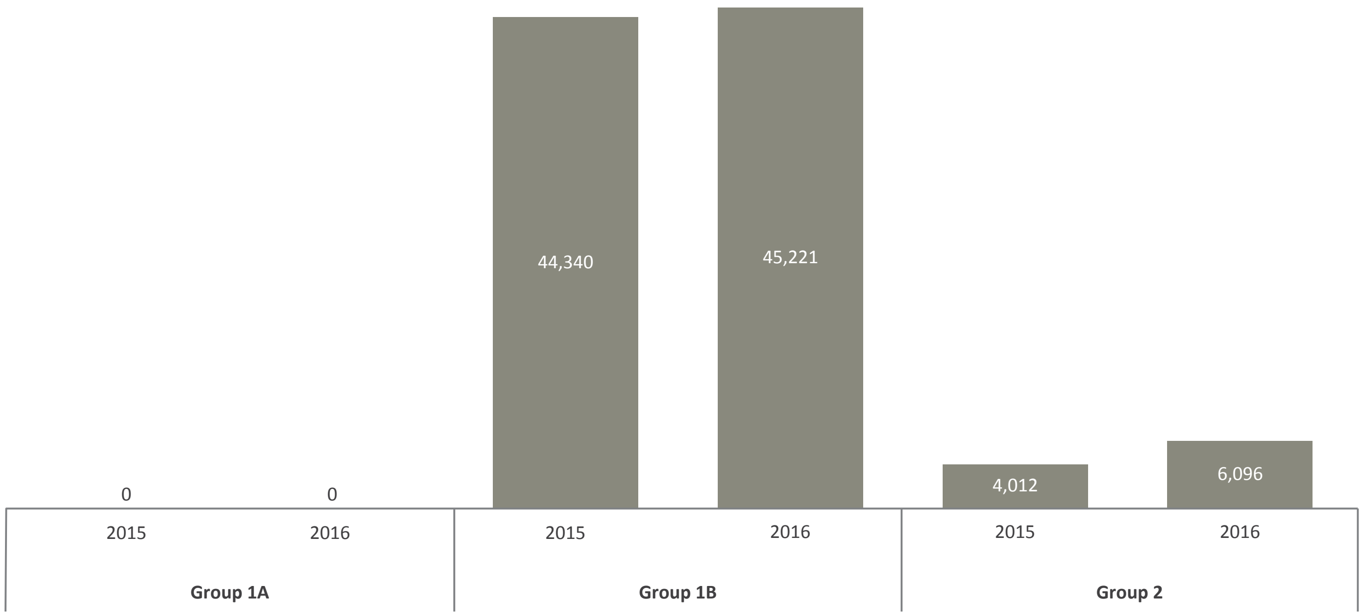
Of all enterprises included in the portfolio of special obligations, the majority of the enterprises (58) are assigned to Group 1B. The objective of the enterprises of this group is business value growth and a yield from dividends or profit contributions, as well as the safeguarding of national strategic interests. Of the said 58 enterprises, 46 companies perform special obligations, and the losses incurred by them constitute the major share of total losses from special obligations. In both 2016 and 2015, enterprises of Group 1B incurred losses before taxes from the performance of special obligations: in 2016 this amount reached EUR 45.2 million, in 2015 – EUR 44.3 million. The greatest losses were accounted by **AB Lietuvos geležinkeliai Group** and **42 forest enterprises**, EUR 36 million and EUR 7.7 million, respectively.

Of the 38 enterprises assigned to Group 2 (companies that should be engaged in non-commercial activities), 11 enterprises did not perform special obligations during the reference period, and 27 enterprises which performed these obligations in 2016 incurred a pre-tax loss of EUR 6.1 million. The major share of loss – EUR 4 million – was accounted by **VĮ Ignalinos atominė elektrinė**. Out of 11 enterprises that did not perform special obligations (non-commercial special obligations), three companies – **UAB Būsto paskolų draudimas, VĮ Lietuvos paminklai** and **UAB Kauno Petrašiūnų darbo rinkos mokymo centras** have indicated their engagements 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 profit-making companies or would be carried out by them for a higher price.

The portfolio of special obligations also includes 19 enterprises attributed to Group 1A – the group of enterprises that seek business value growth and a yield from dividends or profit contributions. All enterprises of this group did not perform special obligations, and all their activities are considered to be commercial.

The aggregated data by category does not include **UAB Viešųjų investicijų plėtros agentūra**, since the company is not assigned to any group. In 2016, the expenses from special obligations performed by **UAB Viešųjų investicijų plėtros agentūra** were compensated and excluded from financial statements; expenses amounted to EUR 208 thousand. Also, due to the shortage of comparable data, **VĮ Turto bankas** and **VĮ Mašinų bandymo stotis** were excluded.

Loss Before Taxes from Special Obligations by the Groups of Enterprises (EUR '000)



Conclusions

More than half of SOEs – 74 out of 118 – perform special obligations. Three enterprises attributed to Group 2, i.e. enterprises that should be engaged mostly in non-commercial activities, have disclosed that they do not carry out any non-commercial functions. Institutions implementing the owner's rights with respect to these enterprises should reconsider the objectives set for them.

In 2016, the total expenses of non-commercial functions amounted to EUR 201.7 million. This amount includes the expenses incurred by 15 enterprises (EUR 18.7 million) that are not accounted for in the profit (loss) statements (they are compensated with cost reducing grants). In 2016, SOEs incurred a loss of EUR 51.3 million from the performance of special obligations, which was covered mostly with profit from commercial activities. The greatest losses were incurred by **AB Lietuvos geležinkeliai Group** and **42 forest enterprises** – EUR 35.9 million and EUR 7.7 million, respectively. Meanwhile, the normalised profit before taxes from commercial activities of all SOEs amounted to EUR 320.6 million. If special obligations were compensated in full and the enterprises did not need to cover losses with profit from commercial activities, SOEs' profit before taxes would increase by 19.1%.

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 qualified separation of the expenses 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 the performance of special obligations will allow assessing what amendments to legislation are required to improve the control of performance of non-commercial functions, the setting of objectives and the efficient use of funds. Based on the good practise, cross-subsidisation should be eventually abandoned and non-commercial functions should rather be financed through the State procurement of services from enterprises at a reasonable price.

Overview of SOE Portfolio Results

At the end of 2016, the calculated market value of state-owned enterprises accounted for EUR 5.6 billion. The portfolio earned a 4.8% return on equity for the State, and the total value added created by all SOEs during the year reached EUR 1.2 billion, i.e. 3.5% of the gross domestic product.

The number of SOEs has decreased during the year – the state owns 118 enterprises

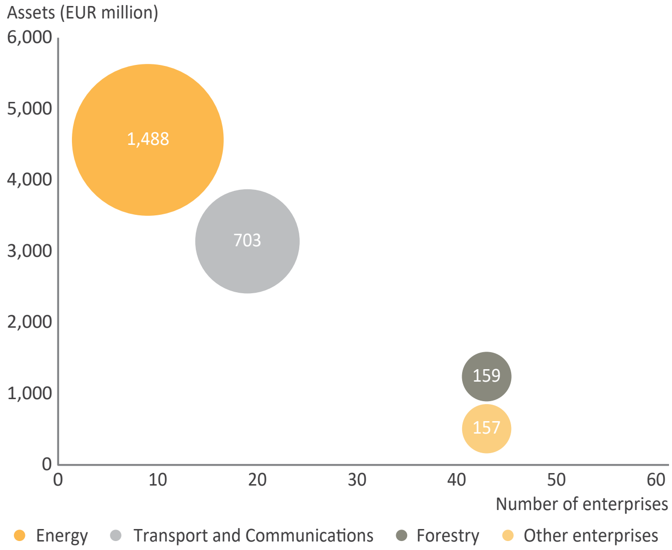
On December 31st, 2016, the state-owned 118 enterprises, when a year ago – 128. The number of state-owned enterprises decreased because since the beginning of 2016, **Kaunas, Klaipėda, Panevėžys** and **Šiauliai metrologijos centras** were merged into **AB Vilniaus metrologijos centras**. Furthermore, on the 1st of January, 2016, **UAB Senevita** was reorganised into public institution; on the 13th of June, 2016, a decision was made to liquidate **UAB Mokslas ir technika** (the company was liquidated on the 24th of February, 2017); on the 26th of October, 2016, a decision was made to liquidate **VĮ seimo leidykla Valstybės žinios** (the company was liquidated on the 11th of April, 2017). Finally, **UAB Sportininkų testavimo ir reabilitacijos centras** (on the 6th of April, 2016), **UAB Autoūkis** (on the 13th of September, 2016) and **UAB Mintis** (on the 9th of November, 2016) were privatised.

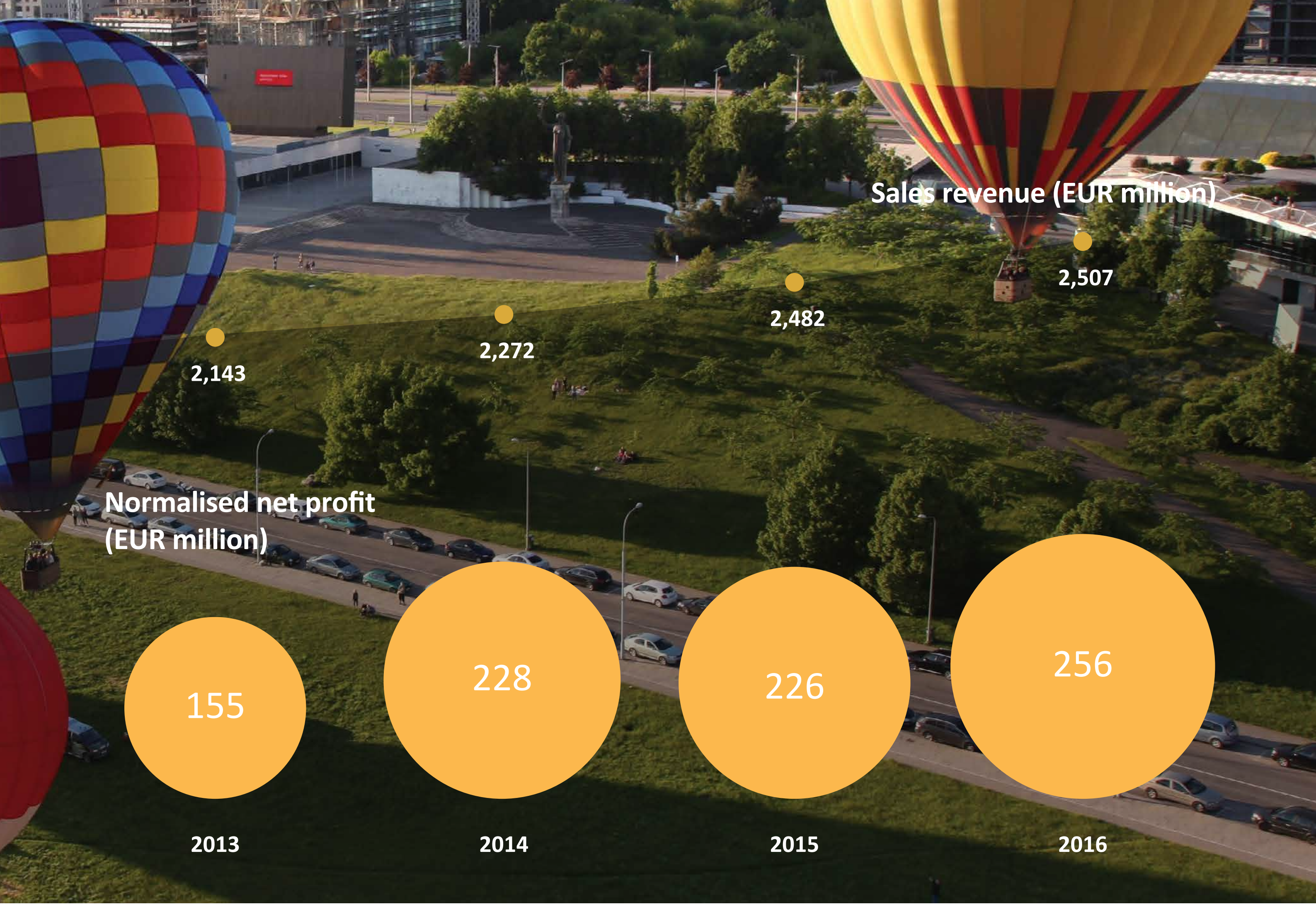
In total, the overview of SOE portfolio results includes the financial results of 114 SOEs. Due to the lack of comparable data, three SOEs were not included in the portfolio: **UAB Viešųjų investicijų plėtros agentūra, UAB poilsio namai Baltija** and **VĮ Mašinų bandymo stotis. UAB Klaipėdos žuvininkystės produktų aukcionas** was not included in the portfolio, as the company did not provide all the required data. It is also worth mentioning that the data for **VĮ Turto bankas, AB Lietuvos geležinkeliai** and **VĮ Lietuvos prabavimo rūmai** are preliminary (unaudited).

All SOEs are divided into four sectors: transport and communications, energy, forestry, and other enterprises. The latter sector includes enterprises not attributed to any of the first three sectors. The energy sector consists of nine SOEs that own the largest share of the portfolio assets – 48.3% (EUR 4.6 billion). The sales revenue of this sector in 2016 constituted 59.3% (EUR 1.5 billion) of the total revenue of the portfolio. The transport and communications sector consists of 19 enterprises which during the accounting period generated 28.1% (EUR 703.6 million) of portfolio revenue while having managed 33.2% (EUR 3.1 billion) of portfolio assets. The forestry sector consists of **42 forest enterprises** and **VĮ Valstybinis miškotvarkos institutas**. The assets of these enterprises in 2016 constituted 13.1% (EUR 1.2 billion, including the value of commercial forests assessed by the Governance Coordination Centre) of the analysed SOEs' assets, and generated revenue was 6.3% (EUR 158.6 million) of total portfolio turnover. The sector of other enterprises comprises of 43 enterprises, but their collective sales revenue in 2016 constituted only 6.3% (EUR 156.8 million) of the total portfolio revenue, and combined assets were 5.4% (EUR 507.7 million) of the total portfolio assets.

The chart below compares the numbers of enterprises comprising sectors, volumes of disposable assets and revenue. The size of a circle corresponds to the size of sales revenue (EUR million) inscribed in the circle.

The Number of Enterprises, Assets and Volume of Revenue (EUR million) by Sectors





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

In 2016, **Lietuvos energija, UAB, Group** results were distorted by a natural gas price discount applied for household and non-household consumers (a negative effect of EUR 24.6 million). Furthermore, in 2016 **UAB EPSO-G Group** revaluated its financial liabilities to **Lietuvos energija, UAB, Group** using market value and reported a EUR 4.2 million negative change in the value of the loan. The net profit of the enterprise was reduced by this amount.

In 2015, **Lietuvos energija, UAB, Group** and **AB Lietuvos paštas Group** accounted loss incurred due to impairment decrease in the value of assets, which significantly distorted performance results of these enterprises and had a significant impact on the results of SOE portfolio.

In 2015, **AB Lietuvos energijos gamyba**, a subsidiary of **Lietuvos energija, UAB, Group** reduced its fixed tangible assets. The company included EUR 30.1 million losses in operating expenses incurred due to the decrease in value of fixed assets. This caused **AB Lietuvos energijos gamyba** to account EUR 0.2 million net losses. In comparison, at the end of 2014 the net result amounted to EUR 33.4 million. The results of **Lietuvos energija, UAB, Group** were significantly influenced by the Group's discount on the natural gas price applied to household and non-household consumers (negative impact of EUR 42.5 million) as well as asset revaluation. In 2015 **Lietuvos energija, UAB, Group** accounted for EUR 55.3 million net profits. After the elimination of one-off events (decrease in the value of assets, discount on natural gas price) the net result of the Group amounted to EUR 127.9 million. **AB Lietuvos paštas Group**, due to the revaluation of its assets, increased its expenses by EUR 5.3 million. After eliminating this one-off item, the net loss of the enterprise in 2015 amounted to EUR 0.3 million.

Taking into consideration the extent of the impact of previously mentioned one-off factors had on the results, the normalised net result is calculated further in the overview of SOE portfolio results. The normalised net profit/loss is calculated by eliminating the effect of atypical taxes to the State and bank bankruptcies, as well as deducting asset revaluation losses of **Lietuvos energija, UAB, Group** and **AB Lietuvos paštas Group** and the results of one-off atypical factors of **Lietuvos energija, UAB, Group** and **UAB EPSO-G Group**.

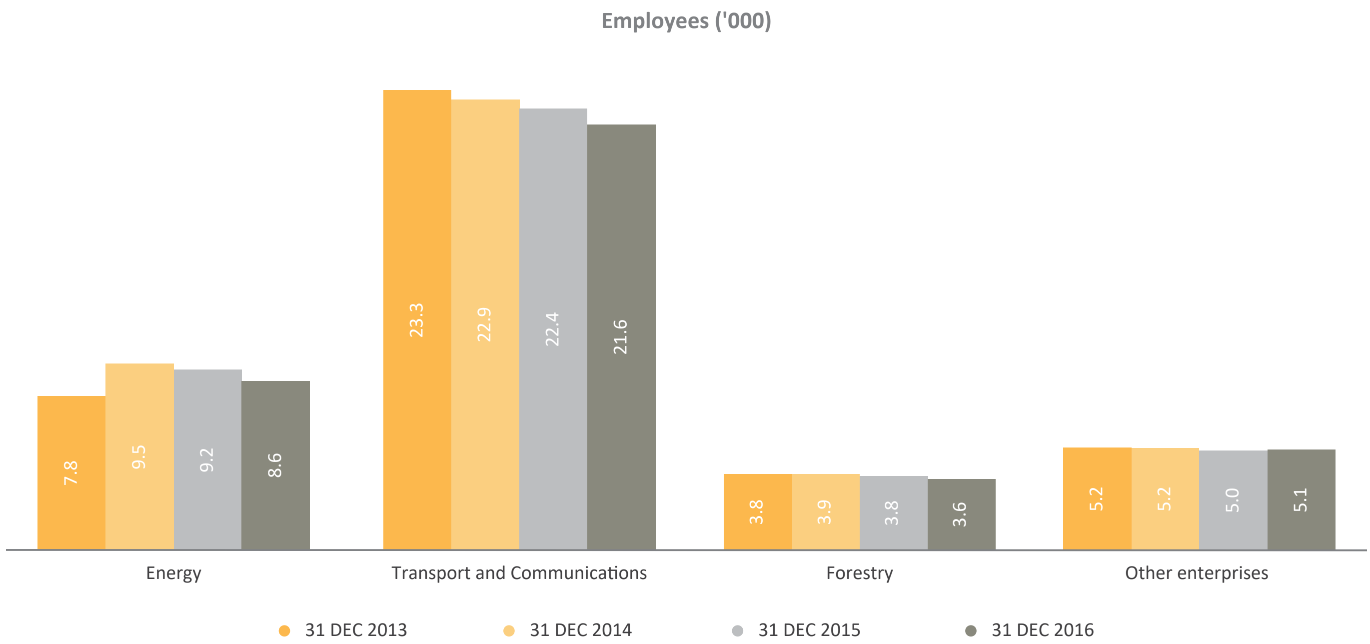
The number of employees in the SOE sector fell by 3.7%

At the end of 2016, 38,878 employees worked in SOEs – 1,475 employees less than a year ago. More than half (55.6%) of employees worked in the transport and communications sector, and the largest three employers – company groups **AB Lietuvos geležinkeliai, AB Lietuvos paštas** and **Lietuvos energija, UAB** – collectively employed 56.9% of all SOEs' employees.

At the end of 2016, SOEs operating in the energy sector employed 8,578 employees – this number decreased by 6.4% compared to 2015. The number of employees mostly decreased in **Lietuvos energija, UAB, Group**.

Meanwhile, at the end of 2016, SOEs operating in the transport and communications sector employed 21,602 employees, i.e. 3.5% less than a year ago. The number of employees in this sector decreased mostly due to restrictions imposed by **AB Lietuvos geležinkeliai Group** to admissions of new employees to vacant positions caused by natural employee turnover. Therefore, at the end of 2016, 11,532 employees worked in **AB Lietuvos geležinkeliai Group**, i.e. 724 employees less than in 2015.

The number of forestry sector employees decreased by 4.2%. At the end of 2016, 3,594 employees were employed in this sector. The number of employees of the sector of other enterprises shrank by 1.2%, down to 5,104 employees.



Market Value of SOE Portfolio

The market value of SOE portfolio increased by 1.2%

At the end of 2016 market value of SOE portfolio amounted to EUR 5.6 billion and, compared to 2015, increased by 1.2%. The book value of equity amounted to EUR 2.7 billion and, compared to 2015, decreased by 0.5%. The growth of the portfolio value was mostly driven by the 1.6% increase of the market value of energy sector enterprises on the stock exchange market, to EUR 1.8 billion. Despite this, the overall value of this sector decreased by 0.8% and reached EUR 2.2 billion. The total market value of transport and communications sector grew by 1.6%, to EUR 1.9 billion. The market value of the other two sectors changed as well: the market value of the forestry sector increased by 4.7%, to EUR 1.2 billion, and the market value of other companies decreased by 0.7%, to EUR 0.2 billion.

Value of SOE portfolio assets as of 31 DEC 2016 (EUR '000)	Market value on stock exchange	Cash flow method	Book value	Total market value
Energy	1,823,041	0	378,044	**2,201,085**
Change from 31 DEC 2015	*1.6%*		*-11,0%*	*-0.8%*
Transport and Communications	0	0	1,941,345	**1,941,345**
Change from 31 DEC 2015			*1.6%*	*1.6%*
Forestry	0	1,052,996	158,864	**1,211,860**
Change from 31 DEC 2015		*5.0%*	*2.7%*	*4.7%*
Other	0	0	203,628	**203,628**
Change from 31 DEC 2015			*-0.7%*	*-0.7%*
Total	**1,823,041**	**1,052,996**	**2,681,882**	**5,557,918**
Change from 31 DEC 2015	*1.6%*	*5.0%*	*-0.5%*	*1.2%*

SOE Market Value on NASDAQ OMX Vilnius Stock Exchange

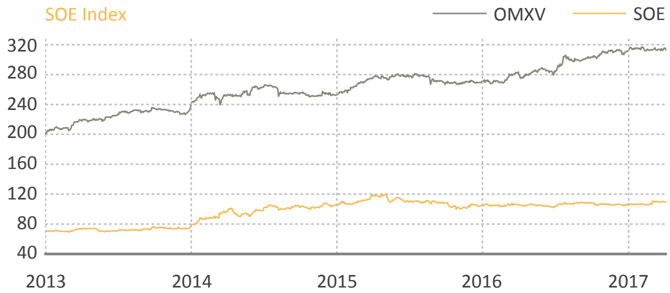
The market value of the listed SOEs grew marginally

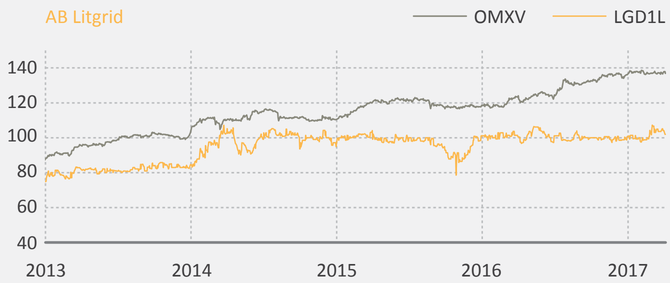
In 2016, five state-owned companies and their subsidiaries were included in the NASDAQ OMX Vilnius stock trade list. At the end of 2016 the market value of all these enterprises, belonging to the State, amounted to EUR 1,823 million and was 1.6% larger than in 2015 (the calculation does not include the market value or its changes of **AB Energijos skirstymo operatorius**).

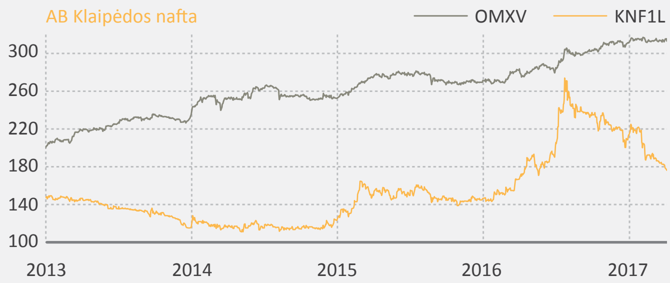
		State-owned interest		Value of the state-owned interest 31 DEC 2016		Change of the share value from	Change of the state-owned interest from
Listed Lithuanian SOEs	Share value (EUR '000)	31 DEC 2015	31 DEC 2016	(EUR '000)	Percentage in the total value	31 DEC 2015	31 DEC 2015
AB Energijos skirstymo operatorius	771,171	-	94.98%	732,479	40.2%	n. d.	n. d.
AB Litgrid Group	355,554	97.50%	97.50%	346,674	19.0%	-0.4%	-0.4%
AB Lietuvos energija gamyba	397,562	96.13%	96.13%	382,183	21.0%	-6.7%	-6.7%
AB Klaipėdos nafta	204,766	72.32%	72.32%	148,080	8.1%	45.8%	45.8%
AB Amber Grid	221,194	96.58%	96.58%	213,626	11.7%	4.2%	4.2%
SEO index	**1,950,248**		-	**1,823,042**	**100%**	**2.4%**	**1.6%**
OMXV index of all shares							**14.9%**

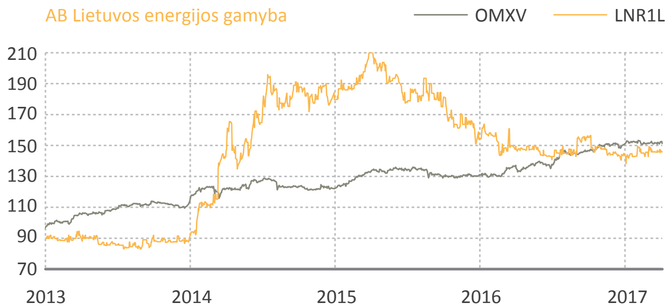
In 2016, the largest portion (40.2%) of the market value of SOE shares held by the State accounted **AB Energijos skirstymo operatorius** (EUR 732.5 million), and for the smallest – **AB Klaipėdos nafta** (EUR 148.1 million). During 2016 **AB Lietuvos energijos gamyba** share price dropped by 6.7% due to lower revenues. The overall market value of **AB Litgrid** share capital fell only marginally, i.e. by 0.4%, to EUR 346.7 million, due to increased expenses. **AB Amber Grid** market value of share capital grew by 4.2% and reached EUR 213.6 million. This growth can primarily be attributed to an increase in company's revenue. Due to higher revenues from multiple segments as well as increased handling volumes in 2016, the value of **AB Klaipėdos nafta** share capital grew by 45.8% and at the end of the period amounted to EUR 148.1 million. As on January 1st, 2016, **AB LESTO** and **AB Lietuvos dujos** were merged and reorganized into one company – **AB Energijos skirstymo operatorius**, their results are not included in the portfolio of listed SOEs as well as SOE index. Enterprise's results are provided separately.

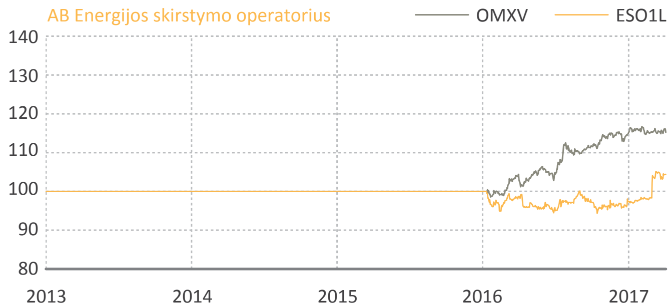
The index comprised of state-owned SOE shares shows the changes in the value of state-owned asset quoted on the exchange market since the end of 2015. SOE index grew by 1.6% during the period from the end of 2015 until the end of 2016. During this period the value of NASDAQ OMX Vilnius share index increased by 14.9%.











P/E ratio

Shares of the majority of listed SOEs are relatively cheaper than the sector averages

In order to determine the share value of listed Lithuanian SOEs, the price-to-earnings (P/E) ratio was estimated. This market capitalization to earned profit ratio reflects investor expectations and viability assessment of a company. However, it is rather and indicative ratio and is meaningful only when its value is compared within a time perspective and in the context of similar companies. For the purpose of comparative analysis, the P/E ratios of the companies of developing countries operating in the corresponding sectors were used.

The P/E ratios of listed Lithuanian SOEs, attributed to the same sectors, are notably different, reflecting fundamental aspects of the enterprises' operations. The P/E ratio of **AB Energijos skirstymo operatorius** which operated in the energy sector was valued at 8.3 and was five times lower than the average of the foreign enterprises of the energy sector (38.6), thus, **AB Energijos skirstymo operatorius** shares could be valued as cheap. Although more expensive, the shares of **AB Lietuvos energijos gamyba Group** with a P/E ratio of 9.9 are still considered cheap. **AB Litgrid** which operates in the same sector shares are the most expensive of all SOEs – in 2016 its P/E ratio reached 19.9. However, these shares are still two times cheaper compared to the foreign peers.

AB Klaipėdos nafta and **AB Amber Grid** which operate in oil and gas distribution sector achieved P/E ratio of, respectively, 14.8 and 10.6. In comparison with the averages of foreign peers (40.2), **AB Klaipėdos nafta** shares were valued three times cheaper, **AB Amber Grid** – four times cheaper.

Listed Lithuanian SOEs	P/E 2014	P/E 2015	P/E 2016	Comparable foreign sectors*	P/E 2016
AB LESTO	-	7.7	-	Energy	38.6
Litgrid AB Group	-	252.5	19.9	Energy	38.6
Lietuvos energijos gamyba, AB Group	14.8	-	9.9	Energy	38.6
AB Klaipėdos nafta	12.8	6.4	14.8	Oil and gas distribution	40.2
AB Lietuvos dujos	32.2	16.0	-	Oil and gas distribution	40.2
AB Amber Grid	-	13.3	10.6	Oil and gas distribution	40.2
AB Energijos skirstymo operatorius	-	-	8.3	Energy	38.6

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

As in 2014 **AB LESTO, AB Litgrid** and **AB Amber Grid** reported net losses, and in 2015 the net loss was reported by **AB Lietuvos energijos gamyba Group**, P/E ratios for these cases cannot be calculated. Due to the fact that **AB Energijos skirstymo operatorius** commenced its activities on the 1st of January, 2016 after the merger of electricity distribution company **AB LESTO** and natural gas distribution enterprise **AB Lietuvos dujos**, the P/E ratio for **AB Energijos skirstymo operatorius** is only calculated for 2016.

Aggregated SOE Financial Information

The following table contains summarised financial information of all SOEs based on the audited financial statements for 2016.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**2,481,090**	**2,506,687**
Cost of goods sold	1,642,228	1,582,413
Gross profit (loss)	**838,862**	**924,274**
Operating expenses	697,063	678,413
Profit (loss) from other activities	9,747	13,275
Operating profit (loss)	151,545	259,136
Operating profit margin	*6.1%*	*10.3%*
EBITDA	**544,267**	**622,380**
EBITDA margin	*21.9%*	*24.8%*
Financial and investment activities	-13,545	-9,997
Profit (loss) before taxes	**138,001**	**249,138**
Profit tax	14,557	38,563
Net profit (loss)	**123,442**	**210,576**
Minority share in profit (loss)	13,013	15,581
Normalised net profit (loss)	**225,678**	**255,563**
Normalised net profit margin	*9.1%*	*10.2%*

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Intangible assets	55,183	81,144
Tangible assets	6,024,882	6,078,826
Financial assets	142,288	127,609
Other non-current assets	522,347	472,847
Biological assets	1,004,512	1,054,460
Non-current assets	**7,749,212**	**7,814,886**
Inventories, prepayments and contracts in progress	389,199	510,631
Amounts receivable within one year	505,058	543,745
Other current assets	123,373	89,993
Cash and cash equivalents	425,190	491,664
Current assets	**1,442,821**	**1,636,033**
Total assets	**9,192,034**	**9,450,920**
Equity	**5,204,381**	**5,337,740**
Minority shareholder equity	121,081	121,359
Grants and subsidies	**1,697,708**	**1,851,283**
Non-current liabilities	1,391,955	1,385,386
Current liabilities	897,989	876,511
Liabilities	**2,289,944**	**2,261,897**
Financial liabilities	1,285,325	1,248,743
Total equity ant liabilities	**9,192,033**	**9,450,920**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	2.5%	2.7%
Normalised ROE	4.4%	4.8%
D/E	24.7%	23.4%

RETURN TO THE STATE (EUR '000)	2015	2016
Assigned dividends (share of the State)	104,456	112,585
Assigned profit contributions	6,696	7,885
Dividends and profit contributions to the State	**111,152**	**120,471**
Property tax	7,041	7,116
Raw material tax	21,628	21,665
Total	**139,820**	**149,252**

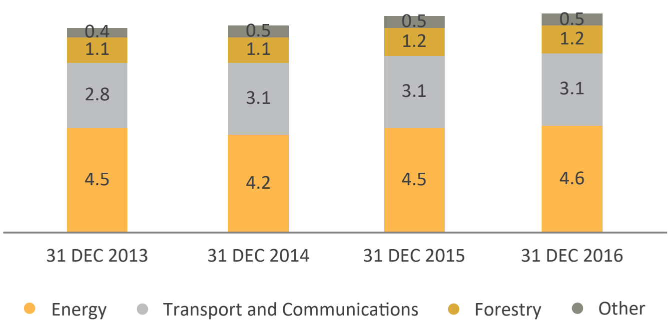
EMPLOYEE INFORMATION	2015	2016
Number of employees	40,353	38,878
Number of executives	457	373

Assets and Investments

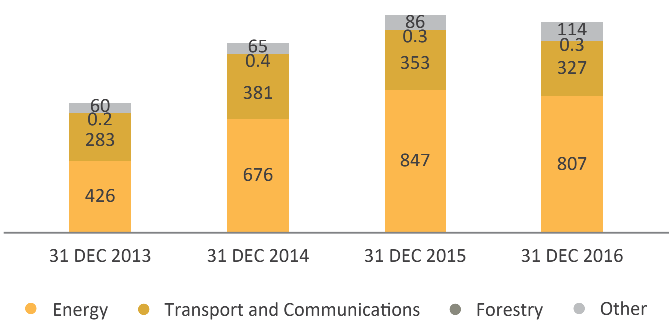
Financial liabilities of the SOEs' decreased

At the end of 2016, the book value of the assets of SOEs was worth EUR 9.5 billion, representing an increase of 2.8% as compared with the end of 2015. The carrying amount of the assets in the energy sector increased by 2.4% to EUR 4.6 billion, and accounted for slightly less than half of the total assets of SOE portfolio. The book value of the assets in the transport and communications sector increased only marginally, by 1.7%, or EUR 52 million, the respective value of the forestry sector increased by 4.7%, and accounted for more than EUR 1.2 billion.

Assets (EUR billion)



Financial Liabilities (EUR million)

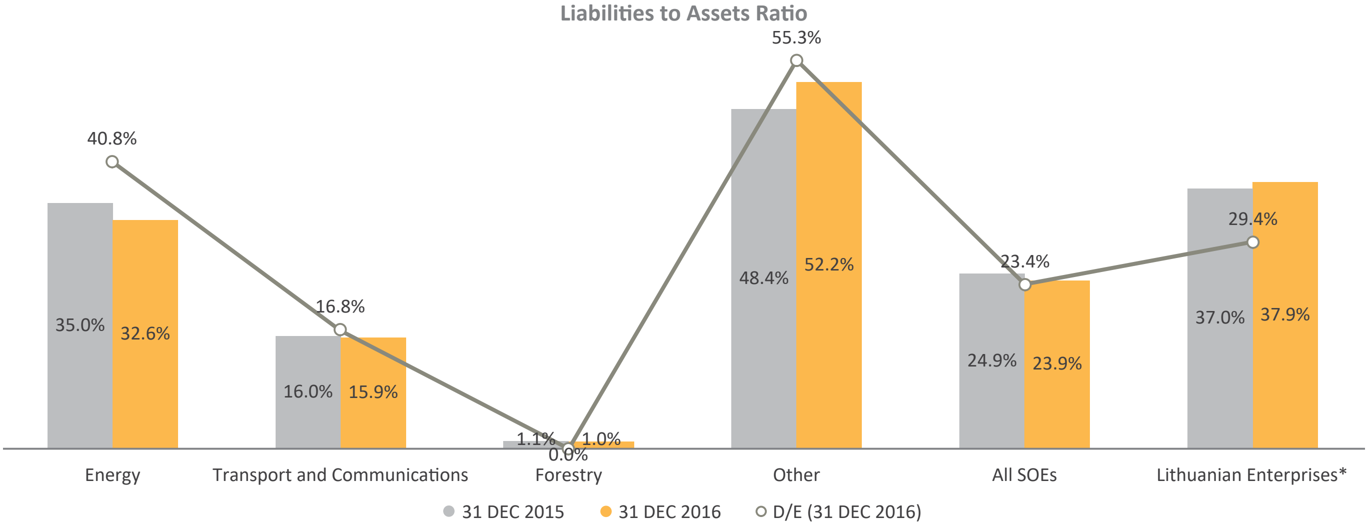


After having grown for several years the financial liabilities of the SOE portfolio in which the financial debts of the energy sector represented the largest share, during 2016 decreased by 2.8% to EUR 1,248.7 million. The reason for the change was the decrease of 7.3% and 4.7%, respectively, in the financial debts of the transport and communications and energy sectors. The main contributor to the result of the energy sector was **UAB EPSO-G Group** that reported a decrease in its financial liabilities in 2016 of 28.7%, or EUR 112.5 million. All the major transport sector entities, except the **road maintenance entities** reported decreasing financial liabilities. In the accounting period the financial debts of the forestry sector remained unchanged and were recorded at EUR 0.3 million, while the financial liabilities of other entities in the sector in the course of the year increased by 33.5%, or EUR 28.8 million.

The debt and assets ratio of the SOE portfolio decreased by 1 percentage point, and at the end of the accounting period amounted to 23.9%, which was 14 percentage points lower than the respective indicator of the other Lithuanian entities (data of the Statistics Lithuania). The largest share within the liabilities item was represented by the sector of other companies, where the indicator exceeded the Lithuanian average by 14.3 percentage points. Other enterprises within the sector that actually determined the high ratio of liabilities are represented by companies providing financial services, and companies operating at a loss. The assets and liabilities ratio in the transport and communications sector was more than two times lower than in the energy sector, and at the end of 2016 was recorded at 15.9%. The liabilities in the forestry sector remained comparatively low, as 97.8% of the assets in the sector are secured with equity capital.

During 2016 the equity value of the SOE portfolio increased by 2.6% to EUR 5,337.7 million. The fastest growth rate in equity value was recorded in the forestry sector, i.e. 4.7% or EUR 54.2 million. In the meantime the growth of equity value in the energy and transport and communications sectors during the accounting year was moderate, respectively, 2.3 and 1.6 percentage points. The carrying amount of equity of other enterprises in 2016 grew by 2.1%, and at the end of the year was worth EUR 207 million. In 2016 the amount of the SOE portfolio grants and subsidies increased by

Liabilities to Assets Ratio



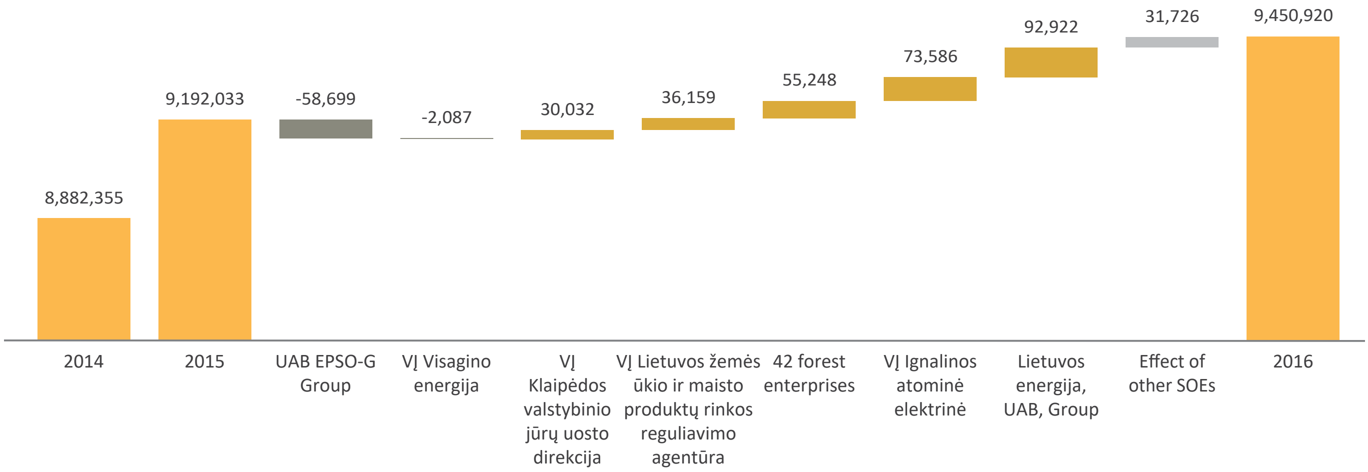
Source: Statistics Lithuania

9% to EUR 1,851.3 million. The largest share of grants and subsidies was recorded in the energy sector, in which subsidies increased by 14%, or EUR 135.3 million. The major contributor to the growth was the increase in the subsidies to **UAB EPSO-G Group** and **VĮ Ignalinos atominė elektrinė.**

At the end of 2016, financial liabilities and equity ratio of SOEs was equal to 23.4%, which is a decrease of 1.3 percentage points since 2015. As compared to the indicator of all Lithuanian entities, the SOEs' indebtedness level remained conservative, and at the end of the accounting year was 6% lower (data of the Statistics Lithuania). The largest equity to debt ratio at the end of 2016 remained in the other enterprises and energy sectors, respectively, 55.3 and 40.8 percentage points. The liabilities to equity ratio in the forestry sector remained, just as in previous years, close to zero (including the value of commercial purpose forest value appreciating the equity).

Hereafter is presented the information on the changes in the carrying amount of the SOE portfolio, specifying the changes by companies that had a major influence on the portfolio performance.

Change in Assets of the SOE Portfolio by the Enterprises (EUR '000)



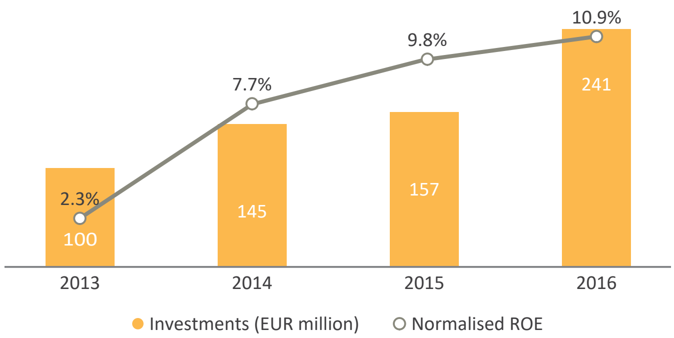
The carrying amount of **Lietuvos energija, UAB, Group** during the accounting period increased by EUR 92.9 million, and at the end of 2016 stood at EUR 2,432.2 million. The value of the assets grew mostly due to the enhanced investment activities; the investment increased by 53%, and the largest share was represented by EUR 84.7 million investments in maintaining the operations of the electricity distribution network, and EUR 62.7 million investments in the wind farms in Lithuania and Estonia.

In 2016 the assets of **VĮ Ignalinos atominė elektrinė** increased by 12.9%, and at the end of the year were worth EUR 644.9 million. The major contributor to the growth in the assets value was an increase of EUR 76.7 million in the level of grants and subsidies. The largest share in the increase was the growth in the value of inventories by EUR 104.4 million, and subsidies to non-current assets that increased by EUR 64.3 million. Meanwhile, subsidies to construction works decreased fairly significantly if compared to 2015, by EUR 152 million.

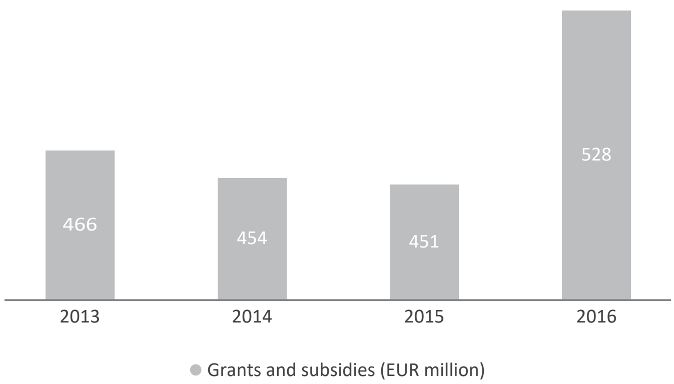
The value of **forest enterprises'** assets during the accounting period increased by EUR 55.2 million, or 9.2 percentage points. The increase was mostly caused by a growth in the forest value estimated using a discounted cash flow method; based on the estimations of the Governance Coordination Centre at the end of the year the value of commercial forest was EUR 1,053 million, an increase of 5% since 2015. The growth in the value of the forests managed by 42 forest enterprises resulted from a larger forest growth, as well as, in view of lower interest rates, lower discount rate applied for the purpose of calculation.

The assets of the **VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra** during 2016 more than doubled, and at the end of the year were worth EUR 60.8 million. The main cause of the increase in the asset value was the appreciation of the Company's inventories by EUR 44.6 million as a result of the intervention buying of skimmed milk powder. During the course of the accounting year, the Company's short-term debts increased by EUR 44.5 million.

Lietuvos energija, UAB, Group



VĮ Ignalinos atominė elektrinė



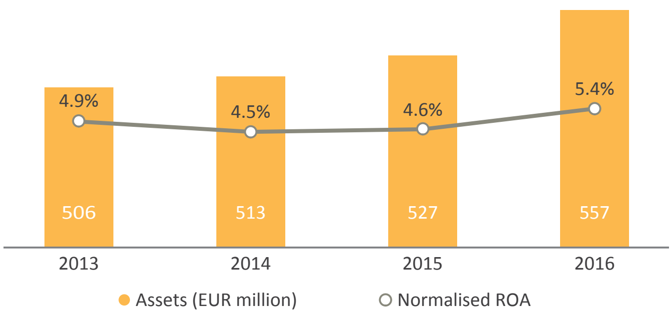
↑ The value of the assets of **VĮ Klaipėdos valstybinio jūrų uosto direkcija** during the accounting period increased by EUR 30 million, and at the end of 2016 stood at EUR 557.3 million. The Company's assets were growing in value due to the appreciation in equity of the Company, as the assets that according to laws could only be owned by the State, the respective capital in the accounting period was increased by EUR 22 million.

↓ During the accounting period, the value of **UAB EPSO-G Group's** assets fell by EUR 58.7 million and at the end of the year was worth EUR 1.1 billion. The change in the assets value was mainly caused by a EUR 57 million decrease in Group's current assets. Due to the decreased receivable subsidies as well as accrued income from provided public service obligations, the receivables amount in 2016 was smaller compared to the previous period. Due to the lower cash-flows during the reporting period, the cash and cash equivalents as well as financial assets decreased compared to 2015.

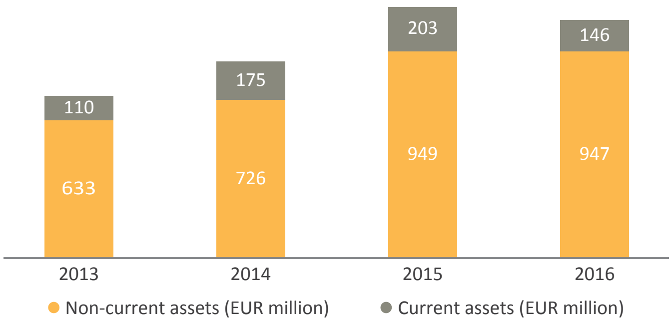
↓ The assets of **VĮ Visagino energija** during 2016 decreased by EUR 2.1 million or 4% and at the end of the accounting period were worth EUR 50.3 million. The largest impact to the change stemmed from the decreased value of non-current fixed assets, mostly the decrease of EUR 1 million in the value of the buildings and structures.

↑ The value of the remaining SOEs increased in the course of the year by EUR 31.7 million and contributed to the growth of the value of the overall SOE portfolio. Out of 66 entities the changes of which were not explained in detail, 35 entities reported an increase in the book value of assets, as opposed to 31 companies whose assets decreased in value.

VĮ Klaipėdos valstybinio jūrų uosto direkcija



UAB EPSO-G Group

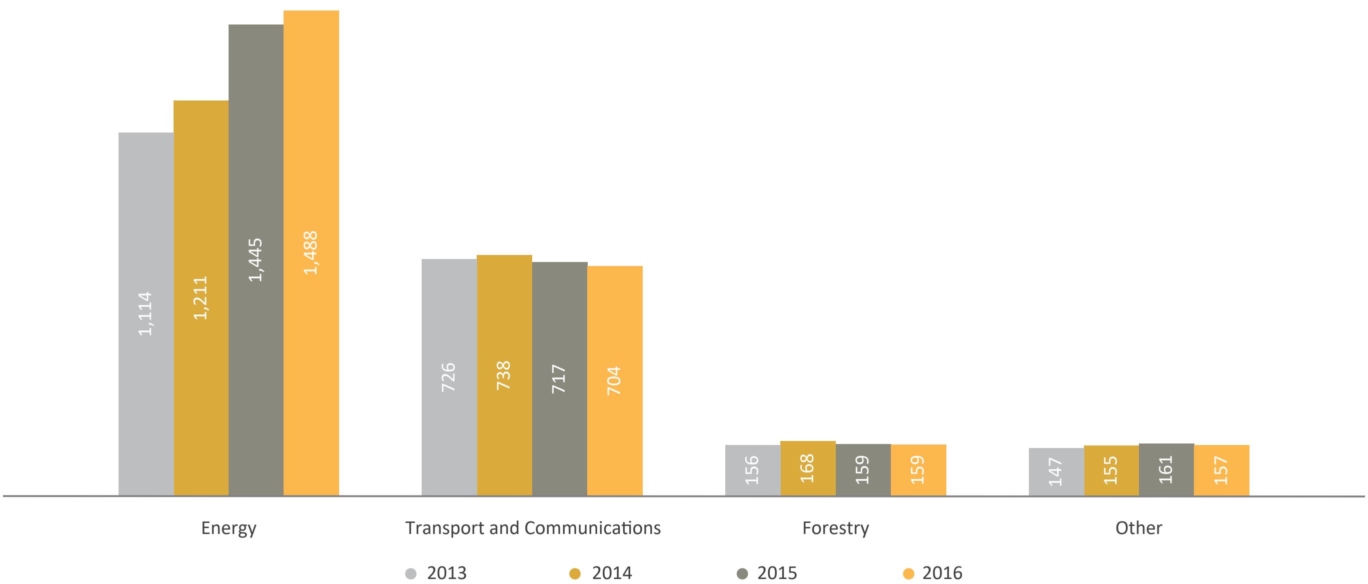


Sales Revenue

SOE revenue increased by 1%

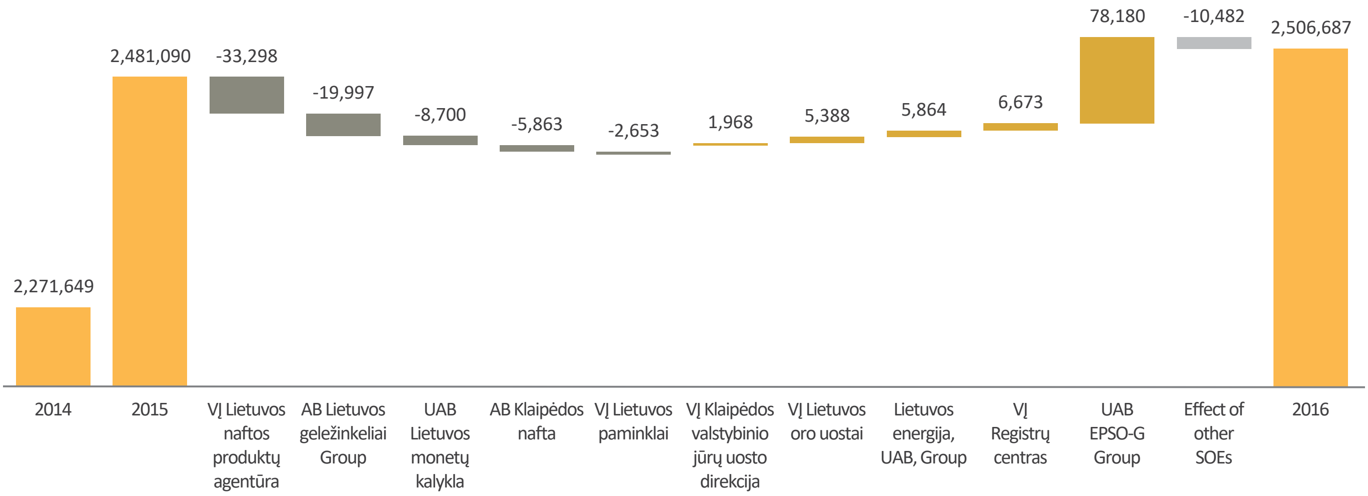
Sales revenue of SOE portfolio amounted to EUR 2.5 billion at the end of 2016 and, compared to the results of 2015, increased by 1%. The overall growth of portfolio revenue was determined by a 3% increase in revenue of the largest SOE sector – energy, which increased from EUR 1.4 to 1.5 billion. The results were highly influenced by the growth of 50% in the revenues of **UAB EPSO-G Group** as well as **Lietuvos Energija, UAB, Group** revenues, which were up by EUR 5.8 million compared to 2015. The negative impact on the revenues of the energy sector were mainly caused by the decrease in sales of **VĮ Lietuvos naftos produktų agentūra** and **AB Klaipėdos nafta**. The remaining sectors' revenues followed a negative trend in 2016: the revenues of the transport and communications sector fell by 1.8% compared to 2015, forestry sector revenues fell by 0.1% and other companies sector revenues decreased by 2.4%.

Sales Revenue (EUR million)



Hereafter is presented the information on the changes in the sales revenue of the SOE portfolio by the enterprises that had the greatest effect on the results of the entire portfolio.

Change in Sales Revenue of the SOE Portfolio by the Enterprise (EUR '000)



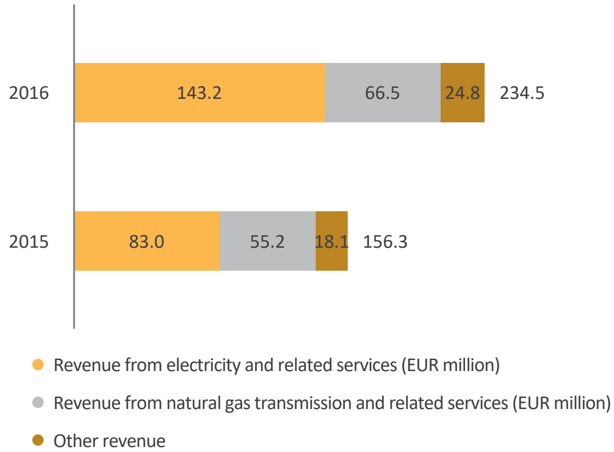
In 2016 the revenues of **UAB EPSO-G Group** amounted to EUR 234.5 million and were 50% higher compared to 2015. This growth can mostly be attributed to the larger volumes of transmitted electrical energy as well as higher service tariffs. The revenues from electrical energy transmission, which constitutes 29% of total Group income, increased by 34.8% and reached EUR 68 million, while the growth of revenues from natural gas transmission in 2016 was 20.1% reaching EUR 59.9 million, EUR 47.7 million of which was from the transmission to Lithuanian consumers.

VĮ Registrų centras earned EUR 36.9 million in revenues in 2016, i.e. EUR 6.7 million or 22.1% more than in 2015. This growth was mainly due to a merger of Population Registry Service (on January 1st, 2016) and Central Mortgage Office (on July 1st, 2016) into VĮ Registrų Centras. The overall income grew because of a 23.2% growth in non-commercial services revenue, which in 2016 amounted to 86.4% of the total company revenues.

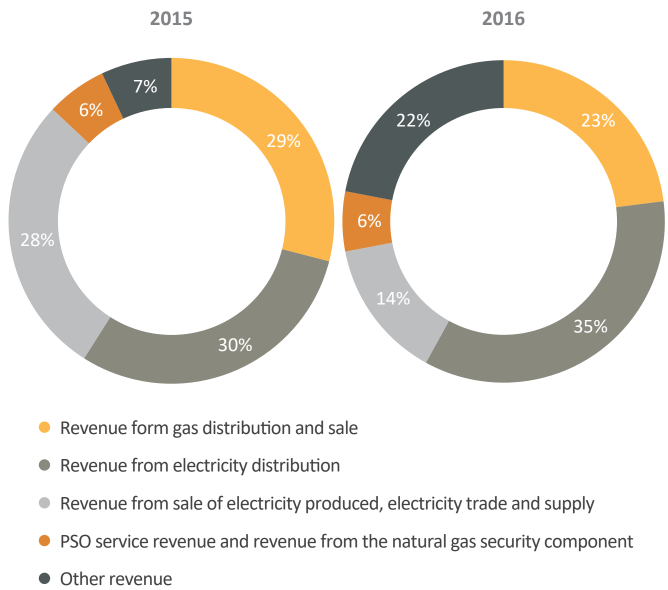
In 2016 **Lietuvos energija, UAB, Group** earned EUR 1,101.6 million in revenues, i.e. 0.5% or EUR 5.8 million more than in 2015. The largest part of Group's income was received from electrical energy transmission – EUR 389 million, i.e. 35% of total revenues. During 2016 the amount increased by 19.4% or EUR 63 million compared to 2015. The biggest share of the income growth can be attributed to the increased other transmission revenues, which AB ESO, acting as a public supplier, collects and distributes to other market participants. The revenues of distribution and sale of natural gas had a considerable impact on Group's income as well. During 2016 the forth mentioned revenues fell by 20.1%, i.e. EUR 63.3 million, to EUR 251.9 million. The lower volumes and prices of distributed natural gas in 2016 resulted in the decrease of the revenues' proportion in total Group income from 29% to 23%, compared to 2015. The income from electricity produced, electricity trade and supply, and PSO service revenue and revenue from the natural gas security component increased by EUR 11.1 million and EUR 12.1 million respectively.

VĮ Lietuvos oro uostai in 2016 earned 22%, i.e. EUR 5.4 million, more compared to 2015. Aviation revenues which in 2016 constituted 65.2% of the total income, grew by 27.6%, up to EUR 19.5 million. Tariffs accounted for the majority of aviation revenues and in 2016 increased by 28.7%. During the same period, non–aviation revenues grew by 12.7%. The major part of non-aviation revenues is determined by the income from the partial rent of passenger terminals – in 2016 these revenues grew by 8.8% compared to 2015.

UAB EPSO-G Group



Revenue Structure of Lietuvos Energija, UAB,Group



VĮ Klaipėdos valstybinio jūrų uosto direkcija revenues grew by 3.6% in 2016 and reached EUR 56.5 million. The major impact on the overall revenue growth had the increase of income from port tariffs, which in 2016 accounted for 87.2% of the total revenues and were 5% larger compared to the previous year. This increase was due to 4% higher volumes of stevedoring, which in 2016 reached 40.1 million tonnes and were 2 million tonnes larger compared to 2015.

In 2016 the revenues of **VĮ Lietuvos naftos produktų agentūra** reached EUR 33.6 million and were 49.7% lower compared to the previous year. This fall was mainly due to a decrease of income received from the sale of State reserves, especially the sale of diesel reserves, which fell from EUR 63.4 million in 2015 to EUR 19.1 million in 2016 (a 69.8% decrease). Revenues, received from the sale of petrol reserves (EUR 13.5 million) had a positive impact on the overall income growth of the enterprise in 2016, as no revenues from this source were received in 2015. However, in 2016 no income was received from the sale of fuel oil reserves, which in 2015 accounted for EUR 3 million.

In 2016 **AB Lietuvos geležinkeliai Group** earned EUR 409.5 million in income, a decrease of 4.7% compared to the previous year. The fall in revenues was primarily influenced by 5.6% lower income from the international cargo services as well as the altered composition of the cargo transported. In 2016 the volumes of cargo transferred fell by 0.8%, i.e. 0.4 million tonnes, while the number of passenger traffic increased by 4.8%, i.e. 0.2 million. Due to smaller quantities of international cargo transfers in 2016, the volumes as well as the revenues from the cargo transfer related services were lower compared to 2015.

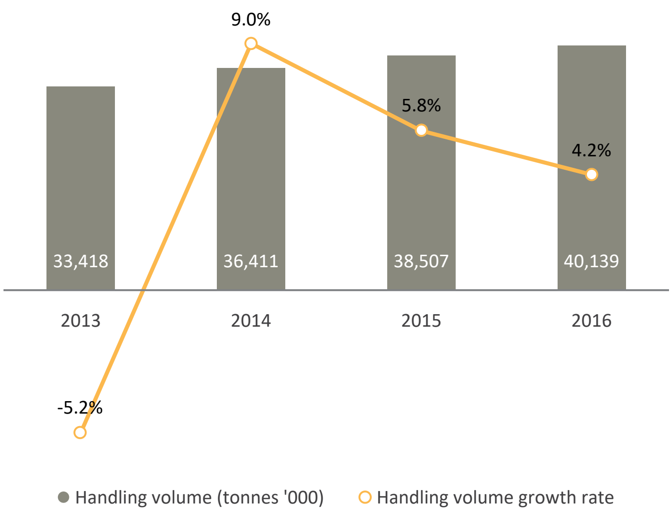
During 2016, the revenues of **UAB Lietuvos monetų kalykla** fell by 67.6%, i.e. EUR 8.7 million and at the end of the year amounted to EUR 4.2 million. This decrease was caused by a lower income from circulation and circulation collector coins which in 2016 was 92.6% lower than in the previous year – a decrease from EUR 7.2 million to EUR 0.5 million. Higher revenues in 2015 were mainly earned due to an increase in income related to production of euro coins, while lower revenues in 2016 were mainly earned due to unstable demand of circulation coins as well as changes in the collector coin market.

AB Klaipėdos nafta earned EUR 103.8 million in revenues in 2016, i.e. 5.3% less than in 2015. The decrease is related with the fall in revenues of the LNG and oil terminals. The income received from the services related to oil terminal decreased by 8.5% and at the end of the year amounted to EUR 34 million. This result was due to lower volumes of transshipment as well as, in relation to political situation, temporally lower quantities supplied to Belarus oil refineries. The LNG terminal revenues which in 2016 accounted for 64.5% of total income fell by 4.2% due to lower overall Lithuania's natural gas consumption. Subačius oil terminal sales revenues grew by 9.3% in 2016, but only accounted for 2.7% of the total revenues of the enterprise.

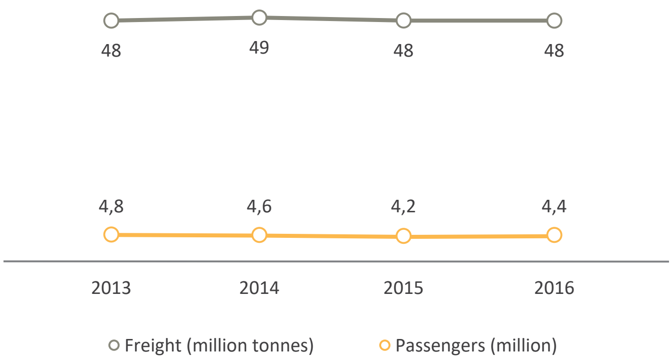
In 2016 **VĮ Lietuvos paminklai** revenues fell by 30.6%, i.e. from EUR 8.6 million in 2015 to EUR 5.9 million in 2016. The lower income was caused by a 37.4% decrease in revenues received from construction, emergency repairs, reconstruction and other services, which in 2016 accounted for 74.1% of total revenues, i.e. EUR 4.4 million. Additionally, during the accounting period the income received from contracting and project management services fell by 17%.

The revenues of **other SOEs** were EUR 10.5 million lower in 2016 compared to 2015 and had a negative impact on the overall income earned by the Lithuanian SOEs. Of 104 enterprises, of which no detailed explanations of changes in their sales revenue were provided, 57 enterprises experienced revenue growth, 46 enterprises – a decline, and VĮ Energetikos agentūra, whose activities are funded by direct State grants and subsidies, as in 2015, did not account revenue at all.

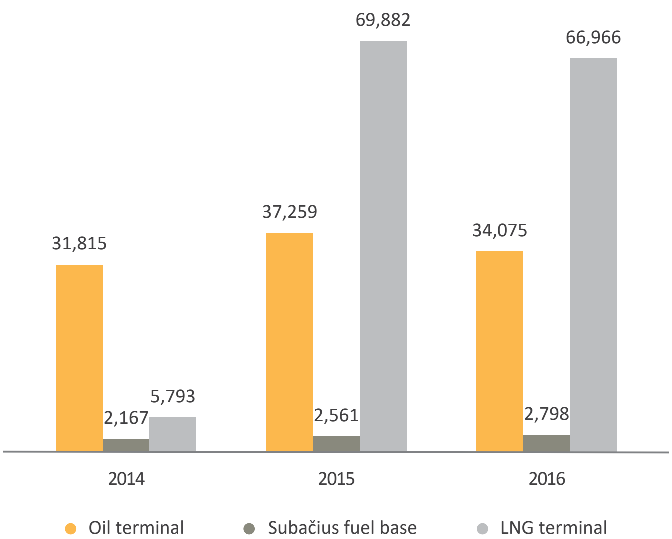
Handling of VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija



Activity Statistics of AB Lietuvos Geležinkeliai



Revenue Structure of AB Klaipėdos Nafta (EUR '000)

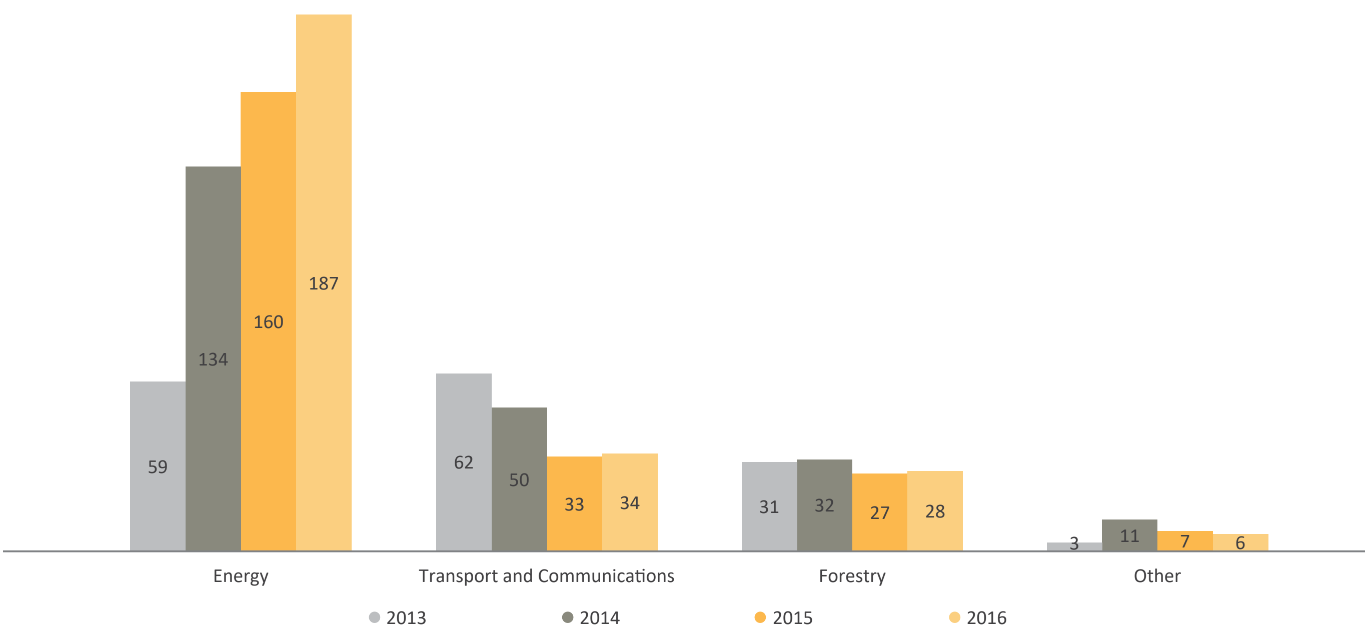


Normalised Net Profit

The normalised net profit increased by 13.2%.

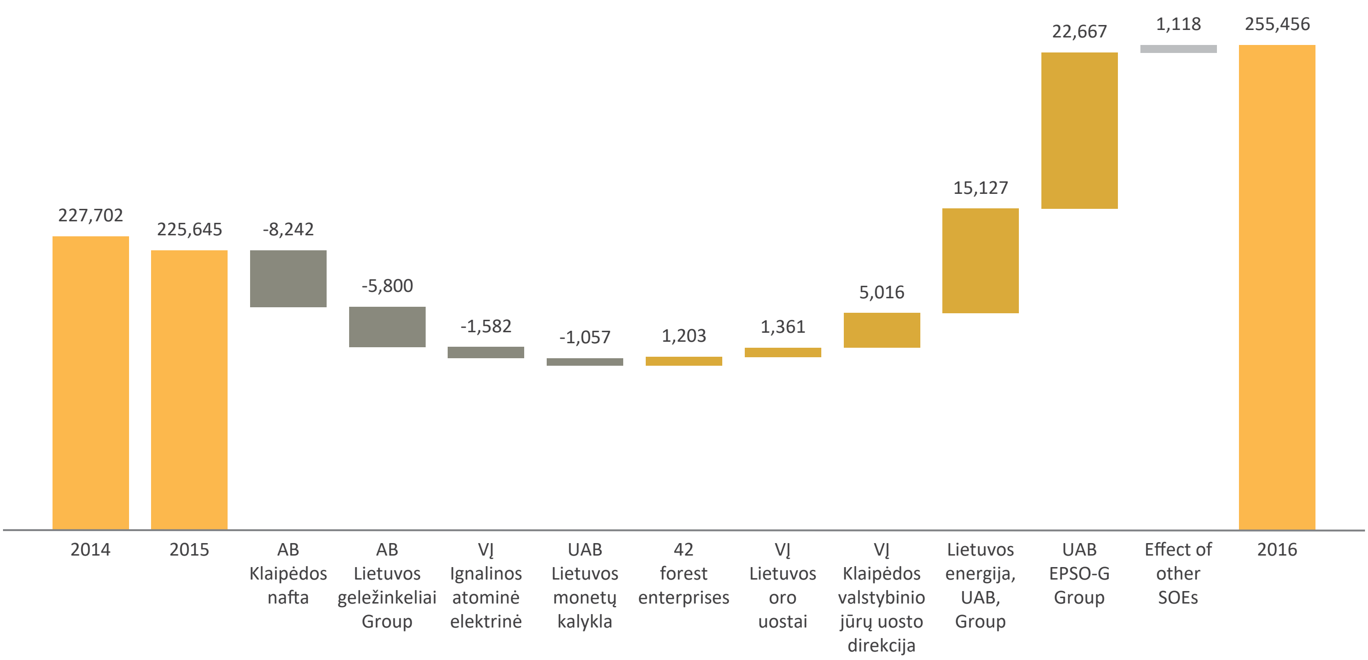
In the course of 2016, the state-owned enterprises in aggregate earned EUR 255.6 million in normalised net profit, i.e. 13.2% up as compared to 2015. The factor mostly affecting the growth was the normalised net profit of energy sector companies, primarily **Lietuvos energija, UAB, Group**, and the **UAB EPSO-G Group**. The normalised net profit of the transport and communications and forestry sectors grew only marginally, 4.6% and 4.7% respectively. The sector indicator of other companies declined by 2.6%, and in the accounting year stood at EUR 6.4 million.

Normalised Net Profit (EUR million)



Hereafter is presented the information on the changes in the normalised net profit of the SOE portfolio, specifying the changes by companies that had a major influence on the portfolio performance.

Change in Normalised Net Profit of the SOE Portfolio by the Enterprises (EUR '000)



UAB EPSO-G Group's normalised net profit increased in 2016 by 2.9 times, and reached EUR 34.9 million. The growth can mostly be attributed to more than a 50% increase in Group's revenues due to larger volumes of transmitted electric energy, higher electricity service rates and increased income from natural gas transmission, while the operating costs grew only by 35.2%. The net profit of AB Litgrid, a Group entity, reached EUR 17.9 million (EUR 1.4 million in 2015), and another Group entity AB Amber Grid reported its net profit at EUR 20.9 million (EUR 16 million in 2015).

Lietuvos ernergija, UAB, Group during 2016 earned EUR 143 million in normalised net profit, i.e. 11.8% more than a year ago. The normalised net profit was higher mostly because the net loss of a subsidiary UAB Lietuvos dujų tiekimas decreased by EUR 18.8 million, and the operating costs of the entire Group were less by EUR 15.7 million, or 10.3%. The decrease in Group's operating costs was caused by an efficient merger of AB LESTO and AB Lietuvos dujos as well as EUR 8 million lower labour costs as the number of employees in 2016 was reduced by 9,6% compared to 2015.

VĮ Klaipėdos valstybinio jūrų uosto direkcija normalised net profit increased by 20.8% in 2016, and reached EUR 29.1 million. A significant contributor was a 4.2% growth in the stevedoring volumes which during the reporting period exceeded 40.1 million tonnes making it the best result in the history of the Klaipėda State Seaport. Consequently, the toll revenues constituting the main part of the Port's income, increased by 4.7%, leading to a significant growth in the sales revenue. The year 2016 also recorded a decrease of 1.7% in the operating costs.

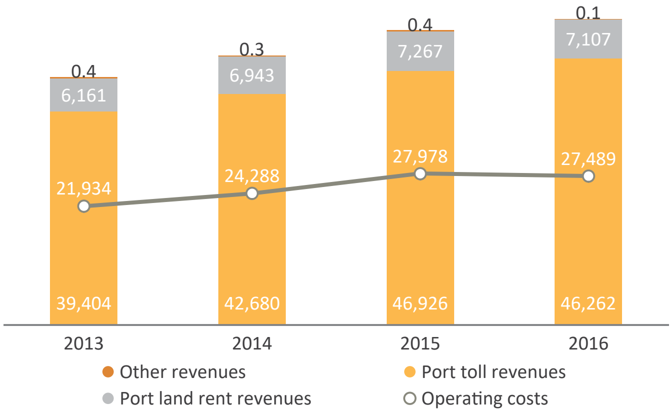
VĮ Lietuvos oro uostai in 2016 earned 56.2% more normalised net profit than in the previous year. During the accounting period the normalised net profit of the Company was recorded at EUR 3.8 million. The increase in the normalised net profit was mostly caused by a significant growth in the revenues from aviation operations which during 2016 increased by 27.6% and were recorded at EUR 19.5 million; the revenue increased mostly due to the surge in the flow of passengers (+13.2%) and flights (+5.5%). The growth in the number of passengers at the Vilnius International Airport in the accounting period was 14.3%, at the International Palanga Airport the passenger flows grew by 59.9%, while at Kaunas International Airport the flows fell by 0.9%.

In 2016, the normalised net profit of **42 forest enterprises** grew by 4.6%, and considering the effect of non-typical taxes to the State, the normalised net profit stood at EUR 27.6 million. The main reason for the growth in the profits of forest companies was a decrease of EUR 1.3 million in the costs of sales due to the major improvements in the forest road infrastructure.

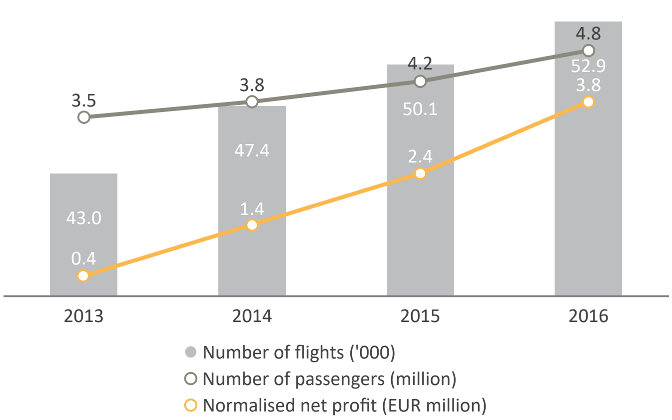
AB Klaipėdos nafta in the course of 2016 earned EUR 13.8 million in net profit – 37.4% or EUR 8.2 million less than in 2015. The key reasons for the result were the following: firstly, as a result of changes in the stevedoring contract structures and higher costs in the railway services the net profit from the Klaipėda terminal operations decreased by EUR 4.6 million, and secondly, the net profit from liquefied natural gas (LNG) operations fell by EUR 3.5 million due to the lower income as well as increased depreciation and the lease costs of the floating storage regasification unit.

AB Lietuvos geležinkeliai Group in 2016 suffered a net loss of EUR 5.1 million (in 2015, the Group earned EUR 0.7 million in net profit). The Group's loss was mostly due to a 5.9% decrease in the income that in its own turn was caused by a decrease in the volumes of international freight transportation and changes in the freight structure, as well as a loss of EUR 3.5 million suffered by a subsidiary UAB Geležinkelio tiesimo centras. During the reporting period the net loss of AB Lietuvos geležinkeliai accounted for EUR 1.8 million, in addition to EUR 3.3. million in loss incurred by its subsidiaries.

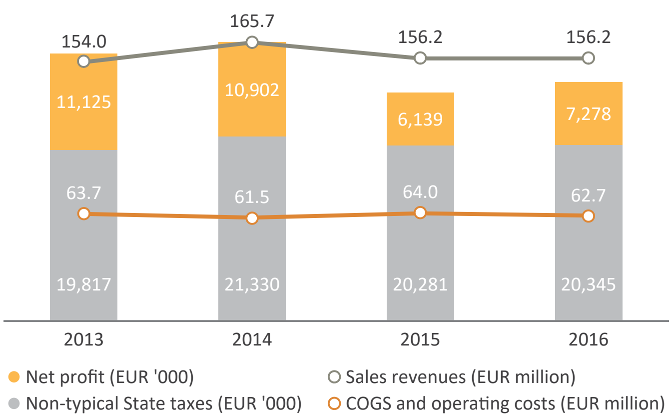
The Operating Results of VĮ Klaipėdos valstybinio jūrų uosto direkcija (EUR '000)



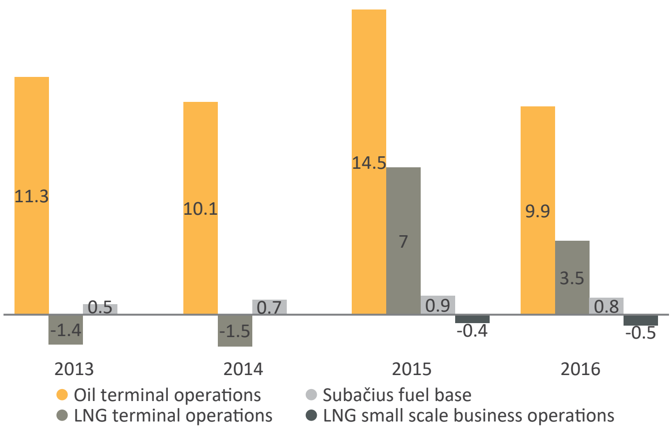
VĮ Lietuvos oro uostai



42 forest enterprises



AB Klaipėdos nafta Net Profit (EUR million)

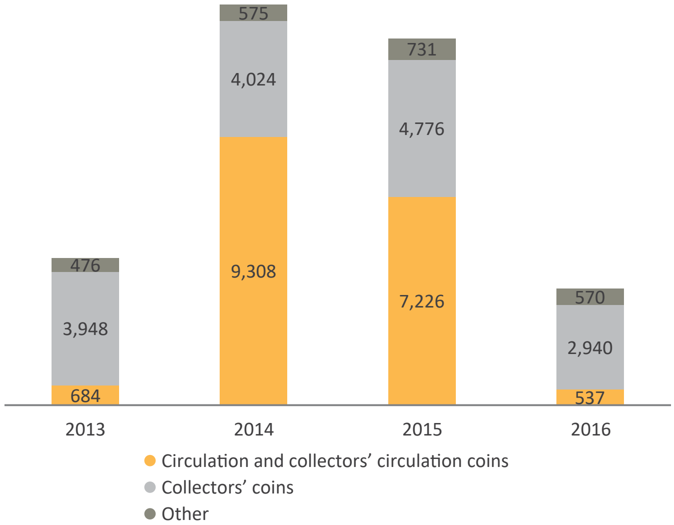


↓ **VĮ Ignalinos atominė elektrinė** in the reporting period incurred EUR 4 million in normalised net loss (in 2015 – EUR 2.4 in normalised net loss). The result of the Company was to a large extent affected by a significant, a nearly 8 times, increase in the cost of non-subsidised wages, a write-off of a debt of EUR 0.3 million, and the non-subsidised heating costs of EUR 0.5 million.

↓ **UAB Lietuvos monetų kalykla** in 2016 suffered a loss of EUR 0.4 million (in 2015, the Company earned EUR 0.6 million in net profit). As compared to 2015, the Company's results were mostly determined by the decrease of 66.8% in the sales revenue. Most markedly the Company's revenues decreased in the circulation and collectors' circulation coins (-92.6%), collector coins (-38.4%), and medals (-31.9%) segments. In 2014–2015, the increase of the sales revenue was mostly caused by the orders related to the introduction of the euro in Lithuania.

↑ In 2016 **Other SOEs** contributed positively to the overall result of the SOE portfolio and earned EUR 1.1 million more in normalised net profit than in 2015. Out of 64 enterprises, which net result changes were not described in detail, the normalised net profit increased in 34 enterprises and fell in 30 enterprises.

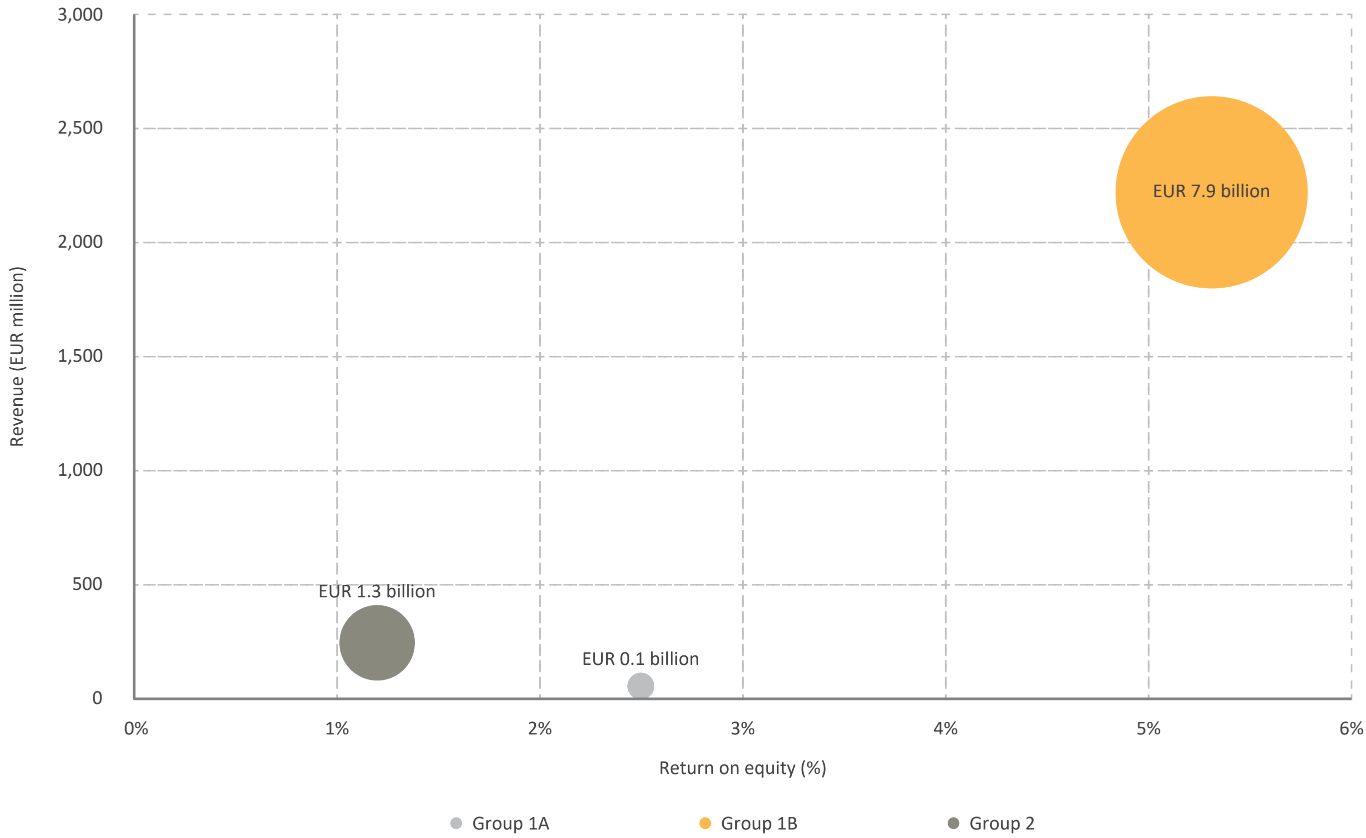
The Structure of UAB Lietuvos monetų kalykla Revenues (EUR '000)



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 and political objectives set by the State, secure strategic interests of the State, etc. Group 2 enterprises first and foremost 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 consists of 18 enterprises which are included in the portfolio, the largest being **VĮ Visagino energija, UAB Toksika** and **AB Giraitės ginkluotės gamykla**. This group is the smallest in terms of the value of assets and revenues: in 2016, the value of group 1A enterprises' assets was EUR 146.1 million, revenue was EUR 45.4 million. Despite the expectations towards the highest profitability and contribution to the State budget in the form of dividends from this group, the return on equity of its enterprises failed to meet the expectations – in 2016 normalised ROE reached 2.5%. In 2016 **AB Problematika** (EUR 1 million) and **UAB Lietuvos parodų ir kongresų centras LITEXPO** (EUR 0.8 million) earned the most normalised net profit out of Group 's enterprises. The normalised return on equity of **AB Problematika** was 13.2% while **UAB Lietuvos parodų ir kongresų centras LITEXPO** reached 7.5%.

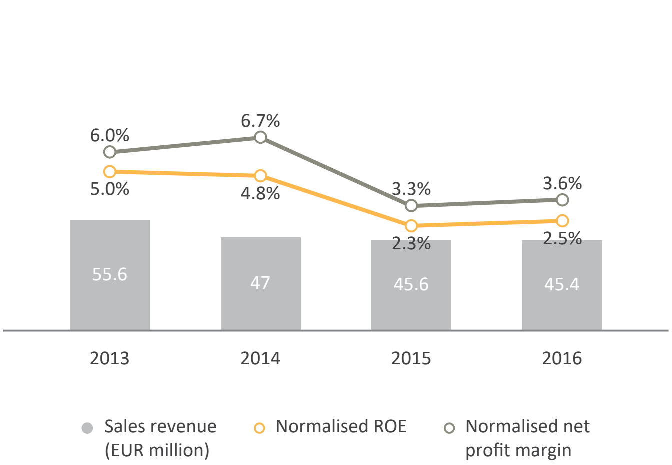
In terms of revenue and assets, Group 1B is the largest. 58 SOEs which are included in the portfolio are attributed to this group; while the aggregate book value of its assets constituted EUR 8 billion in 2016 (84.4% of the SOE portfolio value) and revenue reached EUR 2.2 billion (88.5% of the SOE portfolio revenues). This group is comprised of the most important SOEs in energy, and transport and communications sectors – **Lietuvos Energija, UAB, Group, AB Lietuvos geležinkeliai Group, VĮ Klaipėdos valstybinio jūrų uosto direkcija, AB Lietuvos paštas Group, AB Klaipėdos nafta, VĮ Lietuvos oro uostai, UAB EPSO-G Group,** etc. This group also incorporates **42 forest enterprises**.

Evaluating the profitability of Group 1B companies is a 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, the Group's return on equity gradually grew during the last four years and reached 5.3% in 2016.

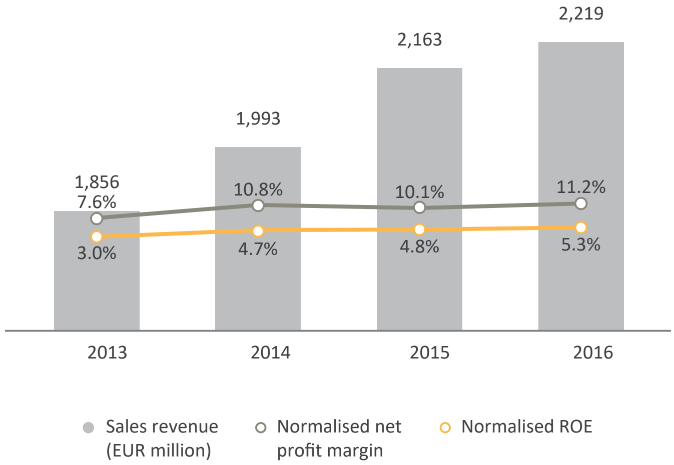
In 2016, Group 1B earned an aggregate net profit of EUR 247.8 million (after eliminating one-off revaluation losses, the effect of non-standard taxes to the State and losses sustained due to the banks' bankruptcies) – that is 13.8% more than in 2015.The largest impact on the growth of group's profitability had **UAB EPSO-G Group's** results, which were influenced by larger volumes of transmitted electric energy as well as higher electric energy transmission tariffs. The net profit of the company in 2016 amounted to EUR 34.9 million and was 185% larger than in 2015.

A factor that influenced the aggregate rate of return of Group 1B enterprises was that the return on equity of the **forest enterprises**

Group 1A Enterprises



Group 1B Enterprises



was calculated by including the value of commercial forests, estimated using the discounted cashflow method, in the value of equity. Based on the valuation carried out by the Governance Coordination Centre in early 2017, commercial value of the forests, managed by the **forest enterprises**, reached EUR 1,053 million in 2016 and represented 87% of the total value of equity of the **forest enterprises** at the end of 2016. The return on equity, calculated with the forest value included, was 2.3% in 2016. If the 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 the forests.

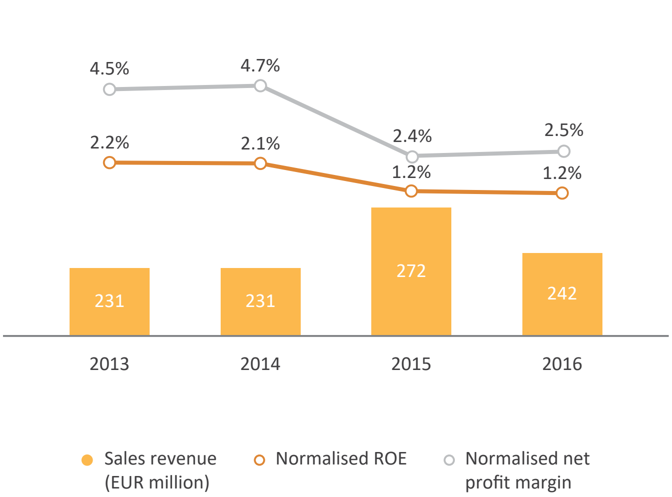
Out of the largest Group 1B enterprises, the best profitability ratios were achieved by **UAB EPSO-G Group** (15.8% normalized ROE in 2016) and **Lietuvos Energija, UAB, Group** (normalised ROE reached 10.9%). The larges loss-making enterprise of the group in 2016 was **AB Lietuvos Geležinkeliai Group**, which experienced EUR 5.1 million of net loss.

Group 2 consists of 38 SOEs which are included in the portfolio. The book value of this group's assets constituted EUR 1.3 billion in 2016, revenues – EUR 242.4 million. The largest enterprises assigned to this group are **VĮ Lietuvos naftos produktų agentūra, 11 Road maintenance enterprises, VĮ Oro navigacija, VĮ Registrų centras** and **VĮ Regitra**.

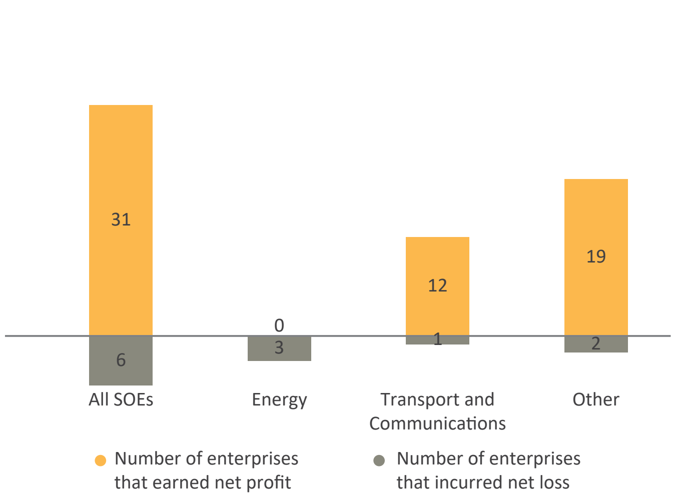
It should be noted that the normalised return on equity of this group's enterprises reached 1.2%. Such ratio complies with the objectives set by the State for this group (not to be loss-making).

VĮ Regitra and **VĮ Oro navigacija** accounted for the largest profits in the group 2 by earning EUR 2.9 million and EUR 2.4 million of normalized net profit, respectively, and resulting in normalised ROE of 15.5% and 5.4%. In 2016 six enterprises of this group featured losses, **VĮ Ignalinos atominė elektrinė** experiencing the largest loss of EUR 4 million.

Group 2 Enterprises

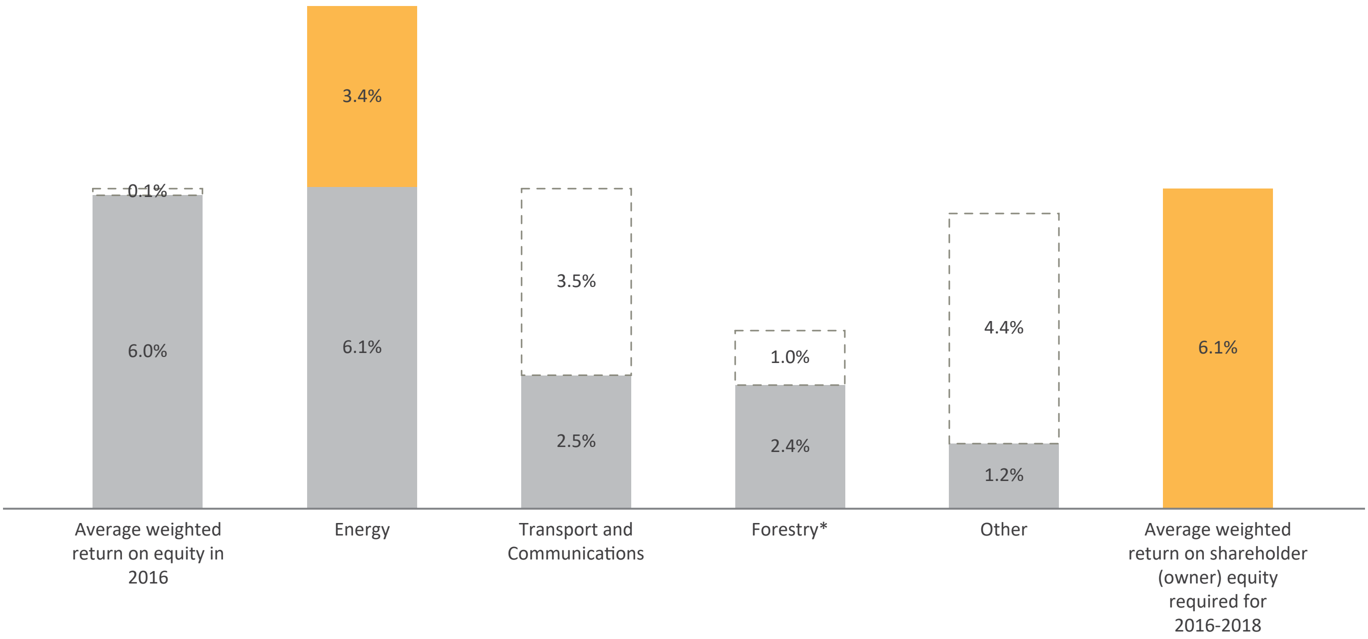


Group 2 Enterprises



Implementation of Objectives Set by the Government

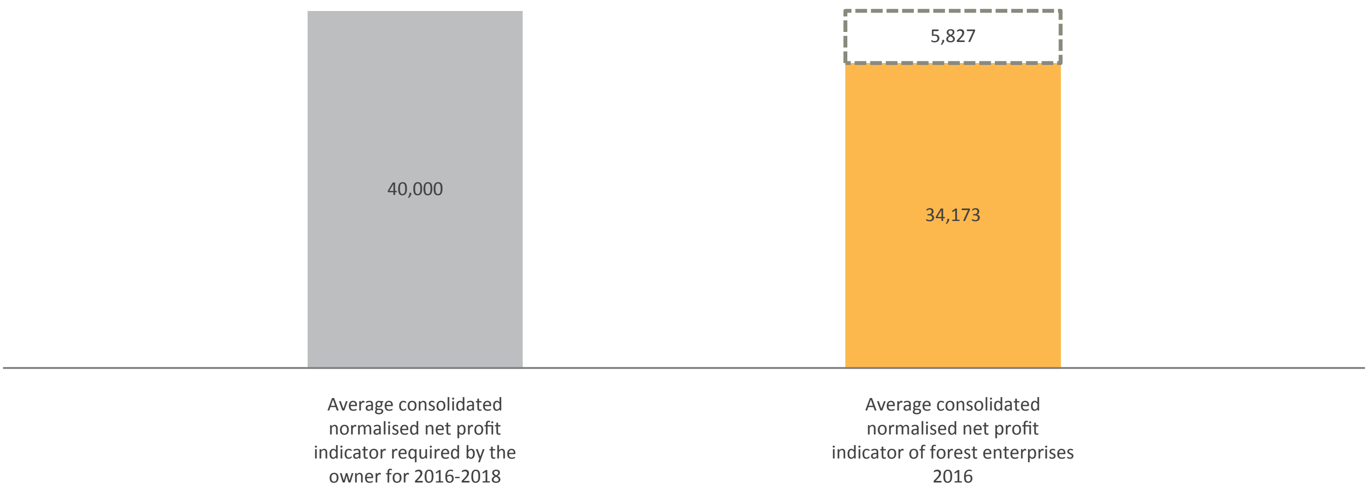
In 2016 Lithuanian Government decided, that the enterprises engaged in commercial activities (enterprises of Groups 1A and 1B) should have to achieve individually set average annual return on equity for 2016-2018, while **forest enterprises** should strive to achieve an annual aggregate net profit of at least EUR 40 million on average during the same period (after deducting property and raw material taxes to the State from operating expenses together with the expenses of special obligations while performing ecological and social activities, less profit tax).



**As forest enterprises are not subject to the return on equity requirement, their results were not included in the average weighted 2016 – 2018 return on equity.*

In 2016 the average weighted annual return on equity of 1A and 1B Group enterprises amounted to 6% or 0.1 percentage points less than the requirement set by the Government. The ratio determined by the Government was achieved by 8 out of 17 Group 1A enterprises and 9 out of 16 Group 1B enterprises (this does not include the requirements of **42 forest enterprises** because they are determined by the consolidated net profit ratio requirement). **UAB Geoterma** and **UAB Respublikinė mokomoji sportinė bazė** are not included in the analysis, as their equity was negative during the analysed period. In 2016 the best results were achieved by the energy sector – its normalised average weighted annual return on equity reached 9.5% and was 3.4% larger than the requirement set by the Government. During the reporting period, the normalised average

The Implementation of the Government Requirements for the Forest Enterprises (EUR '000)



weighted annual return on equity for the transport and communications sector amounted to 2.5%, other enterprises sector – 1.2% and was the lowest out of all SOEs' sectors.

Forest enterprises are not subjected to the return on equity requirement. Under the Government's decision, **forest enterprises** must earn an annual consolidated net profit of EUR 40 million on average for the 2016-2018 period. In 2016 these enterprises earned an aggregate net profit of EUR 34.2 million, which is 14.6% less than required by the Government. The normalised return of equity of **forest enterprises** reached 2.4% in 2016.

Further presented is the individual return on equity ratios of the enterprises for 2016 (after deducting property and raw material taxes to the State as well as the financial influence of special obligations).

Enterprise	Group	Normalised ROE in 2016	Average shareholder (owner) required ROE for 2016 – 2018
Lietuvos energija, UAB, Group	1B	9.0%	5.7%
UAB EPSO-G	1B	15.8%	8.8%
AB Klaipėdos nafta	1B	7.1%	5.9%
VĮ Visagino energija	1A	0.7%	5.2%
UAB Geoterma[1]	1A	-	5.8%
AB Lietuvos geležinkeliai Group	1B	0.9%	5.5%
AB Lietuvos paštas Group	1B	7.6%	7.3%
AB Smiltynės perkėla	1B	6.5%	6.0%
VĮ Klaipėdos valstybinio jūrų uosto direkcija	1B	6.2%	7.5%
VĮ Lietuvos oro uostai	1B	3.3%	5.7%
AB Lietuvos radijo ir televizijos centras	1B	0.8%	5.9%
VĮ Valstybinis miškotvarkos institutas	1A	9.4%	5.5%
UAB Projektų ekspertizė	1A	7.8%	5.6%
VĮ Statybos produkcijos sertifikavimo centras	1B	7.2%	6.6%
VĮ Mūsų amatai	1B	-16.6%	6.2%
UAB Lietuvos kinas	1A	6.2%	5.9%
UAB Respublikinė mokomoji sportinė bazė[2]	1A	-	5.7%
UAB Lietuvos monetų kalykla	1B	-7.1%	5.5%
AB Informacinio verslo paslaugų įmonė	1A	15.7%	6.6%
AB Detonas	1B	8.6%	5.6%
AB Problematika	1A	13.2%	5.6%
UAB Universiteto vaistinė	1A	2.1%	7.4%
AB Giraitės ginkluotės gamykla	1A	2.6%	6.6%
UAB Toksika	1A	-5.4%	6.3%
UAB Lietuvos parodų ir kongresų centras LITEXPO	1A	7.5%	5.7%
UAB poilsio namai Baltija	1A	-15.8%	6.4%
AB Vilniaus metrologijos centras	1B	7.1%	6.6%
VĮ Infrostruktūra	1B	-5.4%	6.6%
AB Jonavos grūdai	1B	9.8%	7.0%
UAB Panevėžio veislininkystė	1A	21.1%	4.6%
UAB Šilutės polderiai	1A	5.0%	5.9%
UAB Valstybinė projektų ir sąmatų ekspertizė	1A	6.9%	5.6%
UAB Aerogeodezijos institutas	1A	-20.7%	5.6%
UAB Dotnuvos eksperimentinis ūkis	1A	0.2%	5.1%
UAB Upytės eksperimentinis ūkis	1A	3.9%	4.3%

[1]-UAB Geoterma had a negative equity in 2016; consequently the return on equity was not calculated.
[2]-UAB Respublikinė mokomoji sportinė bazė had a negative equity in 2016; consequently the return on equity was not calculated.

Return from SOEs to the State

The return from the SOEs to the State increased by 7.1%

At the end of 2016, the return to the State was recorded at EUR 150 million, or 7.1% more than in 2015. Of the total return the dividends to the State and the income tax amount totalled EUR 120.5 million, representing an increase of 8.5%. The share of the non-typical tax payable to the State increased only marginally, by 0.4%, and in 2016 constituted EUR 28.8 million.

For the accounting period the energy sector companies allocated EUR 108.7 million in dividends to the State. The largest amount in dividends was appropriated by **Lietuvos energija, UAB**, EUR 100.7 million, EUR 14.7 million more than in 2015. A fairly significant share of EUR 7 million was allocated by **AB Klaipėda nafta**. For 2016, **UAB EPSO-G** assigned EUR 508 thousand in dividends. **UAB EPSO-G** allocated 0.5% of its net profit available for distribution in dividends, because the Company is participating in the project regarding the gas pipelines connection between Poland and Lithuania.

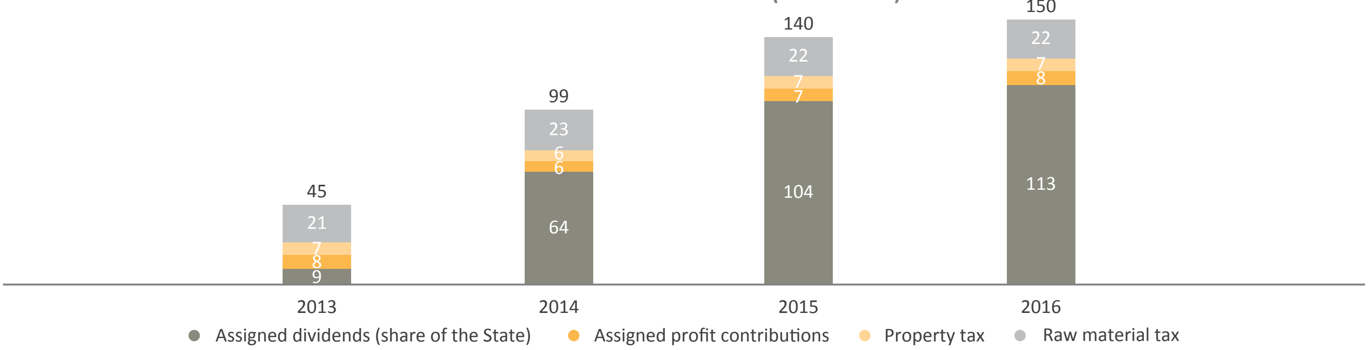
In 2016 the transport and communications sector allocated EUR 2.8 million in dividends and profit contributions to the State, i.e. EUR 1 million less than in 2015. **VĮ Lietuvos oro uostai** allocations in dividends and profit contributions were the largest of all sectors' SOEs, EUR 1.7 million, an increase of 64.1% compared to 2015. As compared to the previous period the dividend allocation by **AB Smiltynės perkėla** of EUR 440 thousand represented an increase of 88%. **11 road maintenance companies** allocated smaller profit contributions than in 2015. In total the amount decreased by 30.9% to EUR 665 thousand. Due to the loss accruals **AB Lietuvos geležinkeliai** and **AB Lietuvos paštas** did not pay any dividends to the State budget, and despite EUR 28.7 million earned in net profit **VĮ Klaipėdos valstybinio jūrų uosto direkcija** was exempted from the profit contributions to the State.

Based on their performance results in 2016 the **forest enterprises** and **VĮ Valstybinis miškotvarkos institutas** will contribute EUR 3.7 million in profit contributions to the State budget, which is an increase of 15.2% compared to 2015.

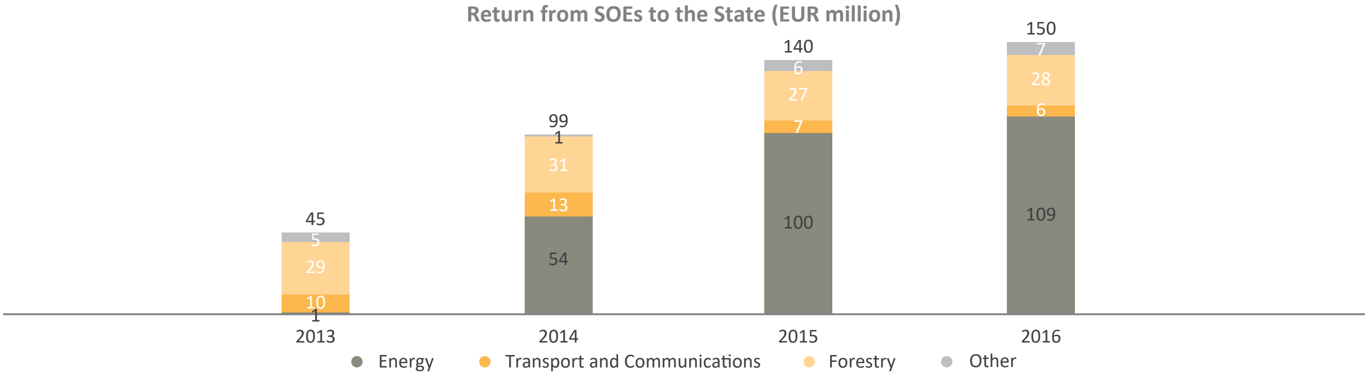
The total dividends and profit contributions allocated by the other companies' sector was recorded at EUR 5.8 million or EUR 15.2% more than in 2015. The largest contributor was **VĮ Regitra** with a profit contribution that reached EUR 1.4 million, EUR 248.7 thousand more than in 2015. A significant contributor to the State budget was **AB Problematika** – EUR 859.1 thousand, 70.4% increase as compared with the previous period, followed by a dividend contribution of EUR 650 thousand by **UAB Investicijų ir verslo garantijos**.

The non-typical taxes paid in 2016 by the SOEs were by EUR 112 thousand on top of 2015, and totalled EUR 28.8 million. The largest share of the non-typical taxes was paid by the **forest enterprises**: EUR 21.7 million in raw material tax, and EUR 2.3 million in property tax. Transport and communications sector companies were the largest payers of property tax (EUR 3.6 million, of which EUR 2.3 were paid by the **road maintenance companies**).

Return from SOEs to the State (EUR million)



Return from SOEs to the State (EUR million)



Value Added of SOEs

In 2016 value added for the State created by the SOEs was 6.6% larger than in the previous year

The value added (VA) shows the value generated due to joint efforts of the capital owner, the management and employees. This section discloses the direct contribution of the entities to the national budget, also considering how the value added is appropriated among stakeholders – the shareholders (owner), creditors, employees and the State collecting taxes of the company. The evaluation of the value added is specifically relevant for SOEs, because a large part of such companies are obliged to bring in line the objective to generate profit with a duty to implement special obligations, and work for the public interest. Besides, the SOEs generate financial return to the shareholder not only in the form of net profit, but also in the form of the taxes payable to the budget, therefore the VA analysis is instrumental in assessing the value generated to the State by such entities.

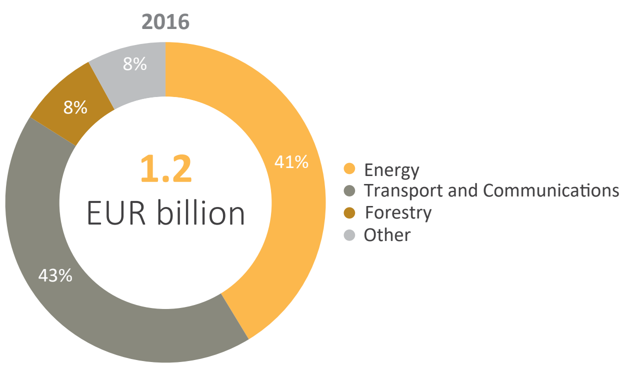
The value added of the entities included in the SOE portfolio is calculated on the basis of the audited annual financial statements for 2016 of the SOEs (except **AB Lietuvos geležinkeliai Group**, **VĮ Lietuvos prabavimo rūmai** and **VĮ Turto bankas**), and the information provided by the entities about the funds allocated to the wages, paid taxes and interest expenses. When calculating the value added of the SOEs, the effects of asset re-evaluation and one-off items (which were stated in the beginning of the SOE portfolio chapter) to the enterprises' financial results were eliminated.

Value added (EUR million)	**2014**	**2015**	**2016**
Operating revenue	2,270	2,481	2,507
Other revenue	24	15	18
Product and service acquisition costs	1,209	1,371	1,325
Value added before the financial activity	**1,085**	**1,125**	**1,200**
Financial activity results	-1	4	4
Distributable value added	**1,084**	**1,129**	**1,204**

Value added distribution (EUR million)	**2014**	**2015**	**2016**
For the capital owners	**95**	**134**	**141**
Dividends and profit contributions paid to the State	75	111	120
Dividends paid to minority shareholders	0	5	3
Interest paid to creditors	20	17	18
For the employees	**562**	**595**	**602**
Salaries	357	381	385
Social security taxes	157	167	171
Employee retention costs, reimbursed from the State budget, structural EU and other funds	47	47	46
EU funds and funds from the budget of the Republic of Lithuania, which reimburse employee retention costs	**-47**	**-47**	**-46**
Taxes paid to the Sate	**72**	**60**	**77**
Funds for the company investments	**402**	**388**	**429**
Depreciation	277	303	322
Net profit	125	85	107
Value added	**1,084**	**1,129**	**1,204**

In 2016, the value added generated by all SOEs accounted for EUR 1.2 billion, which represents an increase of 6.6% as compared with the previous year. The operating income increased by 1% (EUR 25.6 million), and the value added generation costs decreased by 3.4% (or EUR 45.7 million). The financial activity results did not change to any significant extent and remained equal to EUR 3.8 million.

Within the SOE sector the transport and communications companies generated value added worth EUR 513.2 million, which was EUR 14.6 million larger compared to 2015. Large contribution to the national economy was that of energy sector companies that generated EUR 497.1 million, i.e. 11.9% up since last year. The entities in the forestry

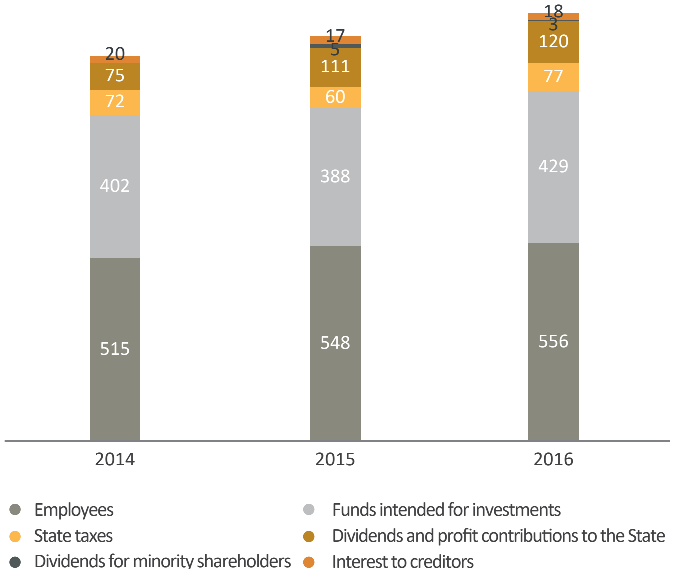


and other enterprises' sectors generated, respectively, value added worth EUR 97.1 million (1.4% up since 2015), and EUR 96.2 (6.7% up since 2015).

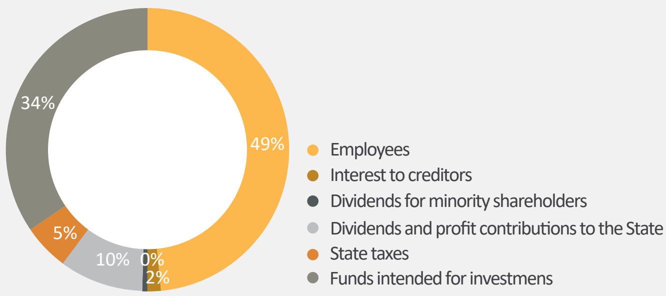
If compared the value added created by the SOEs with the Lithuanian GDP, the contribution of the SOEs accounted for 3.5% of the Lithuanian GDP, i.e. 0.2 percentage points more than in 2015. The most significant share of the overall value added was created by several largest SOEs: **Lietuvos energija, UAB, Group** (EUR 345.8 million), **AB Lietuvos geležinkeliai Group** (EUR 312.3 million) and **UAB EPSO-G Group** (EUR 109.4 million). The aggregated contribution to the GDP in terms of the value added of the three companies accounted for 2.2% of the total GDP.

A share of 46.2% of the total value added created in 2016 was allocated in the form of employee compensation – wages, social insurance taxes and other benefits. Excluded is the amount of EUR 46 million (3.8% of the total value added) of the employee remuneration, compensated from the State budget or the EU funds, and not held in the income statements of the entities. The costs in fact are a mere reallocation of the funds among different stakeholders (national and supranational institutions and SOE employees), and do not change the overall amount of the value added subject to allocation.

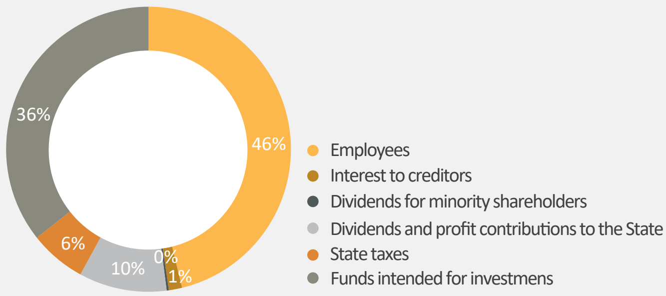
Generated Value Added (EUR million)



2015



2016

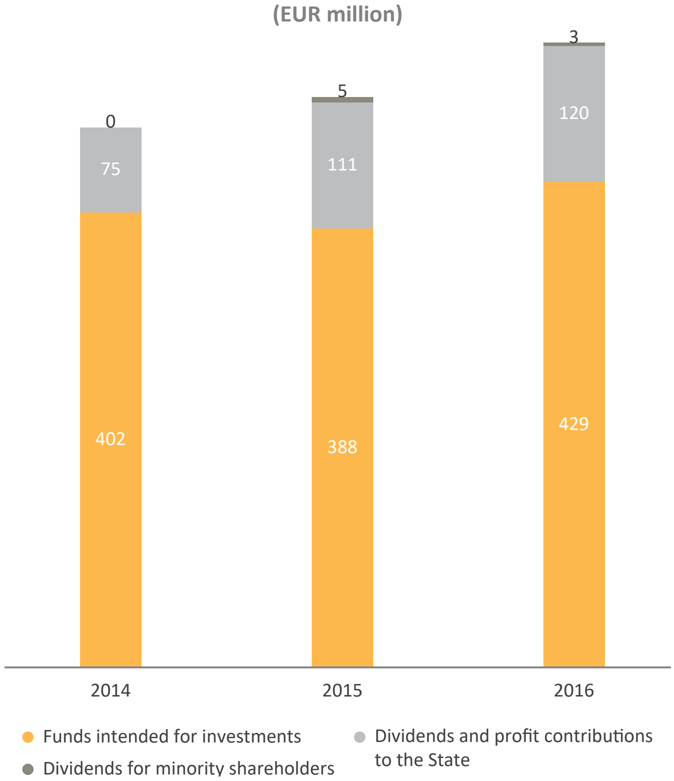


Capital owners (the State, minority shareholders and the creditors) were allocated 11.8% of the total value added created, or EUR 141.5 million. The dividends and the profit contributions of the SOEs for 2016 accounted for EUR 120.5 million (10% of the total value added). EUR 18 million shall be paid to creditors as interest.

The State collects some of the value added in the form of taxes. In 2016, the share increased from 5.3% to 6.4% of the total created value added, and accounted for EUR 77.4 million. Part of the taxes payable to the State are non-typical taxes (commodities and property). The non-typical taxes paid by the SOEs in 2016 accounted for EUR 28.8 million, EUR 0.1 million more than a year ago. The largest share in non-typical taxes was paid by entities operating in the forestry sector, i.e. EUR 24 million, of which the largest contributor was the raw material tax (EUR 21.7 million). The largest payers of the property tax were the entities operating in the transport and communications sector having contributed total EUR 3.6 million. The energy sector companies paid EUR 0.5 million in property tax, and EUR 0.7 million were contributed by the other companies' sector.

Having allocated part of the value added to all parties concerned, 35.6 % (EUR 429 million) of the value added created in 2016 could be retained by the companies concerned. Those would be the funds dedicated to development, assets depreciation-restoring investments, repayment of loans, funding of the working capital, and other corporate needs. As compared with 2015, the amount increased by 10.6%.

Distribution of Value Added Between the Enterprise and Owners (EUR million)



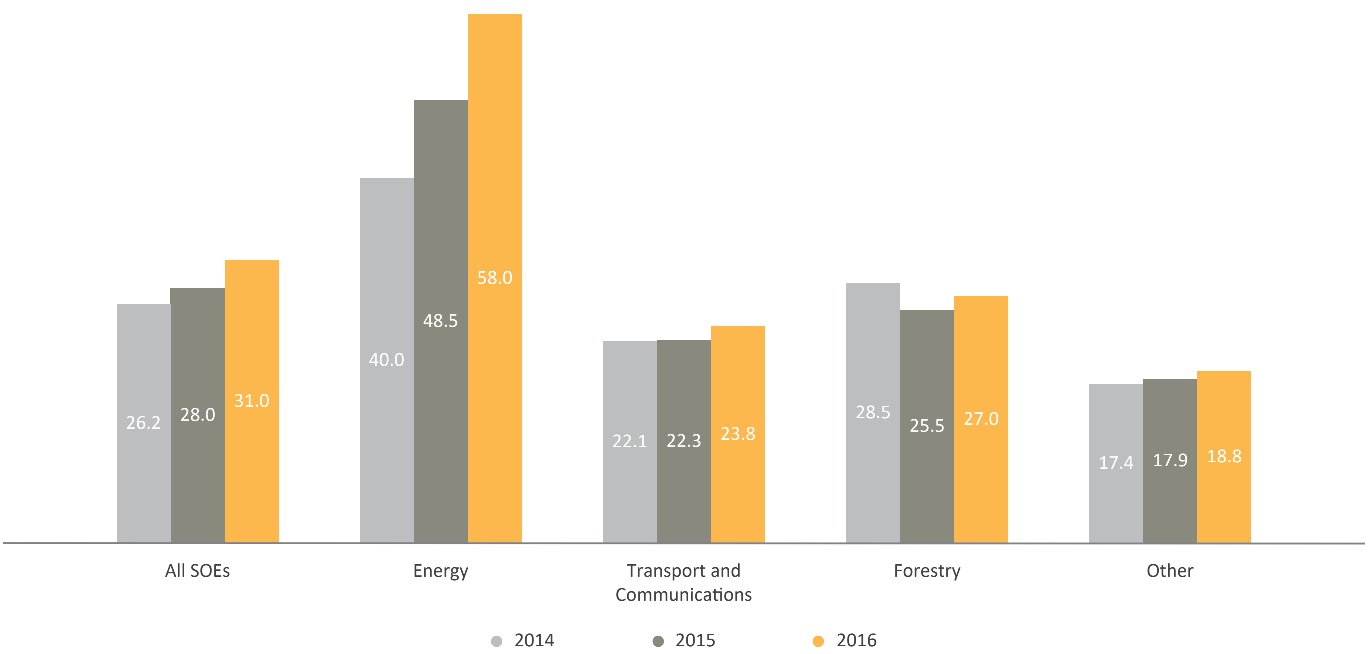
Operating Efficiency

The operating efficiency of SOEs increased by 10.7%

In this section of the SOE portfolio overview the efficiency of the SOEs is estimated by calculating the value added created by the SOEs per employee. This approach allows evaluating the performance efficiency on a much broader scale – not only by measuring the income or the profit earned by the entity, but also taking into account the value added allocated to the employees.

Since the absolute value added increased and the number of employees decreased, the value added generated by a single SOEs' employee in 2016, as compared to the respective figure in 2015 increased by 10.7%, and accounted for EUR 31 thousand. In terms of individual SOE sectors the highest value added indicators (EUR 58 thousand – 19.6% more than a year ago) were recorded in energy sector companies that relatively need more fixed capital, and less human resources. In the other companies' sector the value added per employee increased by 5.3%. However, it remained the lowest, i.e. EUR 18.8 thousand, among the SOE sectors. In the forestry sector value added per employee grew as well and in 2016 was recorded at EUR 27 thousand – an increase of 5.9% since 2015. In the transport and communications sector the value added per employee rose from EUR 22.3 thousand in 2015 to EUR 23.8 thousand in 2016.

Value Added per Employee (EUR '000)



Return on Equity According to DuPont Analysis

The return on equity of the portfolio of the state-owned enterprises' was recorded at 4.8%.

At the end of 2016, the normalised return on equity reached 4.8%, and represented an increase of 0.4% if compared with the financial results of 2015. The growth in the portfolio income and the normalised net profit increased the normalised net profit margin of the SOEs' by 1.1%, which at the end of 2016 reached 10.2%. With the sales revenue and the assets of the companies growing within the reporting period the asset turnover ratio did not change and remained at 0.27. While the equity and the assets of the SOE portfolio companies increased in 2016 by about 3%, the financial leverage ratio, just like in previous years, remained at 1.77.

The largest contributors to the performance of the portfolio were the energy and the transport and communications sectors operating the largest state-owned enterprises. The total assets of the entities operating in these sectors accounted for 81.1% of the assets of the total SOE portfolio, and, respectively, the normalised net profit, sales revenue and equity constituted 86.6%, 87.6% and 73.6% of the total figures represented by the SOEs.

DuPont Analysis

DuPont analysis is a recognised and widely used in practice method of analysis of results of company activities that allows breaking down the indicator of return on equity into 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 is a product of operating efficiency, measured by net profit margin, efficiency of asset usage, 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 2015: 4.4% 2016: 4.8%	Energy sector normalised ROE 2015: 8.3% 2016: 9.6%	Transport and Communications sector normalised ROE 2015: 1.8% 2016: 1.8%	Forestry sector normalised ROE 2015: 2.3% 2016: 2.3%	Other enterprises' sector normalised ROE 2015: 3.2% 2016: 3.1%
Normalised net profit margin 2015: 9.1% 2016: 10.2%	Normalised net profit margin 2015: 11.1% 2016: 12.6%	Normalised net profit margin 2015: 4.6% 2016: 4.9%	Normalised net profit margin 2015: 16.7% 2016: 17.5%	Normalised net profit margin 2015: 4.2% 2016: 4.2%
Asset turnover 2015: 0.27 2016: 0.27	Asset turnover 2015: 0.33 2016: 0.33	Asset turnover 2015: 0.23 2016: 0.23	Asset turnover 2015: 0.14 2016: 0.13	Asset turnover 2015: 0.33 2016: 0.31
Financial leverage 2015: 1.77 2016: 1.77	Financial leverage 2015: 2.26 2016: 2.31	Financial leverage 2015: 1.65 2016: 1.62	Financial leverage 2015: 1.02 2016: 1.02	Financial leverage 2015: 2.26 2016: 2.37

In 2016, the normalised return on equity of energy sector companies was 1.3 percentage points higher than in 2015. The factor most affecting the growth of the return was the normalised net profit of the sector which increased by 17.1%. As the income and the assets in the sector were growing only marginally, the asset turnover ratio remained unchanged and stood at 0.33. In view of an accelerated growth of borrowed capital the financial leverage indicator continued growing, and in 2016 increased from 2.26 to 2.31.

The normalised return on equity of transport and communications sector companies remained among the lowest in the SOE portfolio, and as in the previous period, was recorded at 1.8%. As in the course of the reporting period SOEs operating in the transport and communications sector earned higher normalised net profit, and in view of decreased income, the normalised net profit margin increased by 0.3 percentage points, and at the end of the year reached 4.9%. As the sector's equity was growing faster than the assets, the financial leverage ratio shrank from 1.65 to 1.62. The asset turnover ratio remained unchanged and stood at 0.23.

The normalised return on equity of the forestry sector did not change in 2016, and stood at 2.3%. As the revenues of the companies decreased by 0.1% while the normalised net profit increased by 4.4%, the normalised net profit margin increased by 0.8 percentage points. In view of lower sales income and the increase in the corporate assets of 4.7%, the asset turnover ratio changed only slightly, from 0.14 to 0.13. As the financial liabilities of the companies during the accounting period changed very insignificantly, the financial leverage ratio did not change and remained at 1.02.

The normalised return on equity of other companies in 2016 decreased by 0.1 percentage points, and at the end of the period was equal to 3.1%. The change was mostly caused by a 2.6% decrease in the normalised net profit of the companies operating in the sector. As during the accounting period the companies earned less income, and the value of the assets managed increased, the asset turnover ratio fell from 0.33 to 0.31. While the value of the equity of the sector fell in 2016, and its assets grew, the financial leverage ratio increased by 0.11 and reached 2.37. The net profit margin did not change during the accounting period and remained at 4.2%.

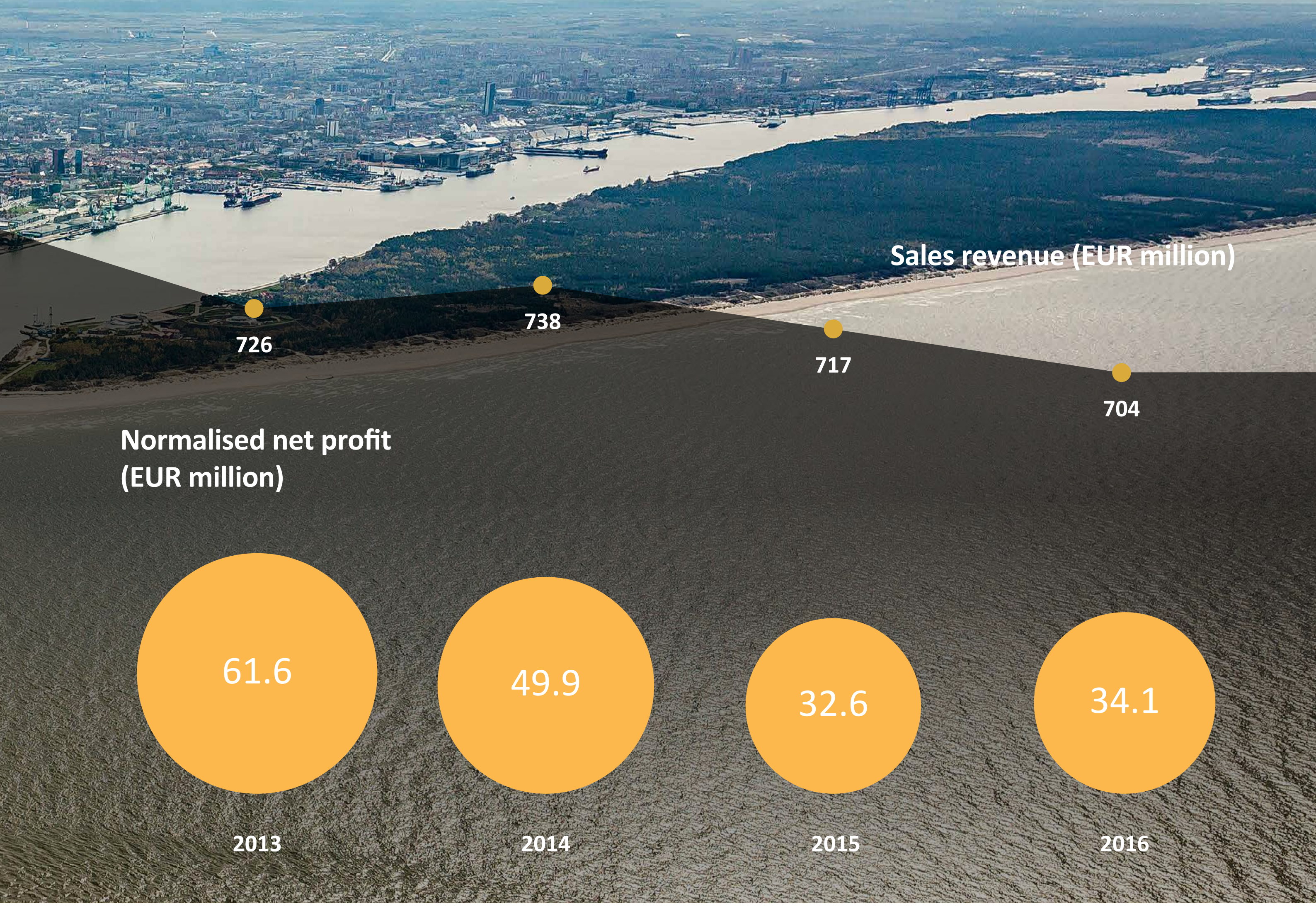
Transport and Communications

A convenient geographic location, an access to the Baltic Sea and a well-developed infrastructure of roads and rails determine the impact of transport and communications sector to the State's economy. SOEs, as the operators of the infrastructure, are one of the key elements for further development of the transport and communications sector.

The state owns 19 companies in transport and communications sector: road maintenance, railway, water transport, airport, postal and telecommunication service providers, all of which controlled 33.2% of the total assets of SOEs and accounted for 28.1% of the total revenues of SOEs in 2016. The number of companies decreased by one – on the 13th of January, 2016, **AB Autoūkis** was privatised.

Enterprise	Field of activity	Turnover in 2016 (EUR '000)	Assets at the end of 2016 (EUR '000)	Number of employees at the end of 2016	State's interest at the end of 2016 (%)
AB Lietuvos geležinkeliai Group	Passenger and freight transportation	409,524	2,086,087	11,532	100.0%
AB Lietuvos paštas Group	Provision of postal and courier, financial services	71,909	71,215	5,741	100.0%
VĮ Klaipėdos valstybinio jūrų uosto direkcija	Klaipėda seaport infrastructure management	56,514	557,347	242	100.0%
VĮ Lietuvos oro uostai	Operation of Vilnius, Kaunas and Palanga airrports	29,888	167,289	581	100.0%
VĮ Oro navigacija	Provision of specialised services in national airspace	28,246	51,345	306	100.0%
AB Lietuvos radijo ir televizijos centras	Radio and television broadcast service	19,120	40,480	343	100.0%
VĮ Šiaulių regiono keliai	Maintenance of roads of national importance	11,378	19,018*	302	100.0%
VĮ Kauno regiono keliai	Maintenance of roads of national importance	10,385	16,962*	330	100.0%
VĮ Vilniaus regiono keliai	Maintenance of roads of national importance	9,784	12,525*	335	100.0%
VĮ Automagistralė	Maintenance of roads ant related infrastructure	8,975	14,316*	312	100.0%

**Assets of the enterprises are net of the value of roads*



Financial Results

Sector's revenues decreased by 1.8%

Companies in the transport and communications sector earned EUR 703.6 million in revenues in 2016, which was 1.8% or EUR 13.1 million less than in 2015. The decrease in the total revenues of the transport and communications sector was mostly influenced by **AB Lietuvos geležinkeliai Group**, which revenues fell by 4.7% down to EUR 409.5 million. This significant decrease was the result of less cargo transported, which led to a decrease in the Group's cargo transportation revenues by 5.6% or EUR 20.6 million (the revenues from cargo transportation amounted to 85.4% of total Group's revenues). This negative effect on Group's revenues was in part reduced by a growth in passenger revenues. In 2016, the revenues from passenger transportation grew by 5% and reached EUR 25 million. Lower revenues in 2016 compared to 2015 were also accounted by **AB Lietuvos paštas Group** (0.4%), **VĮ Šiaulių regiono keliai** (9.9%), **VĮ Automagistralė** (1.2%) and **VĮ Kauno regiono keliai** (4%). Compared to the previous period, **VĮ Klaipėdos valstybinio jūrų uosto direkcija**, due to higher tariffs and proceeds from the rent of land, earned 3.6% more in revenues. During 2016, **VĮ Lietuvos oro uostai** revenues increased by 22% (due to higher volumes of passengers as well as aircraft), **VĮ Oro navigacija** – by 0.9%, **AB Lietuvos radijo ir televizijos centras** – by 1.6%, **VĮ Vilniaus regiono keliai** – by 9.2% (due to a growth in contracting revenues).

In 2016, the costs of goods sold accounted by the sector fell by a lesser degree than revenues – 3.2% down to EUR 457.1 million. This was mostly influenced by a decrease in **AB Lietuvos geležinkeliai Group** cost of goods sold by 4.2%, i.e. EUR 15.1 million, due to lower sales. At the same time, sector's operating expenses fell marginally, by 0.8%.

Sector's normalised net profit grew by 4.6%

In 2016, the normalised net profit of the transport and communications sector companies increased by 4.6% and reached EUR 34.3 million. That was the first positive change in the normalised net earnings of this sector in six years. The largest share of the normalised net profit was earned by **VĮ Klaipėdos valstybinio jūrų uosto direkcija** – EUR 29.1 million, i.e. 20.8% more than in 2015. **VĮ Lietuvos oro uostai** earned EUR 3.8 million (56.2% more than a year ago), **VĮ Oro navigacija** – EUR 2.4 million (60% more than in 2015). Meanwhile, **AB Lietuvos geležinkeliai Group** incurred a normalised net loss of EUR 5.1 million in 2016 (in 2015, the Group earned EUR 0.7 in normalised net profit). The loss was mainly determined by a significant decrease in revenue earned from cargo transportation services as well as higher operating costs (due to increased depreciation and amortisation costs, and higher payroll expenses).

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**716,688**	**703,617**
Cost of goods sold	472,162	457,096
Gross profit (loss)	**244,527**	**246,521**
Operating expenses	218,158	216,321
Profit (loss) of other activities	9,564	12,182
Operating profit (loss)	35,932	42,383
Operating profit margin	*5.0%*	*6.0%*
EBITDA	**196,481**	**203,528**
EBITDA margin	*27.4%*	*28.9%*
Financial and investment activities	-9,488	-8,383
Profit (loss) before taxes	**26,444**	**34,000**
Profit tax	2,107	3,027
Net profit (loss)	**24,337**	**30,973**
Minority share in profit (loss)	2	4
Normalised net profit (loss)	**32,618**	**34,134**
Normalised net profit margin	*4.6%*	*4.9%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Intangible assets	23,816	38,137
Tangible assets	2,586,891	2,585,461
Financial assets	15,050	22,456
Other non-current assets	214,353	209,001
Biological assets	0	0
Non-current assets	**2,840,109**	**2,855,055**
Inventories, prepayments and contracts in progress	78,430	76,338
Amounts receivable in one year	72,977	77,982
Other current assets	20,962	24,106
Cash and cash equivalents	74,284	105,683
Current assets	**246,653**	**284,109**
TOTAL ASSETS	**3,086,762**	**3,139,164**
Total equity	**1,911,221**	**1,941,414**
Minority shareholder equity	67	69
Grants and Subsidies	**681,658**	**699,672**
Non-current liabilities	336,902	301,648
Current liabilities	156,981	196,430
Liabilities	**493,883**	**498,078**
Financial liabilities	352,824	327,108
TOTAL EQUITY AND LIABILITIES	**3,086,762**	**3,139,164**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	1.1%	1.1%
Normalised ROE	1.8%	1.8%
D/E	18.5%	16.8%
RETURN TO THE STATE (EUR '000)	**2015**	**2016**
Assigned dividends (share of the State)	1,770	435
Assigned profit contributions	2,019	2,398
Dividends and profit contributions to the State	**3,789**	**2,833**
Property tax	3,549	3,580
TOTAL	**7,338**	**6,414**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of the employees	22,397	21,602
Number of executives	92	85

The assets of the sector increased by 1.7%

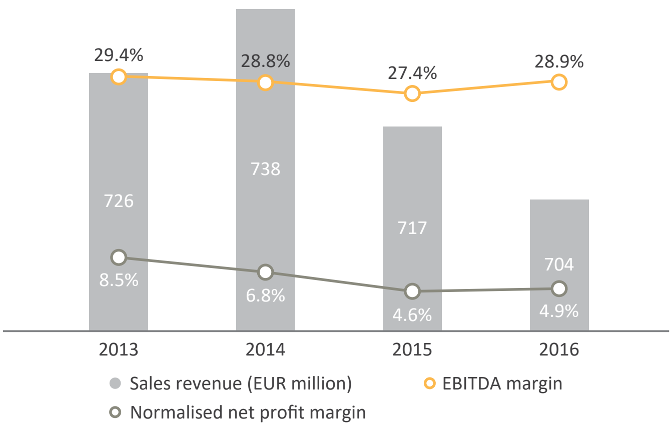
In 2016, the carrying amount of assets managed by the transport and communications sector grew by 1.7% to EUR 3.1 billion. The largest impact on the growth came from **VĮ Klaipėdos valstybinio jūrų uosto direkcija**, whose assets increased by 5.7% or EUR 30 million. The growth in the value of assets was caused by increased current assets due to larger accounts receivables (from grants). **AB Lietuvos geležinkeliai Group** assets (which constituted 66.5% of total transport and communications sector assets) grew by 0.4%, **AB Lietuvos paštas Group** – by 10.4% (due to larger prepayments and accrued income from international settlements), **VĮ Oro navigacija** – by 9.6% (due to an increase in current assets, more specifically, term deposits).

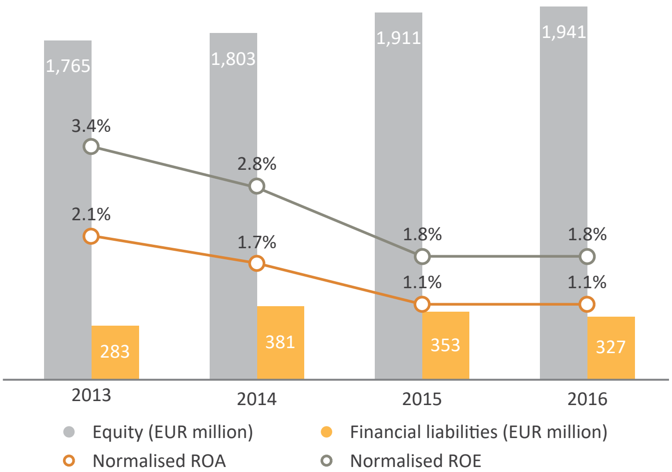
Sector's ROE remained unchanged at 1.8%

Following the equity and normalised net profit increase of the sector's companies, the return on equity remained unchanged at 1.8% and was the lowest among all sectors. The ratio of financial liabilities to equity reached 16.8% and was 1.7% lower than a year ago. The ratio fell due to a negative change in the value of financial liabilities and the growth in sector's equity. The equity growth of the transport and communications sector was influenced by **VĮ Klaipėdos valstybinio jūrų uosto direkcija** (increased by EUR 28.7 million), **VĮ Lietuvos oro uostai** (increased by EUR 3.8 million) and **VĮ Oro navigacija** (increased by EUR 2.1 million). Sector's financial liabilities were mostly decreased by **AB Lietuvos geležinkeliai Group** (a decrease of EUR 19.2 million), **VĮ Lietuvos oro uostai** (a decrease of EUR 1.9 million), **VĮ Klaipėdos valstybinio jūrų uosto direkcija** (a decrease of EUR 1.9 million), **AB Lietuvos paštas Group** (a decrease of EUR 1.4 million) and **AB Smiltynės perkėla** (a decrease of EUR 1.3 million).

In comparison with 2015, in 2016 dividends and profit contributions assigned to the State decreased by 25.2% and amounted to EUR 2.8 million. The largest part of the dividends and profit contributions was assigned by **VĮ Lietuvos oro uostai** (EUR 1.7 million, i.e. 64.1% more than a year ago). Dividends and profit contributions were also assigned by **11 road maintenance enterprises** (EUR 0.7 million) as well as **AB Smiltynės perkėla** (EUR 0.4 million). Despite earning EUR 29.1 million of normalised net profit, **VĮ Klaipėdos valstybinio jūrų uosto direkcija** did not allocate any profit contributions, as the Company is exempted from them due to large requirements of funds for investments of strategic interest to the State.

Changes in the sector's sales revenue, equity, financial liabilities and profitability during 2013-2016 are provided in the following graphs.





Railways

Lithuania is crossed by two corridors of the international railway network: East-West IX corridor branches, connecting Ukraine and Belarus with Klaipėda seaport and Kaunas with Kaliningrad, and North-South I corridor, connecting Helsinki and Warsaw. The East-West corridor is strategically important because of the cargo carried from Belarus to Klaipėda seaport. Meanwhile, the North-South corridor is not yet integrated due to a different type of track used; however, it should fully connect the Baltic states with the European network by 2020.

The October of 2015 marked the completion of the first railway branch of the international project Rail Baltica, spanning from the Lithuanian-Polish border to Kaunas. The 120 km long international Rail Baltica section was upgraded with a new European-standard track (1,435 mm wide), while the nearby broad-gauge railway line (1,520 mm) was also upgraded. A total of 233 km of new rails were laid for 1,435 mm and 1,520 mm wide tracks, including station tracks.

In June, 2016 a railway line on a route Kaunas – Bialystok – Kaunas was opened and during weekends modern two-carriage Polish trains with 127 seats run on this route. From Warsaw, passengers can use other trains to reach Berlin, Wien, Prague and other European cities.

The total length of Lithuanian railway network at the end of 2016 was 1,913.3 km – 1.8% more than a year ago. A large part of the network consists of the 1,520 mm wide track used in the CIS and the Baltic countries. The length of the electrified track remained unchanged in 2016 – 122 km. The infrastructure of the Lithuanian railway network is managed by state-owned enterprise **AB Lietuvos geležinkeliai Group**.

Passenger Transportation

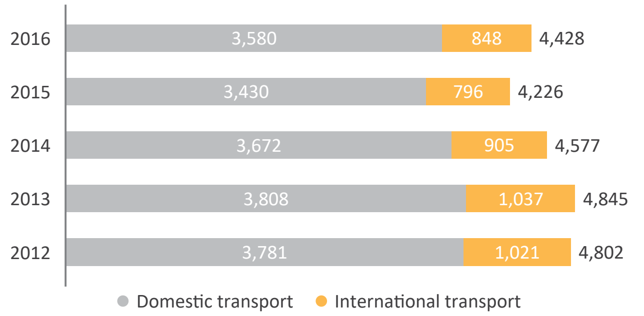
The passenger transportation via rail grew by 4.8%

In 2016, a total of 4.4 million passengers were carried by railway transport, which was 4.8% more than in 2015. The number of passengers carried on local routes grew by 4.4% – up to 3.6 million. The growth was influenced by a renewed passenger trains and carriages, the increase of frequency of train trips on some routes, and applied marketing strategy – the expansion of ticket sale channels, etc. The most popular domestic passenger routes in 2016 remained Naujoji Vilnia – Vilnius – Kaunas (34.7% of all trips), Vilnius – Šiauliai – Klaipėda (14.1% of all trips) and Vilnius – Ignalina – Turmantas (13.2% of total trips).

In 2016, the number of passengers carried on international routes grew by 6.5% and reached 0.8 million passengers. The growth was determined by increased number of passengers on transit trains, mainly on route Kaliningrad – Moscow. Meanwhile the international passenger transportation carried out by **AB Lietuvos geležinkeliai Group** trains, as in the previous years, decreased. In 2015, due to a negative trend in the number of passengers transported, the route Vilnius – Saint Petersburg – Vilnius was canceled and route Vilnius – Moscow is planned to be canceled in the near future. Despite these circumstances, in the upcoming years the Group is planning to expand a promising route Vilnius – Minsk by implementing the route electrification project and cutting the time of the trip on this route to two hours.

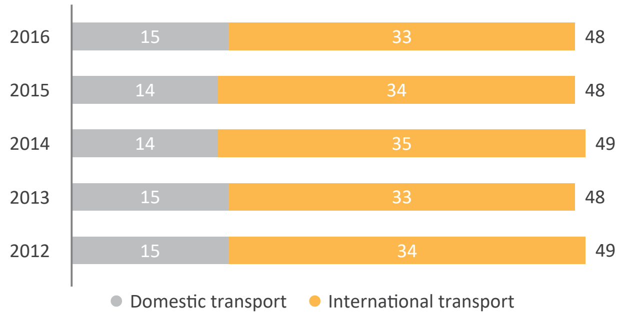
Passenger transportation via railways remains unprofitable, however, despite that **AB Lietuvos geležinkeliai Group** must continue the provision of the services to satisfy the public needs. The losses incurred form the provision of the public services are compensated from the profitable cargo transportation activities.

Transport of Passengers via Lithuanian Railways ('000)



Source: AB Lietuvos geležinkeliai Group

Freight Transportation via Lithuanian Railways (million tonnes)



Source: AB Lietuvos geležinkeliai Group

Cargo Transportation

The cargo transportation via rail fell by almost 1%

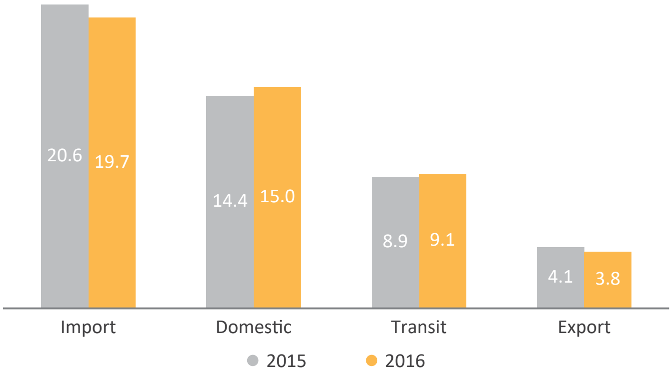
Cargo transportation amounts for the majority of railways revenues. In 2016, the revenues from cargo transportation and the usage of railway network amounted to 85.4% of the total **AB Lietuvos geležinkeliai Group** revenues. In 2016, cargo transportation volumes decreased by 0.8% to 47.6 million tonnes. It's worth mentioning, that the volumes of cargo transported fell not only in Lithuania, but in all three Baltic countries as well. In total, the cargo transported on local routes in Lithuania amounted to 15 million tonnes, i.e. 31.5% of the total cargo transported, and in 2016 increased by 4.2%. This trend was influenced by an increase in the transportation of oil and mineral products. Meanwhile, the volumes of cargo transported on the local routes were negatively influenced by worse than expected crop harvest and larger volumes of grains held in storage. As in the previous years, the volumes of transportation are dependent on the results of the largest Lithuanian enterprises: AB ORLEN Lietuva, AB Lifosa, AB Achema, AB Akmenės cementas and AB Dolomitas.

The overall decrease in the volumes of cargo transportation were in part mitigated by a 2.2% growth in the transit cargo transportation, which in 2016 constituted 19.1% of the total amount of cargo transported. The volumes of imported and exported cargo fell by 4.4% and 7.3% respectively and overall amounted to 49.4%, i.e. 23.5 million tonnes of the total cargo transported via Lithuanian railways. This decrease was mainly influenced by lower transportation through Klaipėda seaport (primarily oil and chemical mineral fertilizers from Russia and Belarus). The key cargo transportation arteries remain cargo transportation via Klaipėda seaport and transportation via transit to the Kaliningrad area.

Looking at the structure of the cargo transported in 2016, it should be noted that oil and oil products accounted for the majority of cargo transported – 30,5%, i.e. 14.5 million tonnes. Chemical and mineral fertilizers, which in 2015 and 2014 constituted the largest share of cargo transported, in 2016 amounted to 14.3 million tonnes, i.e. 30% of the total volumes transported. Food products and fodder made up 11.8%, mineral products – 9.7% of the total cargo transported.

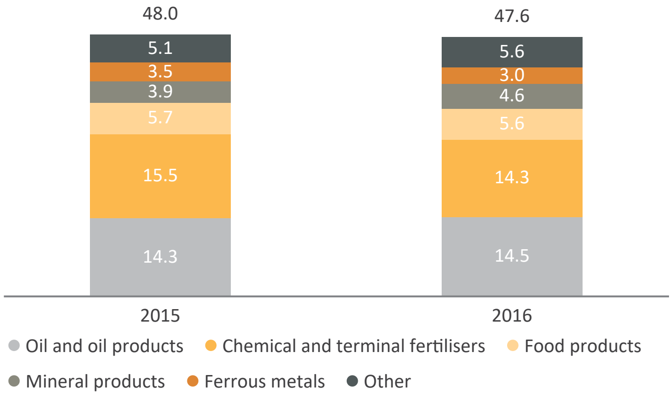
A comparison of the volumes of passengers and cargo carried via Lithuanian railways and other Baltic states shows that Latvian railways clearly stood out as in 2016 they transported 17.2 million passengers (four times more than via Lithuanian railways). Estonia's passenger volumes were also higher – 6.9 million or 4.5% more than in 2015 (the passenger train fleet in Estonia was completely renewed in 2013-2014). Meanwhile, in terms of cargo transported, Latvian railways stood out again with 47.8 million tonnes of cargo transported, 68% of which were oil and oil products. Estonian volumes were lower than Lithuanian – 25.4 million tonnes, 54.3% of which were coal and oil products.

Cargo Transportation via Lithuanian Railways (million tonnes)



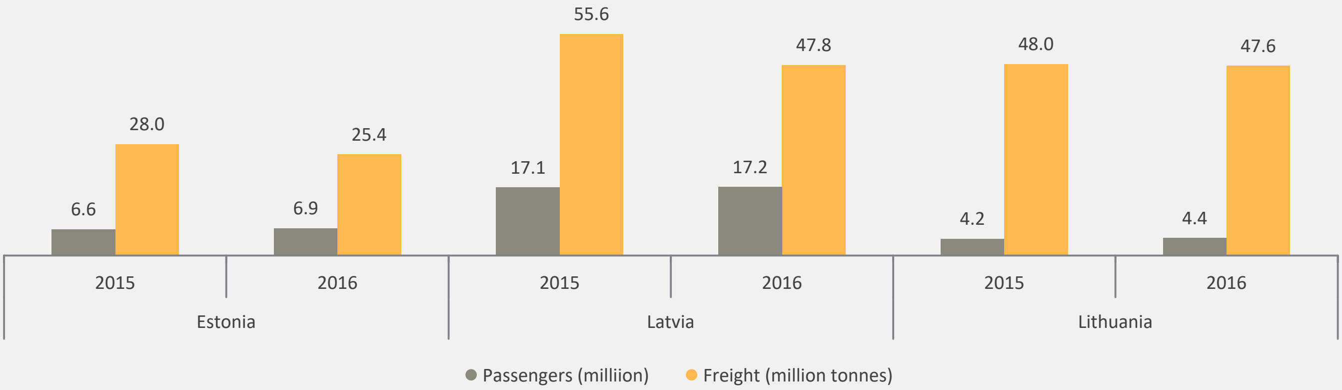
Source: AB Lietuvos geležinkeliai Group

Structure of Freight Transported via Lithuanian Railways (million tonnes)



Source: AB Lietuvos geležinkeliai Group

Volumes of Passengers and Cargo Carried via Baltic States' Railways



Source: AB Lietuvos geležinkeliai Group, Latvian Railroads, Statistics of Estonia

Sea Transport

Lithuanian sea transport system consists of Lithuanian merchant fleet, Klaipėda state seaport, Šventoji state seaport and ORLEN Lietuva Būtingė oil terminal as well as other ship-servicing companies and agencies. Klaipėda state seaport and Šventoji state seaport are managed by **VĮ Klaipėdos valstybinio jūrų uosto direkcija**. The seaport is capable of handling around 65 million tonnes of cargo annually and servicing ships with 13.4 m draft.

Handling volume in Klaipėda seaport grew by 4.2%

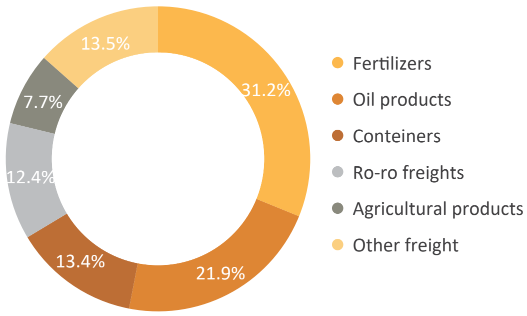
In 2016, Klaipėda seaport handled 40.1 million tonnes of cargo, i.e. 4.2% more than in 2015. The main reason of the growth was a 10% increase in the volume of oil products cargo (up to 8.8 million tonnes) as well as 22.7% and 13.6% (up to 5.4 million tonnes and 5 million tonnes) increase in the volumes of containers and ro-ro freight, respectively.

In 2016, Klaipėda seaport was visited by 350.6 thousand passengers – 3% more than a year ago. Passengers from cruise ships were the main driver of the overall growth of this figure: in 2016 60.2 thousand such passengers visited Klaipėda seaport, 6.8% more than in 2015 and 2.4 times more than in 2012. The number of cruise ships at berth also grew marginally – from 51 ships in 2015 to 52 ships in 2016. Comparing passenger flows with other Baltic states, Riga attracted 581.6 thousand passengers, 10.5% more than a year ago, while Tallinn was visited by 10.2 million passengers, i.e. 3.9% more than in 2015.

Handling Volumes at Klaipėda Seaport (million tonnes)

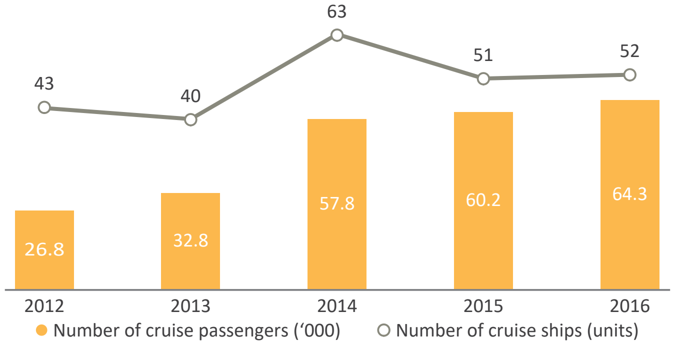
Source: VĮ Klaipėdos valstybinio jūrų uosto direkcija

Freight Structure at Klaipėda Seaport in 2016



Source: VĮ Klaipėdos valstybinio jūrų uosto direkcija

Number of Cruise Passengers and Ships at Klaipėda Seaport



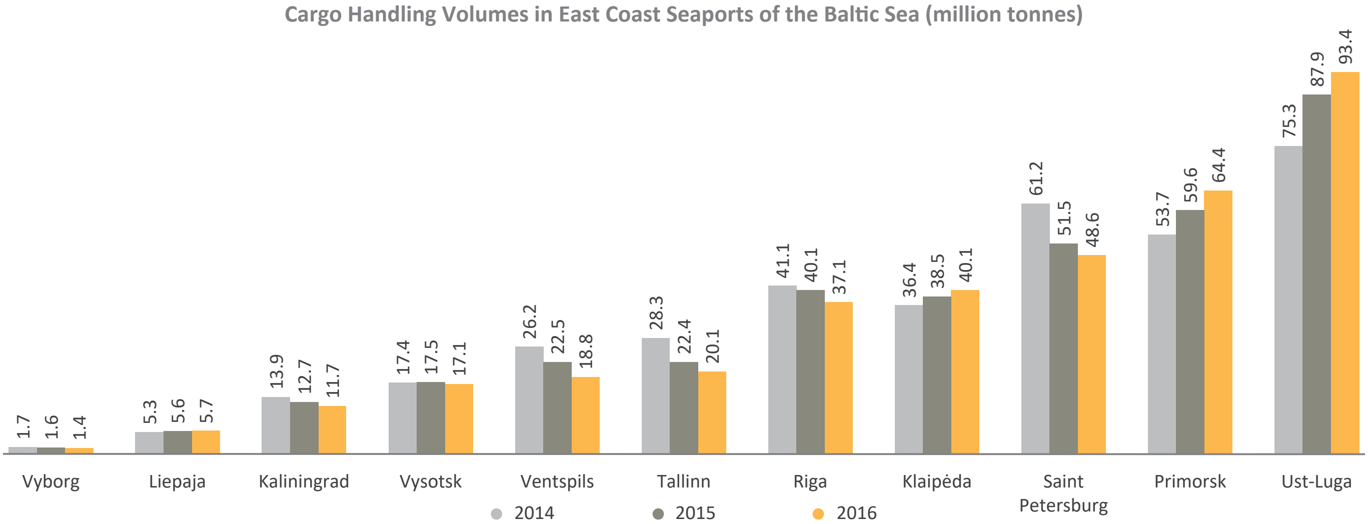
Source: VĮ Klaipėdos valstybinio jūrų uosto direkcija

East Coast Seaports of The Baltic Sea

Cargo handling volumes in east coast seaports of the Baltic Sea fell by 0.2%

The total cargo handling volumes of the Eastern coast seaports of the Baltic Sea fell by 0.2%, to 367.7 million tonnes. The leading positions were once again taken by Russian Ust-Luga (93.4 million tonnes), Primorsk (64.4 million tonnes) and Saint Petersburg (48.6 million tonnes) ports. The fourth place in terms of cargo handled was taken by Klaipėda seaport, which overtook Riga port, where the handling volumes fell by 7.5%. The decrease was determined by 8.5% lower amount of coal and 23.1% lower amount of oil products handled at the port. As Riga port is less diversified in terms of cargo structure compared to Klaipėda seaport (57.7% of cargo handled at Riga port was oil and coal products), the decrease in the amounts of before mentioned types of cargo had a significant impact on the overall stevedoring volumes at the port. In terms of container handling volumes among Baltic country seaports, Klaipėda retained the leading position with 443.3 thousand TEU (12.9% more than in 2015) handled, while Riga, Ventspils and Liepaja ports together handled 388.4 thousand TEU, Tallinn – 202.3 thousand TEU.

Cargo Handling Volumes in East Coast Seaports of the Baltic Sea (million tonnes)



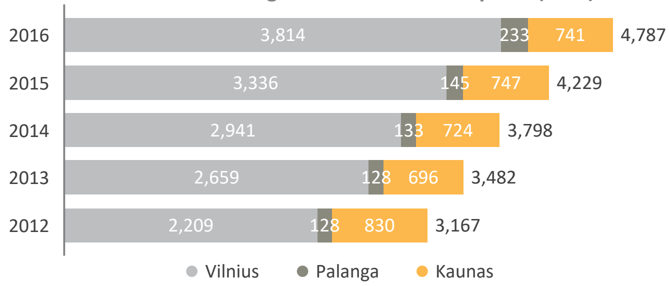
Source: VĮ Klaipėdos valstybinio jūrų uosto direkcija

Airports

In 2016, Lithuania had three international passenger airports: Vilnius, Kaunas and Palanga (for medium and small class aircraft), as well as Šiauliai airport owned by Šiauliai Municipality, mainly used for the purposes of military aviation. The passenger airport infrastructure has been managed by **VĮ Lietuvos oro uostai** as of 1st July, 2014. Air traffic control, communication and flight control services are provided by **VĮ Oro navigacija**. Lithuanian airport flight map in 2016 included 60 cities and 73 airports in 27 countries.

It is currently expected, that if the current growth rates remain, Vilnius Airport will reach its capacity limits within the next couple of years; therefore, further development of Lithuanian air transport will require significant investments in infrastructure and development. A concession model was suggested as one of the options to attract investments, transferring the management of the infrastructure to a private operator for a predetermined duration, yet retaining the ownership of the infrastructure. On the 4th of June, 2016, the parliament of Lithuania, the Seimas, approved the Law on Airports Concession, which promotes public-private partnership and aims to ensure a sufficient funding for the maintenance and development of airport infrastructure, to comprehensively develop Lithuania's accessibility by air, to increase the number of passengers and extend the number of flight destinations. Following the selection of the concession partner, the concession contract will have to be ratified by the Seimas. The concession contract would allow the State to take over the management of airports at the end of concession term. Airports managed under a concession model would also help to achieve one of the strategic priorities of **VĮ Lietuvos oro uostai** – growth in non-aviation income. Looking at the practices of European airports, those transferred under a concession model considerably increase their capacities and volumes served, which is why about half of the airports in Europe are currently managed by investment funds or consortiums.

Number of Passengers at Lithuanian Airports ('000)



Source: VĮ Lietuvos oro uostai

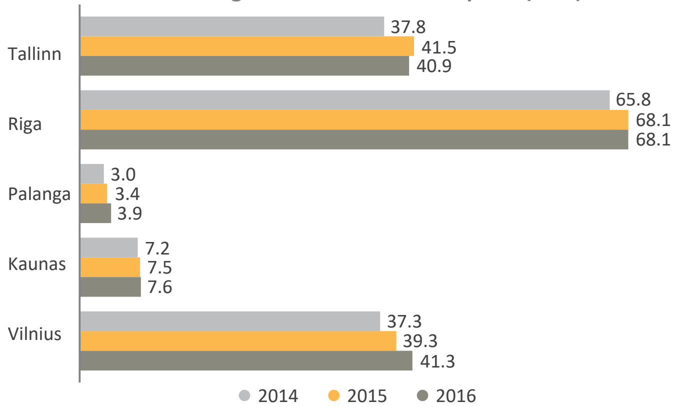
Performance

Lithuanian airports serviced 5.5% more flights than in 2015

In 2016, all three civil airports serviced 53 thousand flights – 5.5% more than in 2015. The number of people who used these services provided by the airports increased by 13.2% to 4.8 million passengers. Vilnius branch saw passenger numbers increase by 14.3% (to 3.8 million passengers), Palanga – 59.9% (to 232.6 thousand passengers), while Kaunas saw a fall in passenger numbers of 0.9% to 740.5 thousand passengers. Key factors for the increased number of flights – an increase in the number of destinations as well as the number of airlines operating at the airports. An increase in the number of passengers and flights served over the last five years was essentially the merit of better performance by Vilnius branch. Since 2012 passenger flows in Vilnius Airport have grown by 72.7%, the number of flights – by 37.7%.

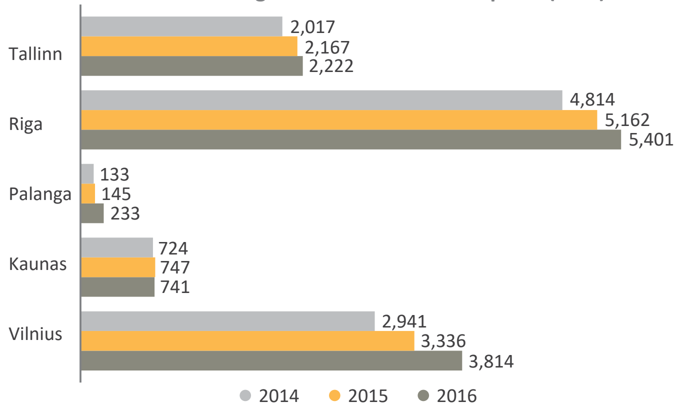
Comparing Lithuanian airports with the airports of the other Baltic countries, Riga remains a clear leader both in terms of flights and passengers serviced – 68.1 thousand and 5.4 million, respectively. Meanwhile, Tallinn Airport (40.9 thousand flights and 2.2 million passengers serviced) has been overtaken by Vilnius Airport in the number of passengers serviced by 1.6 million a while ago. In 2016, for the first time, Vilnius Airport has overtaken Tallinn Airport

Number of Flights at Baltic States' Airports ('000)



Source: VĮ Lietuvos oro uostai, Riga Airport, Tallinn Airport

Number of Passengers at Baltic States' Airports ('000)



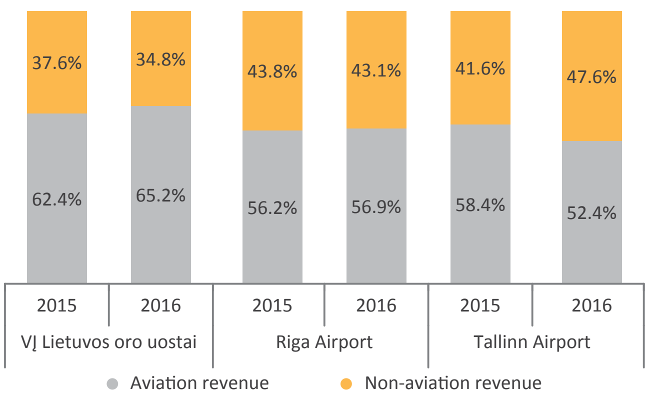
Source: VĮ Lietuvos oro uostai, Riga Airport, Tallinn Airport

in the number of flights serviced as well (by 0.4 thousand flights serviced). It should be noted, that the market share of **VĮ Lietuvos oro uostai** has increased considerably over the last three years. The key reasons behind this are the changes in the operational strategy of Vilnius branch (the goal to attract more budget airlines, active development of flight geography) and a huge and untapped potential of Lithuanian tourism (the estimates are around 1.3 passengers for each Lithuanian resident in 2016 via Vilnius branch (1.7 via all branches), while in Tallinn – 1.7, Riga – 2.8).

The major airlines in Lithuanian airports in 2016 remained low cost airlines Ryanair and Wizz Air, which occupied 33% and 24%, respectively, of the market in 2016, together 2% more than a year ago. In Latvia and Estonia, the market was led by national carriers – AirBaltic (50.2% of the market) and Nordica (17% of the market), respectively. Budget airlines account for a lot less flights in these countries compared to Lithuania. The most popular destinations in Vilnius Airport were London, Frankfurt and Milan, Palanga Airport – Oslo, Moscow and Copenhagen, Kaunas Airport – London, Copenhagen and Dublin.

In 2016 the share of non-aviation income in **VĮ Lietuvos oro uostai** constituted 34.8% of total revenues (in 2015 – 37.6%, in 2014 – 36.7%). In terms of separate branches, the structure of non-aviation income among Lithuanian airport branches is significantly different due to different pricing and toll fees. Compared to other airports in the Baltic countries, the share of non-aviation income of **VĮ Lietuvos oro uostai** was significantly lower than that of Tallinn Airport (47.6%) and Riga Airport (43.1%).

Revenue Structure of the Airports in Baltic States



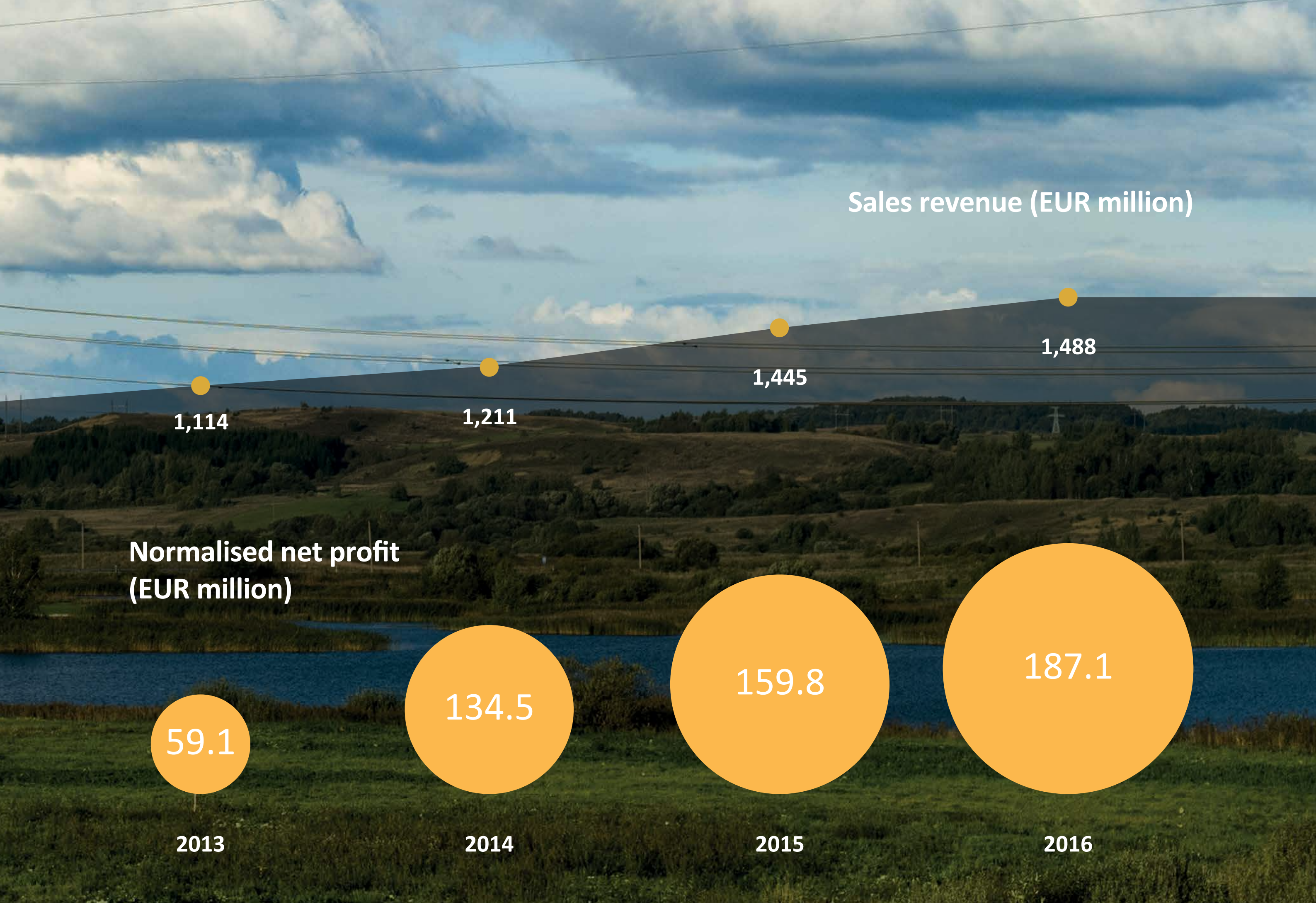
Source: VĮ Lietuvos oro uostai, Riga Airport, Tallinn Airport

Energy

SOEs of the energy sector generate more than one tenth of the country's electricity demand and own electricity and gas transmission and distribution networks. After liberalisation of electricity and gas markets, activities of generation, transmission and distribution were separated and liberalised market of electricity was established. Further development of completed LNG terminal and international electricity links with Sweden and Poland projects will ensure international integration of energy systems, encourage the sector efficiency and transparency.

SOEs that operate in the energy sector produce and supply electricity and heat to the consumers and provide other related services. Moreover, this sector includes **AB Klaipėdos nafta** that provides transshipment services of oil and oil products, and is responsible for the operation of liquefied natural gas terminal (LNG) in Lithuania. Nine SOEs are operating in the energy sector in total, they are indicated in the table below.

Enterprise	Field of activity	Turnover in 2016 (EUR '000)	Assets at the end of 2016 (EUR '000)	Number of employees at the end of 2016	State's interest at the end of 2016 (%)
Lietuvos energija, UAB, Group	Lietuvos energija, UAB, Group includes Lietuvos energijos gamyba, AB Group and AB Energijos skirstymo operatorius. The Group's activities are comprised of electicity and heat generation and supply, electricity trading and distribution, natural gas trading and distribution.	1,101,630	2,432,152	4,861	100.0%
UAB EPSO-G Group	The company is controlling Lithuanian electricity transmission system operator AB Litgrid, as well as natural gas system operator AB Amber Grid	234,522	1,093,424	1,078	100.0%
AB Klaipėdos nafta	Oil product export and import, exploitation of LNG terminal	103,839	242,431	374	72.3%
VĮ Lietuvos naftos produktų agentūra	Storage of oil products	34,452	94,319	8	100.0%
VĮ Visagino energija	Heat and water supply, eastewater treatment	11,780	50,328	207	100.0%
UAB Geoterma	Heat generation	1,228	6,107	15	99.1%
VĮ Ignalinos atominė elektrinė	Decommissioning of the Ignalina Nuclear Power Plant	194	644,868	1,991	100.0%
VĮ Radioaktyviųjų atliekų tvarkymo agentūra	Radioactive waste management and disposal	21	322	24	100.0%
VĮ Energetikos agentūra	Execution of national energy strategy and other state programmes	0	1,090	20	100.0%



Financial Results

The revenue of the energy sector companies increased by 3%

Sales revenue of energy sector companies in 2016 amounted to EUR 1,487.7 million and was 3% higher than a year ago. This growth was mostly determined by **UAB EPSO-G Group's** results. During 2016, **UAB EPSO-G Group's** sales revenue increased by 50%, i.e. EUR 78.2 million. This growth can mostly be attributed to higher volumes of transmitted electric energy as well as higher tariffs for transmission. **Lietuvos Energija, UAB, Group** had an impact on the sector's revenues as well – Group's turnover increased from EUR 1,095.8 million in 2015 to EUR 1,101.6 million in 2016. The main reasons which determined growth were 5.2% higher volumes of distributed electric energy (due to lower temperatures and growing economy) and larger revenues from balancing and reserve power services. The turnover of **VĮ Lietuvos naftos produktų agentūra** fell by around 50% down to EUR 33.6 million. During the reporting period, **AB Klaipėdos nafta** revenues decreased marginally, to EUR 103.8 million.

The cost of goods sold of the energy sector in 2016 decreased by 3.8% and amounted to EUR 943 million, while the operating costs fell by 5% reaching EUR 342.5 million. The overall fall in COGS of the sector can mostly be attributed to **Lietuvos Energija, UAB, Group,** which COGS in 2016 amounted to EUR 727.4 million – 6% less than in 2015. This change was determined by a decrease in the COGS for gas and related services bought for sale (35.3%), due to diversified supply and acquisition of natural gas on favorable terms from liquid natural gas terminal. During the reporting period, the COGS of **UAB EPSO-G Group** doubled reaching EUR 87.8 million due to increased volumes of transmitted electric energy. **VĮ Lietuvos naftos produktų agentūra** cost of goods sold, due to lower heating and hot water related expenses, decreased by two times and amounted to EUR 33 million. **VĮ Visagino energija** COGS fell by 16,4%, i.e. EUR 2 million, while COGS of **AB Klaipėdos nafta,** due to higher floating storage facility leasing and related expenses, increased only marginally, 3.1%.

Sector's normalised ROE reached 9.6%

Operating costs of the energy sector enterprises fell by 5% and at the end of 2016 amounted to EUR 342.5 million. During the reporting period, **Lietuvos Energija, UAB, Group's** operating costs decreased by 11.6%, i.e. EUR 29.8 million (due to efficiency achieved by merging **AB LESTO** and **AB Lietuvos dujos** as well as a rapid decrease in employee numbers). The operating costs of **UAB EPSO-G Group** increased from EUR 93.9 million in 2015 to EUR 101.8 million in 2016. This growth can mainly be attributed to EUR 5.8 million higher depreciation and amortisation costs (due to the start of exploitation of new assets in 2015) as well as EUR 2.1 million higher payroll expenses. In 2016, **AB Klaipėdos nafta** operating expenses, due to a EUR 0.5 million increase in Klaipėda oil terminal expenses as well

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**1,444,941**	**1,487,666**
Cost of goods sold	980,712	943,023
Gross profit (loss)	**464,230**	**544,643**
Operating expences	360,530	342,481
Profit (loss) from other activities	-815	-248
Operating profit (loss)	102,885	201,913
Operating profit margin	*7.1%*	*13.6%*
EBITDA	**313,329**	**381,001**
EBITDA margin	*21.7%*	*25.6%*
Financial and investment activities	-6,178	-3,177
Profit (loss) before taxes	**96,707**	**198,736**
Profit tax	9,930	32,475
Net profit (loss)	**86,778**	**166,261**
Minority interest	12,688	15,278
Normalised net profit (loss)	**159,831**	**187,119**
Normalised net profit margin	*11.1%*	*12.6%*

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Intangible assets	23,896	34,937
Tangible assets	3,167,064	3,217,979
Financial assets	23,303	11,838
Other non-current assets	305,750	262,054
Biological assets	0	0
Non-current assets	**3,520,013**	**3,526,808**
Inventories, prepayments and contract in progress	198,312	268,872
Amounts receivable within one year	400,385	439,255
Other current assets	59,341	34,286
Cash and cash equivalents	278,862	295,820
Current assets	**936,900**	**1,038,233**
Total assets	**4,456,913**	**4,565,041**
Equity	**1,932,657**	**1,977,423**
Minority shareholder equity	117,544	117,785
Grants and subsidies	**966,194**	**1,101,527**
Non-current liabilities	897,841	930,298
Current liabilities	660,222	555,793
Liabilities	**1,558,062**	**1,486,091**
Financial liabilities	846,513	806,884
Total equity and liabilities	**4,456,914**	**4,565,041**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	3.7%	4.1%
Normalised ROE	8.3%	9.6%
D/E	43.8%	40.8%

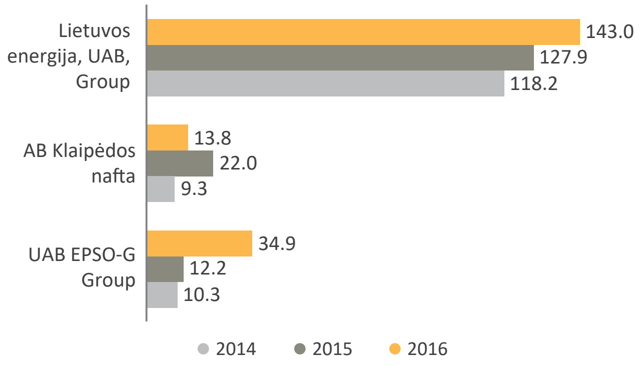
RETURN TO THE STATE (EUR '000)	2015	2016
Assigned dividends (share of the State)	99,165	108,197
Assigned profit contributions	0	0
Dividends and profit contributions to the State	**99,165**	**108,197**
Property tax	534	534
Total	**99,699**	**108,731**

EMPLOYEE INFORMATION	2015	2016
Number of employees	9,161	8,578
Number of executives	144	141

as EUR 0.4 million higher LNG terminal costs, grew by 22.4%. The operating expenses of **VĮ Ignalinos atominė elektrinė** more than doubled during the accounting period (due to over eight times higher unsubsidised payroll expenses and heating costs).

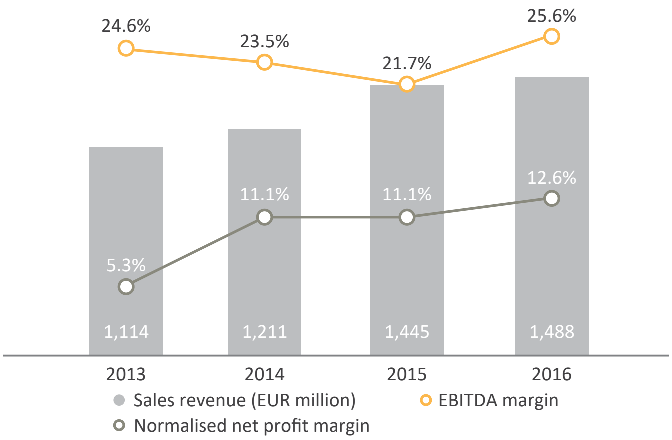
In 2016, the normalised return of the energy sector increased compared to the previous year – return on assets grew by 0.4%, up to 4.1% while the return on equity increased from 8.3% in 2015 to 9.6% in 2016. Excluding the impact of one off factors to the financial results of **Lietuvos Energija, UAB, Group**, its ROE and ROA increased from 5.4% to 6% and from 9.8% to 10.9%, respectively. As in 2016 the normalised net profit of **UAB EPSO-G Group** increased almost threefold while financial liabilities decreased by 28.7%, its ROE grew from 6.2% to 15.8%, ROA – from 1.2% to 3.1%. During the accounting period **AB Klaipėdos nafta** ROE fell from 11.9% to 7.1%, ROA – from 9.6% to 5.7% (due to a decrease in net profit of 37.4%).

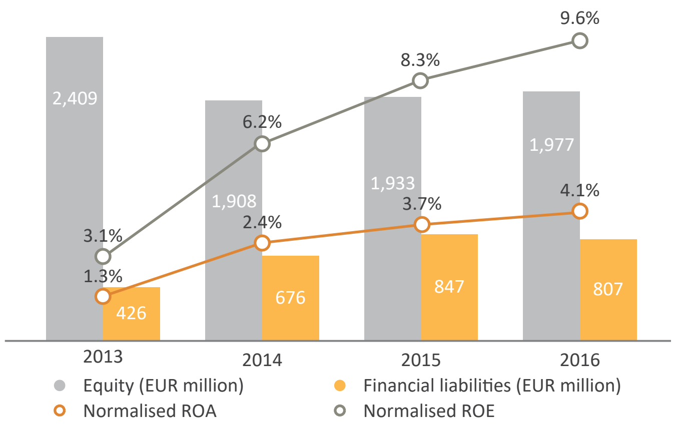
Normalised Net Profit of the Largest Energy Sector Enterprises (EUR million)



The sum of assigned dividends and profit contributions by the companies of the energy sector for 2016 that will add to the State budget has increased by 9.1% compared to the previous year, and amounted to EUR 108.2 million. Dividends allocated by **Lietuvos Energija, UAB** (EUR 100.7 million) represented a major part of the total contributions by SOEs. The remaining dividends for 2016 were assigned by **AB Klaipėdos nafta** and **UAB EPSO-G**, EUR 7 million (the State's share of dividends) and EUR 0.5 million (dividends paid by **UAB EPSO-G** were reduced under the resolution of the Government due to high financial liabilities undertaken after the acquisition of **AB Litgrid** shares). Other enterprises of this sector did not contribute to the State budget in the form of dividends and profit contributions.

Changes in sales revenue, equity capital, financial obligations and profitability of the sector in 2013-2016 are indicated in the following graphs.





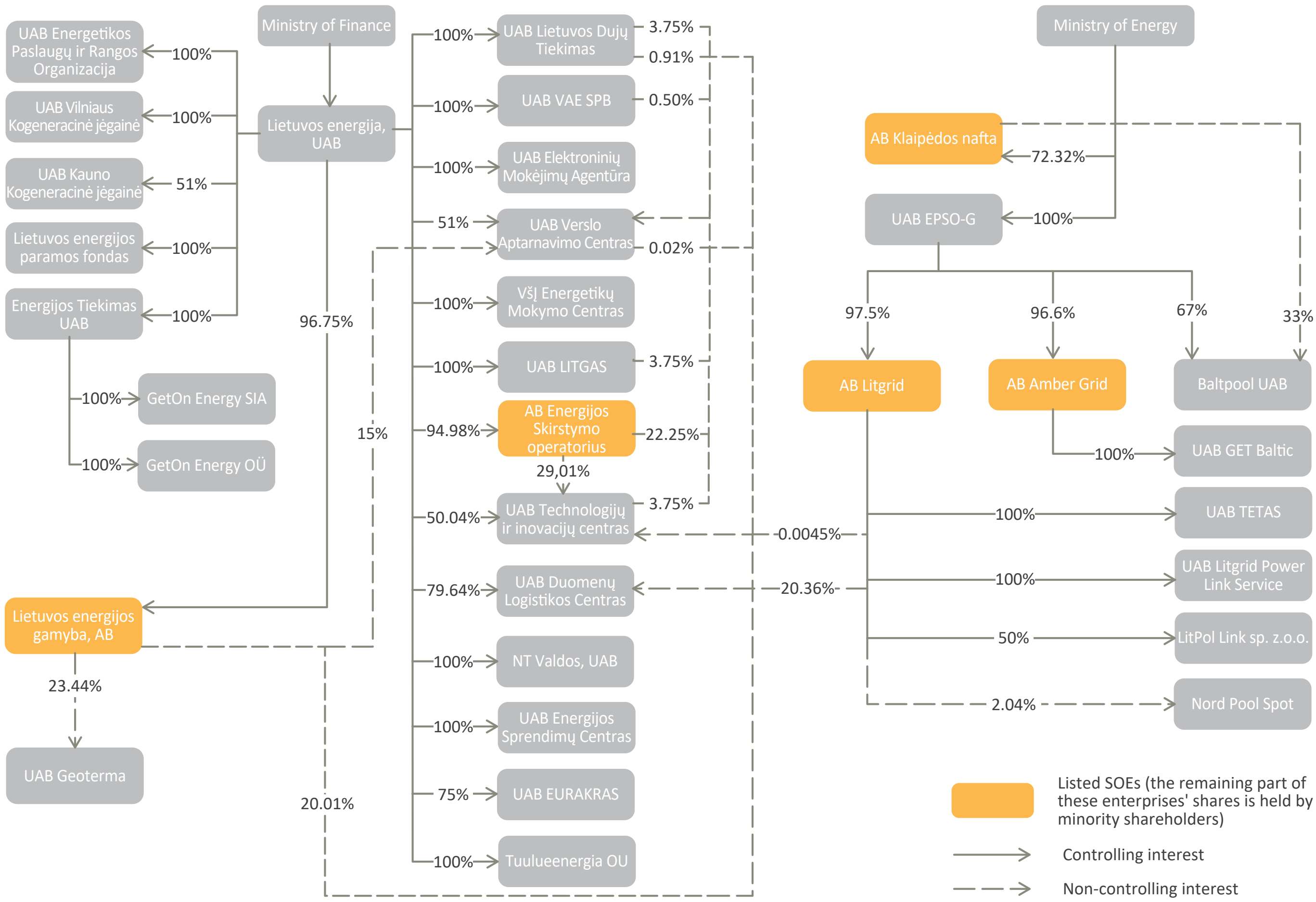
Electricity Sector

Under the requirements of the Third Energy Package of the European Union, to increase the efficiency of the electricity sector activity, to ensure equal conditions in the market and stimulate competition, electricity sector restructuring, launched in 2010, has divided the sector into separate elements which perform different functions: electricity production, transmission and distribution.

Electricity production functions are performed by **Lietuvos energija, UAB, Group** that operates three production units through its subsidiary **AB Lietuvos energijos gamyba**: Elektrėnai Complex with a standby power plant and combined cycle unit, Kruonis Pumped Storage Plant, and Kaunas Algirdas Brazauskas' Hydroelectric Power Plant. The capacity of these three power plants ensures the country's energy security – their production has amounted to 1.37 TWh, i.e. 11.2% of the domestic demand in 2016. State-owned company **UAB EPSO-G Group**, through its subsidiary **AB Litgrid**, maintains a stable operation of national electricity system, manages energy flows and enables the competition in the open electricity market. **AB Litgrid** is responsible for the Lithuania's electricity system's integration into the European electricity infrastructure and single electricity market. Meanwhile, another subsidiary of **Lietuvos Energija, UAB, AB Energijos skirstymo operatorius** is responsible for the transmission of electricity to domestic consumers via distribution networks. The restructuring of Lithuania's energy sector, defined in the EU Third Energy Package, was finished in September 2012.

Another aspect of electricity sector restructuring has been the establishment of free electricity market in 2010, where the suppliers, all legal entities and other non-household consumers can purchase electricity, and the electricity price is not controlled by NCC. On June 2012, Lithuania became a bidding area of Nord Pool Spot (the Nordic-Baltic electricity exchange), and thus accelerated the integration into the European electricity markets. Nord Pool Spot market activities are supervised by the Regulatory Board which includes the regulators from Sweden, Norway, Finland, Denmark, Latvia and Estonia. The Regulatory Board may admit NCC, which oversees regulation of the energy sector activities, such as issuing of licenses, authorising to engage in activities in the energy sector, the determination of reliability of electricity transmission and requirements for the service quality, and other related functions.

Energy Sector State-Owned Enterprises, Their Subsidiaries and Associated Companies at the End of 2016



Electricity Generation

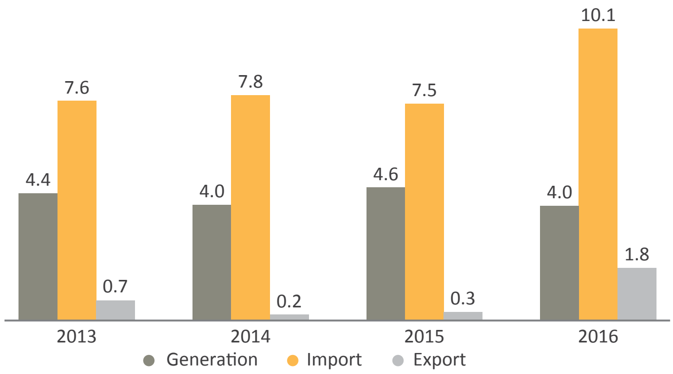
The base of Lithuanian electricity production is composed of the production units controlled by **AB Lietuvos energijos gamyba**: Elektrėnai Complex with a standby power plant and a combined cycle unit, Kaunas Algirdas Brazauskas' Hydroelectric Power Plant, and Kruonis Pumped Storage Plant. This strategically important indirectly state-owned company fulfills the functions of electricity and heat production, import, export and trade in the internal market, and has a large aggregate capacity of electricity generation in Lithuania.

In 2016, the electricity production in Lithuania fell by 13%

According to NCC data, the production of electricity In Lithuania has decreased from 4.6 TWh in 2015 to 4 TWh in 2016. This change was mainly due to the annulment of quotas of the sponsored electricity generation from the beginning of 2016 which decreased the amount of electricity produced by **AB Lietuvos energijos gamyba** by 31.7%, from 2.01 TWh to 1.37 TWh, as well as new electricity links with Poland and Sweden. Because of this, in 2016, the volumes of imported electricity increased by 34.7%, from 7.5 TWh in 2015 to 10.1 TWh in 2016.

Due to new electricity links with Sweden and Poland, the export of electric energy, which in 2015 amounted to 0.3 TWh, in 2016 increased sixfold and reached 1.8 TWh. In 2016, most electricity was exported to Poland (1.1 TWh), Sweden (0.3 TWh) and Latvia (0.3 TWh). The largest volume of electricity imported by Lithuania in 2016 came from Latvia (3.6 TWh) and Russia (3 TWh). Due to new electricity links, the amount

Electricity Generation, Export and Import in Lithuania (TWh)

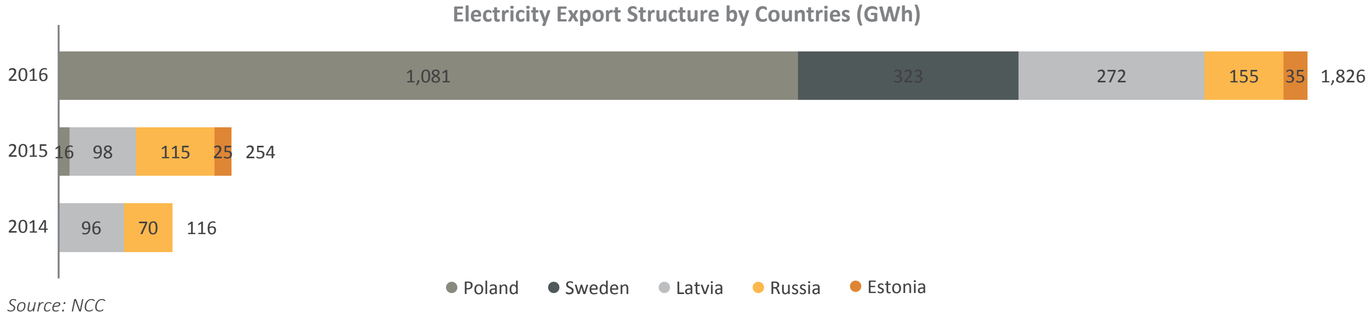


Source:NCC

of electric energy imported from Sweden accounted for 27.7%, i.e. 2.8 TWh of total Lithuanian imports.

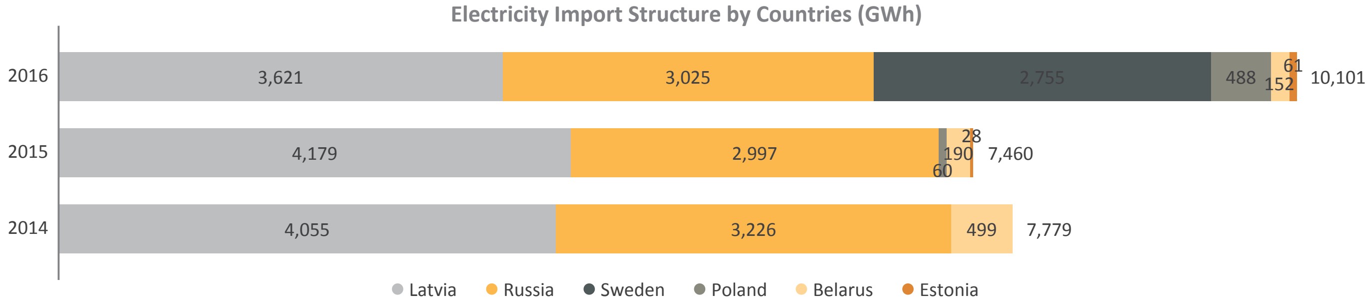
AB Lietuvos energijos gamyba produced 35% of electricity generated in Lithuania. In comparison with 2015, in 2016 this share dropped by 8.6%. Out of 1.37 TWh of electricity produced by the company, 0.49 TWh (1.07 TWh in 2015) was produced in Elektrėnai Complex, 0.52 TWh (0.67 TWh in 2015) – in Kruonis Pumped Storage Plant, 0.36 TWh (0.27 TWh in 2015) – in Kaunas Algirdas Brazauskas' Hydroelectric Power Plant. The fall in the amounts of production by Elektrėnai and Kruonis plants were caused by the annulment of quotas of the sponsored electricity generation, while in Kaunas the volumes grew due to larger quantities of water in Nemunas river. Overall, in 2016 2.6 TWh (2.3 TWh in 2015) of electricity was produced from renewable sources. Based on the data from NCC, in 2016, more than half of electricity in Lithuania was generated from renewable sources.

Electricity Export Structure by Countries (GWh)



Source: NCC

Electricity Import Structure by Countries (GWh)



Source: NCC

Transmission

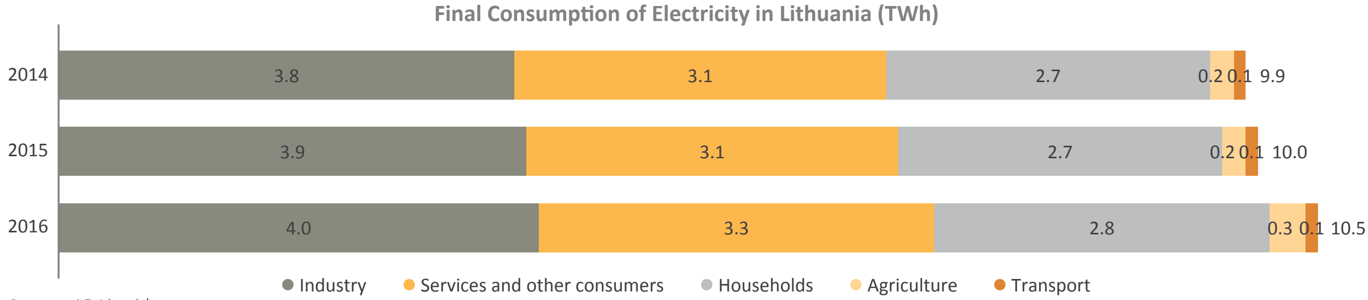
Transmission and distribution network operators are enterprises that provide electricity transmission services from the producer to the consumer.

The final consumption of electricity grew by 5%

Lithuanian transmission system operator **AB Litgrid** is responsible for the electricity transmission via high voltage devices (330-110 kV) from producers to suppliers and consumers. Being the only company in the market, it controls the electricity transmission network of high voltage, ensures quality, reliable and efficient electricity transmission, administers public service obligations (PSOs), trades in balancing/regulation electricity and reserve power, and implements balancing of energy system. According to **AB Litgrid** data, in 2016 the electricity transmitted through its network increased by 3.7%, to 12.2 TWh. Losses in electricity networks and electricity consumption for its own needs (technological costs of the networks) increased by 14.2%, up to 965 GWh. The consumption of electricity grew in all segments of interest – the largest growth was recorded in agriculture (an increase of 8.1%) and services and other consumers (an increase of 7.6%) segments.

Electricity is transmitted to most consumers via low and medium voltage networks, and enterprises that manage these networks are called Distribution Network Operators (DNOs). In Lithuania, the functions of distribution network operator are carried out by indirectly state-owned company **AB Energijos skirstymo operatorius** (established on the 1st of January, 2016 – before this function was performed by **AB LESTO**). Other than this company, five other participants in the market have electricity distribution licenses and distribute energy in their company territories – AB Achema, AB Lifosa, AB Akmenės cementas, UAB E Tinklas and UAB Dirbtinis pluoštas. **AB Energijos skirstymo operatorius** ensures exploitation, development and maintenance of distribution networks, their safety and reliability, connects new consumers efficiently and meets other needs of customers. The company has a well-developed infrastructure throughout

Final Consumption of Electricity in Lithuania (TWh)



Source: AB Litgrid

the country, and, according to the data at the end of 2016, the company provided services to as many as 1.6 million customers in Lithuania.

The final electricity tariff for consumers consists of two parts: one of them reflects the price of electricity as a product and can vary, thanks to the possibility to choose an independent supplier in the free market; while the other represents the price for the electricity transmission and distribution. The second part is paid to electricity transmission and distribution system operators, and it is determined, considering the energy transmission costs, by NCC annually.

Supply

Following the restructuring of the energy sector in 2010, the separation of electricity transmission and supply was implemented in Lithuania just as in other EU member states. Thus, the deregulated supply market saw the emergence of several independent electricity suppliers in addition to the public supplier. At the end of 2016, the number of market participants holding independent electricity supplier licenses reached 37, of which 19 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, which functions in Lithuania are performed by **AB Energijos skirstymo operatorius**, must sell the electricity to all the consumers who are regulated and have not chosen or lost an independent supplier.

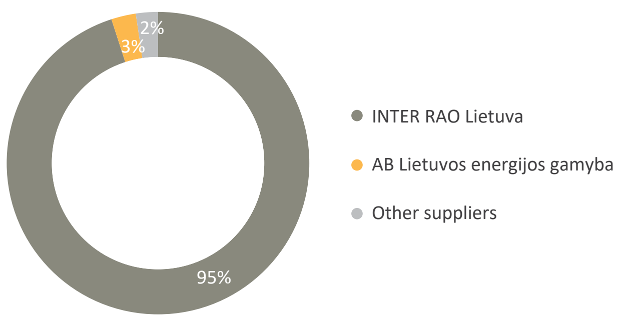
In 2016, the independent suppliers sold 0.3 TWh more electricity, compared to 2015

At the end of 2016, 380 market participants were registered in the electricity market Nord Pool Spot (where Lithuania has become a bidding area in 2012), some of whom are legal entities registered in Lithuania. In 2016, as in 2015, the largest part of sales market belonged to INTER RAO Lietuva – 95%.

In 2016 electricity suppliers sold 9.3 TWh of electricity in retail electricity trading market, 0.3 TWh more than in 2015. In 2016 the market share of **AB Energijos skirstymo operatorius**, compared to the previous year, decreased by 2.1%. Among the independent electricity suppliers, the share of UAB Enerty and Elektrum Lietuva, UAB fell by 1.9% and 2.4%, respectively. During the same period, the market share of Energijos tiekimas, UAB grew by 2.5% and at the end of the year reached 17.6%.

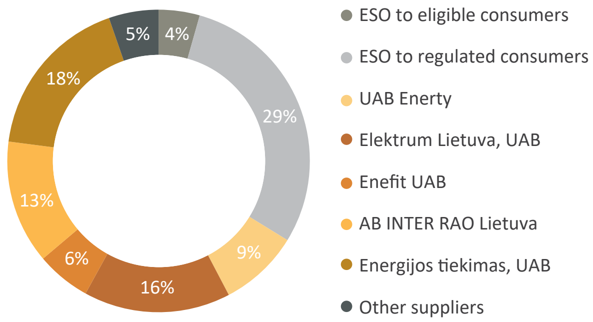
Total electricity demand and final consumption in Lithuania in 2016, compared to 2015, has increased and reached 12.2 TWh and 10,5 TWh respectively.

Structure of Sales Market on the Exchange in 2016 (%)



Source: NCC

Structure of Retail Electricity Market in 2016 (%)

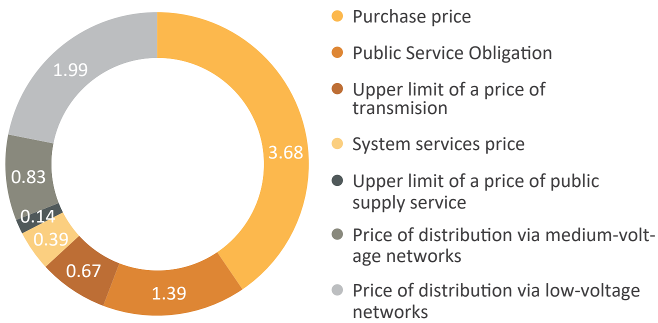


Source: NCC

Electricity Price

Electricity price for consumers consists of several components: the price of electricity purchase, transmission, distribution, supply, the price for system services and price for public service obligations. Prices of electricity transmission, distribution and public supply are regulated by NCC. The average price of electricity that the NCC has determined for 2016 was 9.85 ct/kWh, excluding VAT, while the price for 2017 is set to be 9.09 ct/kWh, excluding VAT. Pricing of NCC is presented in the diagram to the right.

Structure of average electricity price in 2017 (ct/kWh, excluding VAT)



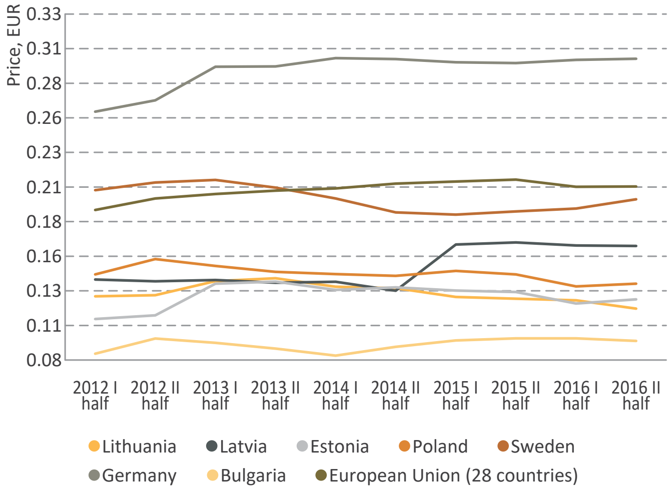
Source: NCC

As the price of electricity purchase fell by 14.4%, the average price of electricity for end users in 2017 will be 7.7% less than in 2016. The price of PSOs is set to be 12% lower, from 1.58 ct/kWh in 2016 to 1.39 ct/kWh in 2017. Meanwhile the overall price of distribution of electricity via low and medium voltage networks is set to increase by 1.8%, i.e. 5 ct/kWh. In 2017, the price of system services will be increased by 4 ct/kWh, while the price of electricity distribution via high-voltage networks will be 2 ct/kWh, i.e. 2.9% lower.

Electricity Prices for Households in EU Member States

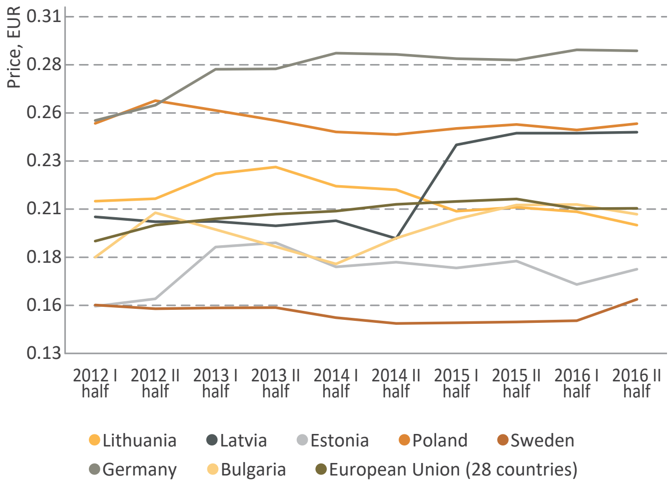
According to the data from the EU statistical office Eurostat, in the second half of 2016 Lithuanian domestic users for electricity not related with economic or commercial purposes paid 27.9% less than Latvian consumers and 5.4% less than Estonian consumers. This price, compared with 2015, decreased in all three Baltic countries: in Lithuania – 5.8%, in Latvia – 1.6%, and in Estonia – 4.1%. In comparison with EU average (21 ct/kWh), the price of electricity in Lithuania in the second half of 2016 was 43% lower (11.7 ct/kWh). The most expensive electricity for domestic users during the same period was in Germany (29.8 ct/kWh), the cheapest – in Bulgaria (9.4 ct/kWh).

Electricity Price for Households in European Union Member States (including taxes, EUR/kWh)



Source: Eurostat

Electricity Price for Households in European Union Member States Based on Purchasing Power Parity (including taxes, EUR/kWh)



Source: Eurostat

Natural Gas Sector

Similarly to the electricity sector, the activities in Lithuanian gas sector are divided into the segments of gas supply, transmission and distribution. The requirement of the Third Package of the European Union to separate the activities of gas supply, trade and distribution has been fully implemented in 2014. Under the requirement, the gas transmission system operator **AB Amber Grid** was established in August 2013, and a new company **UAB Lietuvos dujų tiekimas** owned by **Lietuvos Energija, UAB** started the activity of natural gas supply on the 1st of November, 2014; it was separated from **AB Lietuvos dujos**, which became responsible for gas distribution activity, and was merged with **AB LESTO** into **AB Energijos skirstymo operatorius** in 2016. **Lietuvos Energija, UAB** subsidiary **UAB LITGAS** is a designated LNG provider, ensuring the provision of natural gas to heating companies in cities.

During 2016, the natural gas distribution in Lithuania was carried out by five licensed companies: **AB Energijos skirstymo operatorius**, AB agrofirma Josvainiai, AB Achema, UAB Intergas and UAB Fortum Heat Lietuva. At the end of 2016, the only company carrying out the transmission of natural gas was **AB Amber Grid**, while the distribution was performed by five companies, and gas supply – by 13 enterprises. The functions of the market operator were carried out by **UAB Get Baltic** natural gas exchange.

The end of 2014 featured the first time the natural gas was imported to Lithuania from other country than Russia. After the launch of LNG terminal, operated by **AB Klaipėdos nafta, UAB LITGAS** (part of **Lietuvos Energija, UAB, Group**) as the company performing the role of designated natural gas provider, managed the transportation of LNG from Norwegian Statoil. Since the beginning of 2015, through the **UAB LITGAS** responsibility of provision with minimum LNG stream via the terminal, Lithuania as well as other Baltic countries attained access to the international LNG market and possibilities of a more flexible and more varying pricing opportunities, including the benefits of the spot markets. Additionally, the gas provision and overall strategic energy security of the Baltic countries were improved.

Based on the data provided by **AB Klaipėdos nafta**, in 2016, 16 LNG carriers (three times more than in 2015) were serviced at the LNG terminal and re-gasified 1.2 billion nm³ (0.4 billion nm³ in 2015) of natural gas. During 2016, three terminal users were operating in the LNG terminal – **UAB LITGAS**, AB Achema and **UAB Lietuvos dujų**

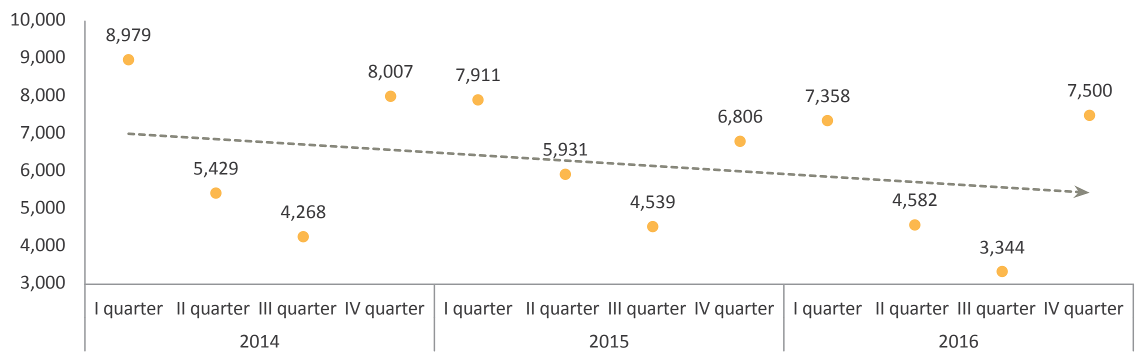
tiekimas. According to **Lietuvos Energija, UAB, Group** data, in 2016 the share of LNG gas from the terminal amounted to 60% of the total Lithuanian natural gas market. It is assumed, that in 2017 **UAB LITGAS** and **UAB Lietuvos dujų tiekimas** will service 66% of the total Lithuanian customers' need for natural gas. Based on NCC data, the transit of natural gas in Lithuania grew by 8% in 2016 and amounted to 23.5 TWh constituting 50.2% (45.4% in 2015) of the total volume of natural gas transported via Lithuanian network.

Natural Gas Consumption Trends

The consumption of natural gas fell by 9.5%

In 2016, 22.8 TWh of natural gas was consumed in Lithuania. This means, that 9.5% less of natural gas was consumed in the country in 2016 than in 2015, and 14.6% less than in 2014. This decrease was determined by the growth in the usage of alternative fuel to produce electricity and heating as well as the annulment of quotas of the sponsored electricity generation, and new NordBalt and LitPolLink electricity links. Another reason for the decrease in gas consumption was an increase in costs for the usage of natural gas infrastructure as well as the growth in energy efficiency.

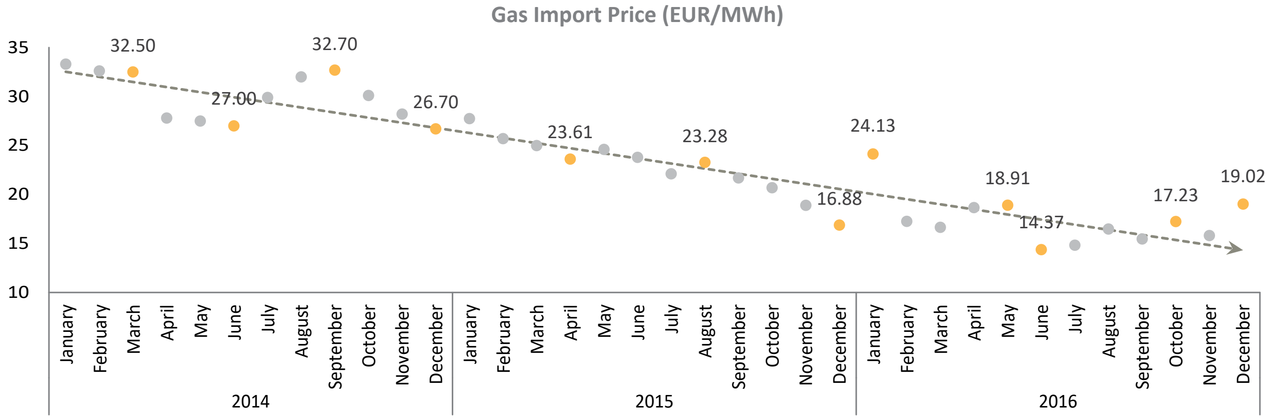
Natural Gas Consumption in Lithuania (GWh)



Source: NCC

According to NNC data, the volume of imported natural gas in 2016 amounted to 24.6 TWh – 10.9% less than a year ago. Out of eight companies which in 2016 imported natural gas to Lithuania, **UAB Lietuvos dujų tiekimas**, which imports fell by 35.4%, had the biggest impact on the overall downward trend. Additionally, UAB Dujotekana and UAB Kauno termofikacijos elektrinė (the company discontinued its natural gas supply operations in 2016) imports fell by 94% and 68.5%, respectively. In 2016, the volumes of natural gas imported by UAB Achema and UAB Haupas increased significantly, by 11% and 35.2%, respectively. The share of natural gas imported by **UAB LITGAS** constituted 16.3% of the total imports which was 0.2% less than a year ago. In 2016, the only supplier of **UAB LITGAS** remained Statoil, while AB Achema obtained its natural gas from Gazprom and Statoil. In the first three quarters of 2016 **UAB Lietuvos dujų tiekimas** bought its gas (based on bilateral agreements) only from Gazprom and Statoil, but during the last quarter the company found two new additional suppliers of natural gas: AS Latvijas gaze and AS Eesti gass.

Gas Import Price (EUR/MWh)



Source: NCC

The price of natural gas depends on the cost of the alternative types of fuel, first of all – the price of oil, which in 2016 increased significantly, from EUR 33.6 to EUR 52.1 per barrel, i.e. 55.1% (Europe Brent Spot Price FOB; the price in US dollars was converted to euros in accordance with the exchange rate of the corresponding dates). As the exchange rate between EUR and USD did not change significantly during 2016 (the USD against EUR increased by 3.3%), this factor did not have a definitive influence on the oil price in Europe and

Lithuania. The impact of the growth in oil price was in part diminished by the decrease in the natural gas demand (compared to supply) as well as increasing competition in Lithuanian gas market – new LNG terminal and a large and growing number of potential new suppliers. Due to these reasons, while the natural gas price in Lithuania was not growing, it did not decrease as rapidly as in the previous years.

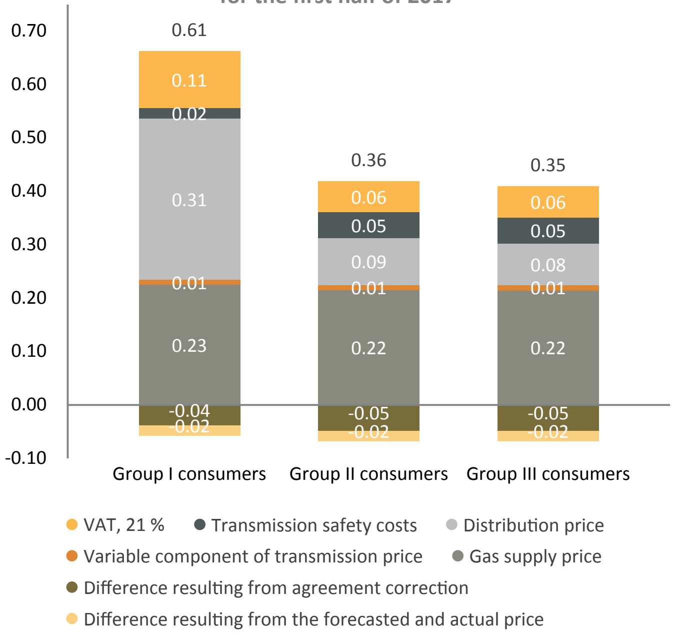
The alternative way to buy or sell gas is a natural gas exchange. Currently, Lithuania has only one natural gas trading exchange – **UAB Get Baltic; BALTPOOL UAB** is no longer engaged in gas exchange activities and remains only the biomass trading exchange. In total, 299 GWh of natural gas were traded in the exchange in 2016, which was 54.2% less than a year ago; the turnover of the year amounted to EUR 5.2 million, i.e. 66.7% less than a year ago.

Natural Gas Price for Households

Natural gas price for domestic consumers consists of two parts: fixed rate monthly fee paid for the gas system maintenance, power assurance and servicing, and variable fee, which depends on the volume of gas consumption. In the first half of 2017, customers of **UAB Lietuvos dujų tiekimas**, who belong to the consumers of Group I (consuming up to 500 cubic metres of gas per year), have paid a fixed charge of EUR 0.56 per month. Fixed charge for consumers of Group II and Group III, who consume more than 500 and 20 thousand cubic metres of natural gas per year, respectively, was EUR 3.99 per month.

Comparing the structure of natural gas for Group I consumers in the first half of 2017 with a corresponding period in 2016, VAT, transmission safety costs as well as the difference resulting from the forecasted and actual price, decreased by EUR 0.01. The price of the natural gas was also diminished by a EUR 0.02 increase in difference resulting from agreement correction. The gas price for the consumers of Group II and Group III was negatively impacted by a EUR 0.01 decrease in VAT and variable component of transmission price as well as a EUR 0.02 higher difference between forecasted and actual price, and a difference resulting form agreement correction.

Structure of the Natural Gas Tariffs (EUR/m³) for the first half of 2017

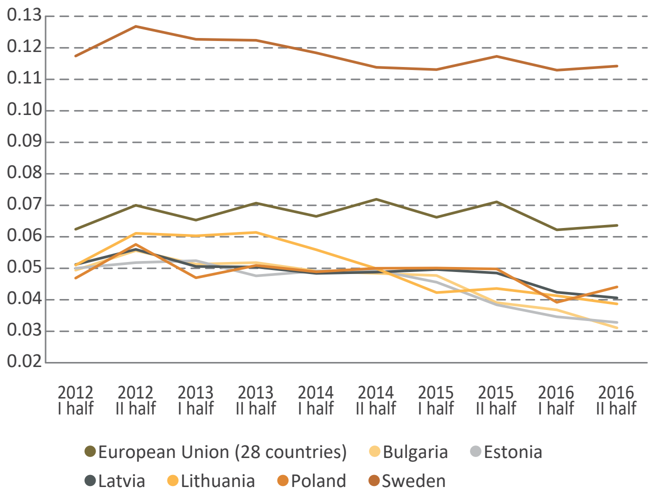


Source:NCC

In the second half of 2016 compared with a corresponding period in 2015, natural gas tariffs for household consumers in the EU countries decreased by 10.5%. The highest prices of natural gas for household consumers in EU was in Sweden (0.11 EUR/kWh), the lowest – in Bulgaria (0.03 EUR/kWh).

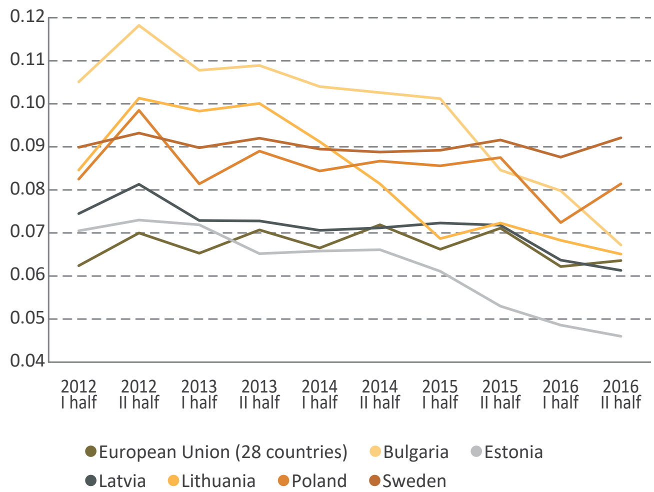
In the second half of 2016, the average price for EU consumers for 100 kWh of natural gas was EUR 6.36, while in Lithuania – EUR 3.87. However, adjusted for the country's purchasing power parity (after eliminating the price level differences between countries), gas prices in Lithuania were above the EU average (EU average – 6.36 purchasing power standards (PPS), while Lithuanian average – 6.51 PPS). Based on natural gas prices in the second half of 2016 (as in the second half of 2015), adjusted for the purchasing power, Lithuania was thirteenth among the EU countries, whose residents pay the highest price for natural gas.

Natural Gas Price for Households in European Union Member States (including taxes, EUR/kWh)

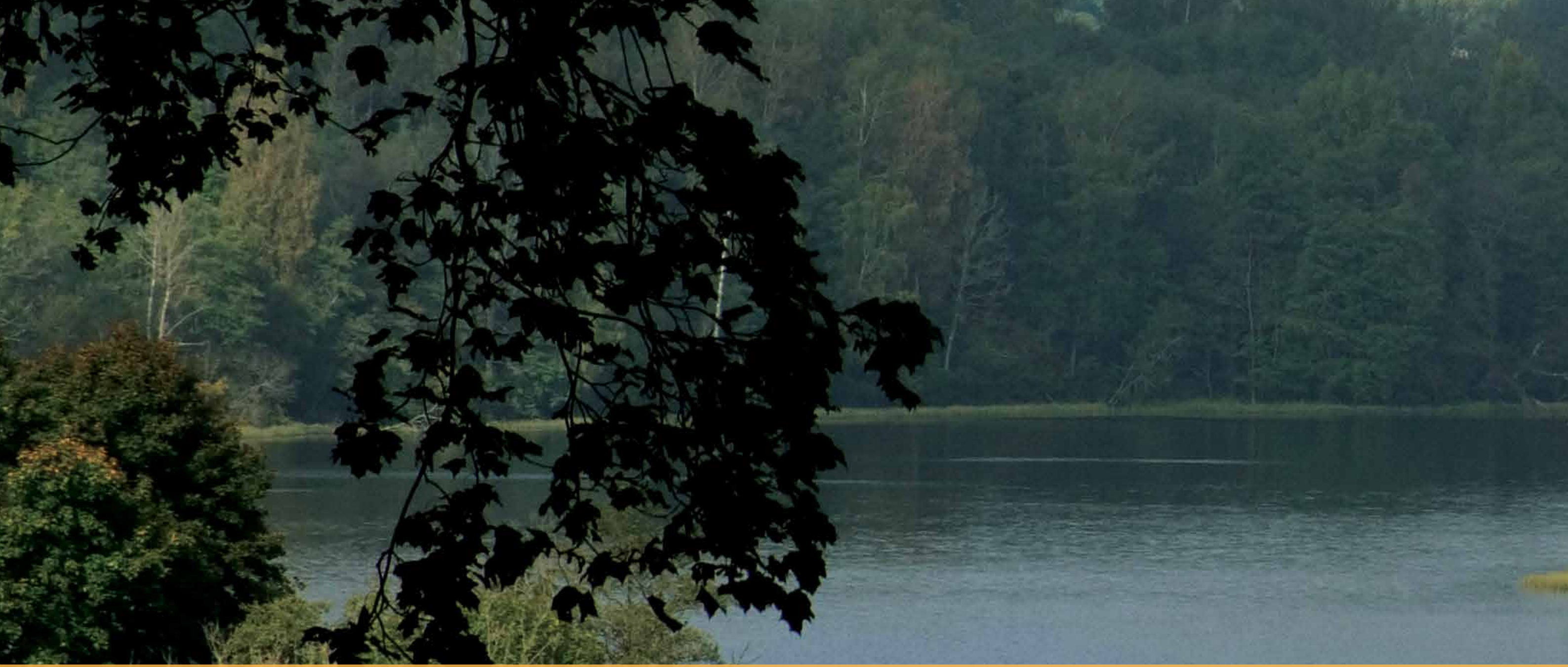


Source: Eurostat

Natural Gas Price for Households Based on Purchasing Power Parity (including taxes, EUR/kWh)



Source: Eurostat



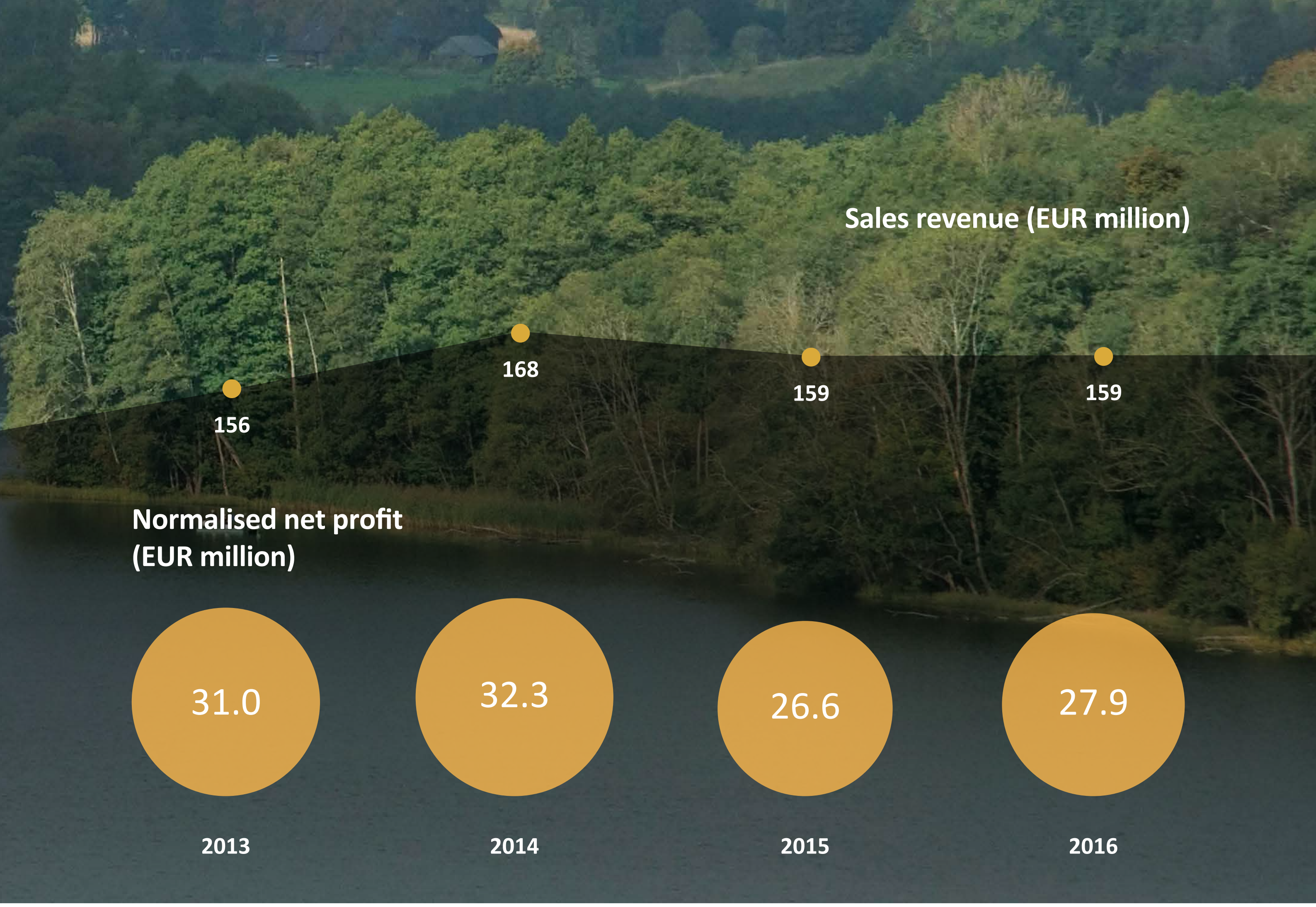
Forestry

The forest area covers around one third of Lithuania's territory, out of which almost half are state forests. Enterprises of the forestry sector operate 13.1% of the SOE portfolio assets and its revenues comprise 6.3% of the total turnover of the portfolio.

The forestry sector consists of 43 state-owned enterprises – **42 forest enterprises** that manage and operate in entrusted state-owned forests, and carry out integrated forestry activities there, and **VĮ Valstybinis miškotvarkos institutas**, that performs forest management activities as well as activities of preparation and implementation of land management projects and land reform. Assets under the management of the **forest enterprises** constitute 99% of the total assets of the sector, revenue – 98.6%. **Forest enterprises** employ 97.4% of all forestry sector employees. The sole owner of the state-owned enterprises in the forestry sector is the State.

Enterprise	Field of activity	Turnover in 2016 (EUR '000)	Assets at the end of 2016 (EUR '000)*	Number of employees at the end of 2016
VĮ Tauragės miškų urėdija		5,876	7,822	148
VĮ Panevėžio miškų urėdija		5,758	7,631	135
VĮ Ukmergės miškų urėdija		5,753	5,958	123
VĮ Trakų miškų urėdija		5,327	6,249	93
VĮ Jurbarko miškų urėdija	Integrated forestry activities	5,227	7,124	99
VĮ Kretingos miškų urėdija		5,200	8,668	141
VĮ Švenčionėlių miškų urėdija		5,159	5,741	115
VĮ Šakių miškų urėdija		4,807	4,353	138
VĮ Nemenčinės miškų urėdija		4,589	3,761	72
VĮ Biržų miškų urėdija		4,542	4,319	83
VĮ Valstybinis miškotvarkos institutas	Forest management projects	2,219	1,775	95

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



Financial Results

The revenue of the forestry sector decreased slightly, while the net profit grew by 1.9%

Forestry sector enterprises in 2016 earned EUR 158.6 million of revenue, which, compared to 2015, decreased only slightly. Sales revenue decrease was mostly affected by lower prices of round wood, the average price of which declined by from EUR 38.6 per cubic metre in 2015 to EUR 38.1 per cubic metre in 2016. As a result of price decline, the sales of round wood increased by 1.8%. In total, 3.8 million cubic metres of round wood were sold in 2016.

Sector's cost of goods sold in 2016 decreased by 2.4%, down to EUR 64.4 million, mainly due to a decline in the internal transportation of lumber which was caused by an improved forest road infrastructure which led to a shorter average lumber extraction distance. Meanwhile, the operating costs fell by 0.2% and reached EUR 85.7 million. The decrease was mostly influenced by a EUR 0.7 million lower re-forestation, forest protection and maintenance costs. In 2016, sector's operating tax expenses, compared to 2015, did not change significantly, while the costs incurred implementing ecological and social activities were EUR 0.3 million lower than a year ago and amounted to EUR 7.7 million.

Net profit of the enterprises operating in the forestry sector, due to a decrease in COGS, grew by 1.9% and in 2016 reached EUR 7.5 million. EBITDA result increased by 7.1% and reached EUR 20.9 million. After eliminating atypical taxes paid by forest enterprises and **VĮ Valstybinis miškotvarkos institutas** to the State, the net profit (normalised) amounted to EUR 27.9 million and, compared to the result of 2015, was 4.7% higher.

Forest enterprises, while carrying out accounting according to the business accounting standards, exercise the exemption applied to the **forest enterprises** and do not account for forest (biological assets) value. For the purpose of comparability with managers of private forests and managers of foreign state-owned forests, who account for the value of biological assets, GCC annually recalculates the value of biological assets of the **forest enterprises** using the discounted cash flow method. According to GCC calculations, on the 31st of December, 2016, **42 forest enterprises** managed biological assets worth EUR 1.053 million, i.e. 5% more than a year ago. The increase in the value of biological assets was determined by a larger annual forest growth, in the view of lower interest rates, lower discount rate applied for the purpose of GCC calculations.

Since the beginning of 2016, the assets managed by the forestry sector enterprises increased by 4.7% and at the end of the year amounted to EUR 1.2 billion. The growth in asset value was mostly determined by the increase in the value of biological assets. The aggregate long-term financial assets of the forest enterprises increased by 1.8 times and reached EUR 8.8 million.

During 2016, the value of inventories of the **forest enterprises** fell by 1%, down to EUR 27.8 million, while the accounts receivable grew by 10.3%, reaching EUR 8.9 million. Meanwhile, cash and cash equivalents increased only marginally. This caused the current assets to decrease by 4.9%, to EUR 70 million. Large current assets increase the liquidity ratios of forest enterprises, which remain significantly higher than in the private sector. The quick ratio, which shows company's ability to cover the short-term liabilities by quickly realisable assets, in Lithuania's forestry and logging sector constitutes around 1.14 (preliminary 2015 data of the Statistics Lithuania), while quick ratio of the **forest enterprises** and **VĮ Valstybinis miškotvaros**

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**158,709**	**158,564**
Cost of goods sold	66,016	64,409
Gross profit (loss)	**92,693**	**94,155**
Operating expenses	86,290	86,077
Profit (loss) from other activities	693	690
Operating profit (loss)	7,096	8,769
Operating profit margin	*4.5%*	*5.5%*
EBITDA	**19,476**	**20,856**
EBITDA margin	*12.3%*	*13.2%*
Financial and investment activities	339	224
Profit (loss) before taxes	**7,435**	**8,993**
Profit tax	1,116	1,484
Net profit (loss)	**6,319**	**7,509**
Normalised net profit (loss)	**26,609**	**27,863**
Normalised net profit margin	*16.8%*	*17.6%*

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Intangible assets	1,895	2,499
Tangible assets	101,177	104,490
Financial assets	3,107	8,773
Other non-current assets	1,007	237
Biological assets	1,002,964	1,052,996
Non-current assets*	**1,110 ,151**	**1,168,995**
Inventories, prepayments and contracts in progress	28,043	27,784
Amounts receivable within one year	8,023	8,850
Other current assets	13,877	9,703
Cash and cash equivalents	23,686	23,716
Current assets	**73,629**	**70,052**
Total assets	**1,183,780**	**1,239,047**
Equity*	**1,157,658**	**1,211,860**
Minority shareholder equity	0	0
Grants and subsidies	**12,767**	**14,203**
Non-current liabilities	147	76
Current liabilities	13,209	12,908
Liabilities	**13,356**	**12,984**
Financial liabilities	274	284
Total equity and liabilities	**1,183,780**	**1,239,047**

RATIO	31 DEC 2015	31 DEC 2016
Normalised ROA	2.3%	2.3%
Normalised ROE	2.4%	2.4%
D/E	0.0%	0.0%

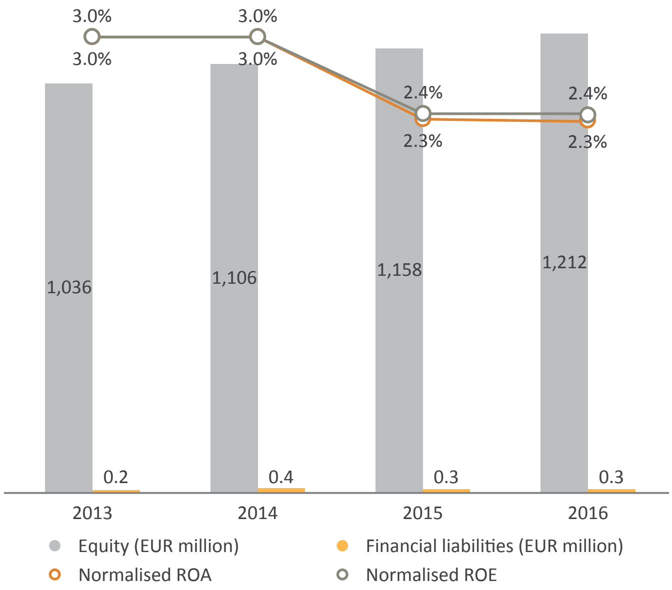
RETURN TO THE STATE (EUR '000)	2015	2016
Assigned profit contributions	**3,188**	**3,673**
Property tax	2,243	2,281
Raw material tax	22,628	21,665
Total	**27,059**	**27,618**

EMPLOYEE INFORMATION	2015	2016
Number of employee	3,750	3,594
Number of executives	89	47

** The consolidated book values of non-current assets and equity capital of forest enterprises were increased by the forest value (biological assets), calculated using the discounted cash flow method, which, according to the evaluation performed at the end of 2016, was EUR 1,053 million. The ratios were calculated based on the increased values of non-current assets and equity capital.*

institutas was 3.44 on the 31st of December, 2015, and 3.25 at the end of 2016, and significantly surpassed the quick ratio of the overall forestry and logging sector. Meanwhile, the cash ratio (ratio of cash and cash equivalents to current liabilities) of the state-owned enterprises attributed to the forestry sector on the 31st of December, 2016 was 1.84. Cash and cash equivalents in excess of current liabilities, in practice, is regarded as an untapped potential to generate more value to the enterprise and, therefore, the State.

The equity of the **forest enterprises**, mainly due to a significant growth in the value of biological assets, increased by 4.7% and amounted to EUR 1.2 billion. Also, the amount of grants and subsidies increased by 11.3% or EUR 14.2 million. Liabilities, constituting 1% of total assets, i.e. EUR 13 million, fell by 2.8% as a result of current liabilities, which decreased down to EUR 12.9 million. The financial liabilities of the sector in 2016 amounted to EUR 283.6 thousand and during the year grew by 3.7%. Financial liabilities grew in following **forest enterprises: Kuršėnai** (up to EUR 109 thousand) and **Kaišiadorys** (up to EUR 57 thousand). **VĮ Marijampolės miškų urėdija** financial liabilities decreased from EUR 133 thousand in 2015 to EUR 92 thousand in 2016. **VĮ Pakruojo miškų urdėdija**, which in 2015 had financial liabilities of EUR 43 thousand, had met them in 2016 and thus no longer accounted any. Other **forest enterprises** did not have any financial liabilities, as all their assets were covered with equity and grants and subsidies. High level of creditworthiness (low debt level) of forest enterprises allow them to use a cheaper (compared to the required return on equity of 5%) loan capital for investments.



The higher normalised net profit did not have a definitive impact on the sector's rates of return. The normalised rates of return on assets and return on equity during the year remained stable and amounted to 2.3% and 2.4%, respectively.

Contributions of the Forest Enterprises to the State Budget

Forest enterprises paid EUR 27.6 million to the State budget for the results of 2016, i.e. 2.1% or EUR 0.6 million more than a year ago. **Forest enterprises'** contributions to the State budget consists of profit contributions and non-typical taxes.

Sector's enterprises paid 15.6% more in profit contributions to the State

Forest enterprises, as well as other state enterprises, for the commercial activities carried out in 2016 through the disposal of State property, are obligated to allocate 50% of net profit to the State budget. A net profit contribution allocated by the **forest enterprises** for the year 2016 amounted to EUR 3.7 million, while in 2015 was EUR 3.2 million.

In 2016, **forest enterprises** accounted for EUR 23.9 million in atypical taxes, the same amount as in 2015. For the use of entrusted State assets, **forest enterprises** paid 2%, i.e. EUR 2.3 million of property tax. Meanwhile, the obligatory deductions (15%) from revenue received from the sale of wood material and uncut forest (raw material tax) amounted to EUR 21.7 million. Non-typical taxes are included in the calculation of **forest enterprises'** contribution to the State budget, as such taxes do not apply to private forest companies.

Area of Lithuanian Forests

Key forest indicators as of 1st January	2012	2013	2014	2015	2016
Forest land acc. to public records of forests (ha '000)	2,126.2	2,128.9	2,130.2	2,220.5	2,198.5
Forest coverage (%)	33.3	33.3	33.3	33.4	33.5
Forest area per capita (ha)	0.7	0.7	0.7	0.8	0.8
Total volume of timber with bark (million cubic metres)	501	510	521	529	537
Annual increment in stands volume per ha (cubic metres)	8.2	8.5	8.7	8.9	9.2

Source: State Forest Service

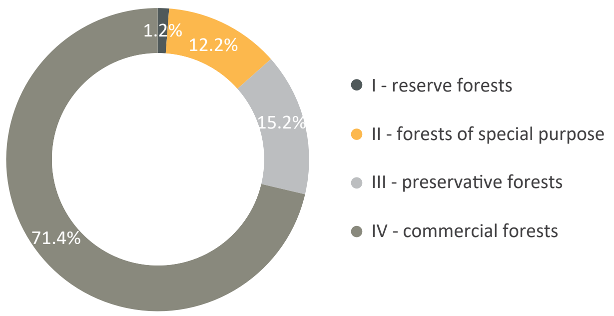
Forests in Lithuania cover an area of 2,186 thousand hectares. Since 2003, the forest area has increased by 141.5 thousand hectares, and forest coverage of the country expanded by 2.2% and currently constitutes 33.5% of the territory. The major part (55.8% or 1,148.4 thousand hectares) of the forest area in Lithuania is covered by coniferous stands, which have decreased by 11.5 thousand hectares since 2003.

At the beginning of 2016, 71.4% of Lithuanian forest area consisted of forests of Group IV (commercial), 15.2% - forests of Group III (preservative). The rest of the forests are reserve forests (Group I) and forests of special purpose (Group II), where commercial forestry activities are prohibited.

Almost half of (49.8%) of Lithuanian forest area is covered by forests of national significance, which cover a total of 1,088.5 thousand hectares. 39.9% or 873 thousand hectares are managed by 249.1 thousand private owners, who on average manage 3.4 hectares of forest. 10.3% of the forest area is reserved for the restitution of ownership rights. The latter part of the forest has decrease by almost 2% since the beginning of 2015.

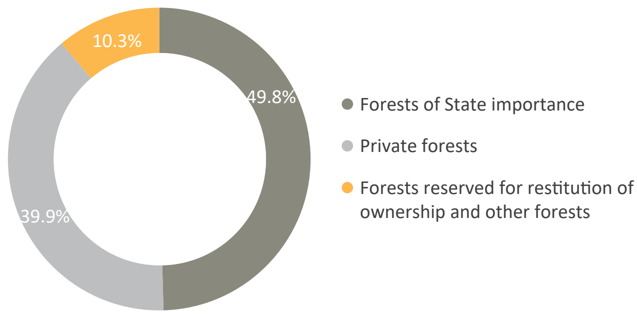
The **forest enterprises** manage 1.05 million hectares of Lithuania's forest area, of which 0.77 million hectares, i.e. 73.6%, consist of forests of commercial purpose. On average, one **forest enterprise** manages 25 thousand hectares of forest area. The largest forest enterprises are **Švenčionėliai** (42 thousand hectares), **Kretinga** (42 thousand hectares) and **Panevėžys** (38 thousand hectares), while forest areas less than 15 thousand hectares are managed by **Kupiškis, Dubrava** and **Zarasai forest enterprises**.

Forest Area Group Distribution



Source: State Forest Service

Breakdown of Forest Land by Ownership



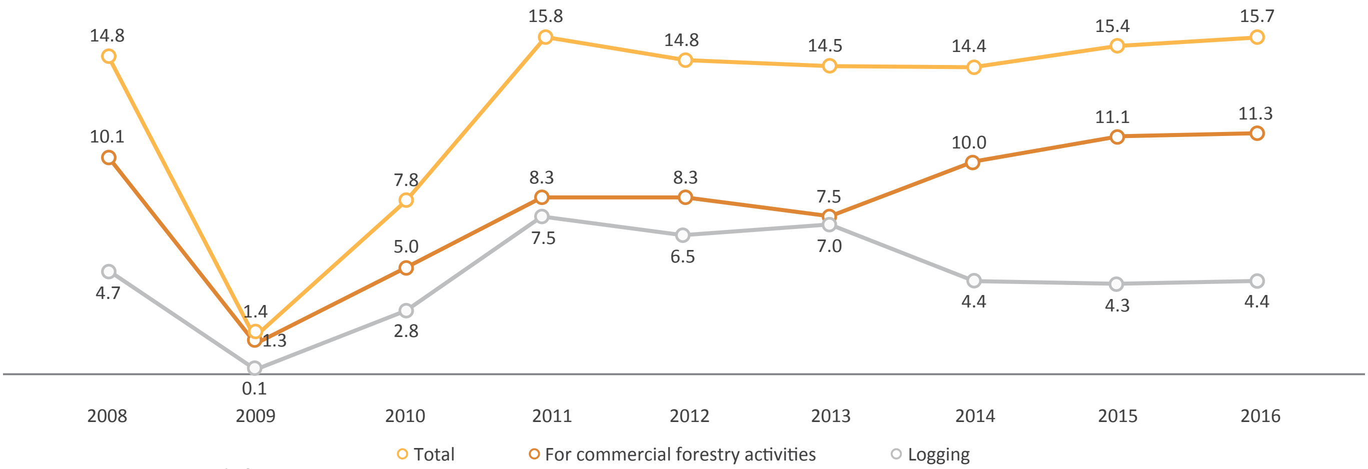
Source: State Forest Service

Investments and Construction of Forest Roads

The investments of the forest enterprise grew by almost 2%

During the period of 2008-2016 **forest enterprises** annually allocated about EUR 14 – 16 million of own funds to the investments in commercial forestry activities and logging, despite significantly reduced scale of investments because of the financial crisis in 2009 and 2010. In 2016, investments of the **forest enterprises** from their own funds amounted to EUR 15.7 million, out of which EUR 4.4 million was designated for logging, and EUR 11.3 million directed to 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 forest roads of local significance. Forest roads are one of the most important infrastructure factors for efficient development of forestry. They are used for afforestation, forest maintenance, sanitary protection and fire prevention, performance of installation and management works of environmental and recreational objects, as well as for organisation of industrial forestry activities, communication of local population and meeting other needs. According to the data of Directorate General of State Forests, there are about 24 thousand kilometres of domestic forest roads of local significance in state-owned forests managed by **forest enterprises**.

In 2016, **forest enterprises**, using own funds, constructed and reconstructed 54.9 kilometres, repaired 1,077.5 kilometres and performed maintenance on 11.7 thousand kilometres of forest roads. In total, EUR 12.6 million were spent on the works related to forest roads. In comparison, in 2015, the **forest enterprises** constructed and reconstructed 53.7 kilometres, repaired 696.8 kilometres and performed maintenance on 12.1 thousand kilometres of forest roads, while investing EUR 9.3 million. In 2016, most of the forest roads were constructed (reconstructed) by **Kėdainiai** and **Kaišiadorys forest enterprises**, constructing (reconstructing) 7.1 and 4.5 kilometres of forest roads, respectively.

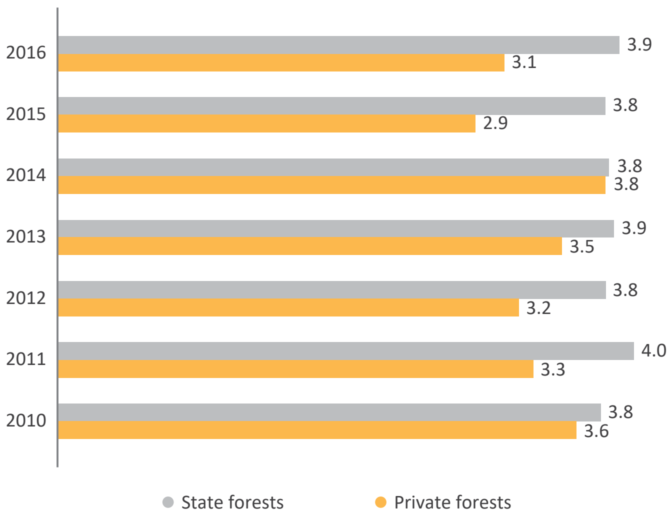
All the expenses related with the construction (reconstruction), repair (complete and current) and maintenance in 2016 amounted to EUR 12.6 million, out of which EUR 9.12 million were **forest enterprises** own funds, EUR 1.79 million – Road Maintenance and Development Programme funds, EUR 1.34 million – General Forestry Requirements Funding programme, and EUR 0.34 million – EU Support Funds.

In 2016, **forest enterprise**s used the EUR 2.61 million from the General Forestry Requirements Funding programme to repair 620 kilometres of forest roads in private forest areas. In other forests, EUR 0.07 million from the General Forestry Requirements Funding programme were used to repair 24 kilometres of forest roads.

Forest Logging and Sale of Round Wood

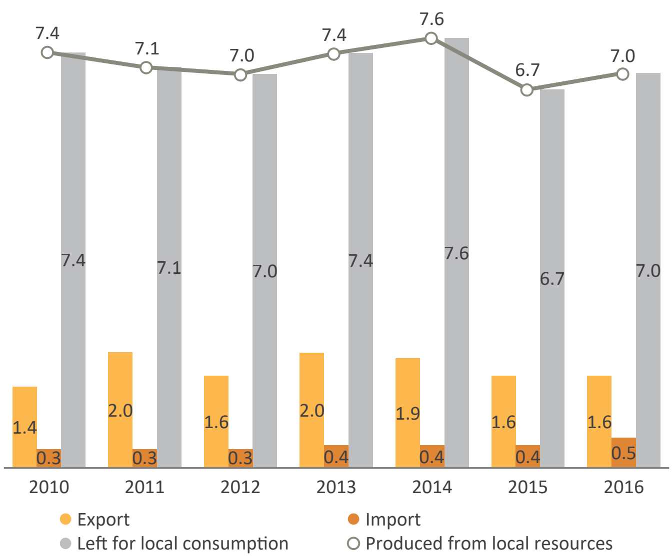
In 2016, 7 million cubic metres of timber was cut. In the state forests 3.9 million cubic metres of timber were cut and, compared to 2015, this amount grew by 2.6%. During the year, the logging volumes in private forests increased by 6.9% and amounted to 3.1 million cubic metres.

Logging in Forests by Ownership Structure (million cubic metres)



Source: State Forest Service

Logging and Trade in Round Wood (million cubic metres)



Source: State Forest Service

In 2016, the amount of round wood remaining for the local consumption increased by 4.5% up to 7 million cubic metres. The volumes of imported round wood also increased and amounted to 0.5 million cubic metres, 25% more than a year ago, while the export remained stable at 1.6 million cubic metres. The largest volume of round wood was exported to the neighbouring Latvia – in 2016 export of round wood amounted to 0.77 million cubic metres, almost the same as in 2015. Out of the total amount, conifers constituted for 0.64 million cubic metres. Meanwhile, round wood imports in the long term remained unchanged.

Export of Round Wood (thousand cubic metres)

	2016			2015		
Country	**Conifers**	**Deciduous trees**	**Total**	**Conifers**	**Deciduous trees**	**Total**
Latvia	636	136	772	625	135	760
Poland	133	135	268	173	147	321
China	154	17	172	31	28	58
Sweden	23	144	168	29	117	146
Finland	41	21	62	28	27	55
Other	9	3	12	14	5	19
Total	**996**	**457**	**1,453**	**900**	**459**	**1,359**

Source: State Forest Service

Every year 0.3 – 0.4 million cubic metres of round wood are imported to Lithuania. Assessing the results of the last two years, deciduous trees from Belarus took the largest share of imported round wood. In 2016, the import form Belarus increased by 53.1%, up to 0.32 million cubic metres, mainly due to the growth in the imports of conifers, which in 2016 amounted to 0.11 cubic metres.

Import of Round Wood (thousand cubic metres)

	2016			2015		
Country	**Conifers**	**Deciduous trees**	**Total**	**Conifers**	**Deciduous trees**	**Total**
Belarus	108	215	323	40	171	211
Latvia	16	69	85	14	61	75
Poland	62	0	62	69	0	69
Russia	0	22	22	0	9	9
Estonia	0	1	1	2	0	2
Other	1	0	1	0	0	1
Total	**186**	**306**	**492**	**125**	**241**	**367**

Source: State Forest Service

In 2016 **forest enterprises** sold 3.57 million cubic metres of round wood on the domestic market, which was 9.6% more than in 2015. Sales of wood in the rough amounted to 3.15 million cubic metres, while the sales of firewood constituted 0.63 million cubic metres. In comparison with 2015, in 2016 the amount of wood in the rough sold was 4% higher, the amount of firewood – 5% lower.

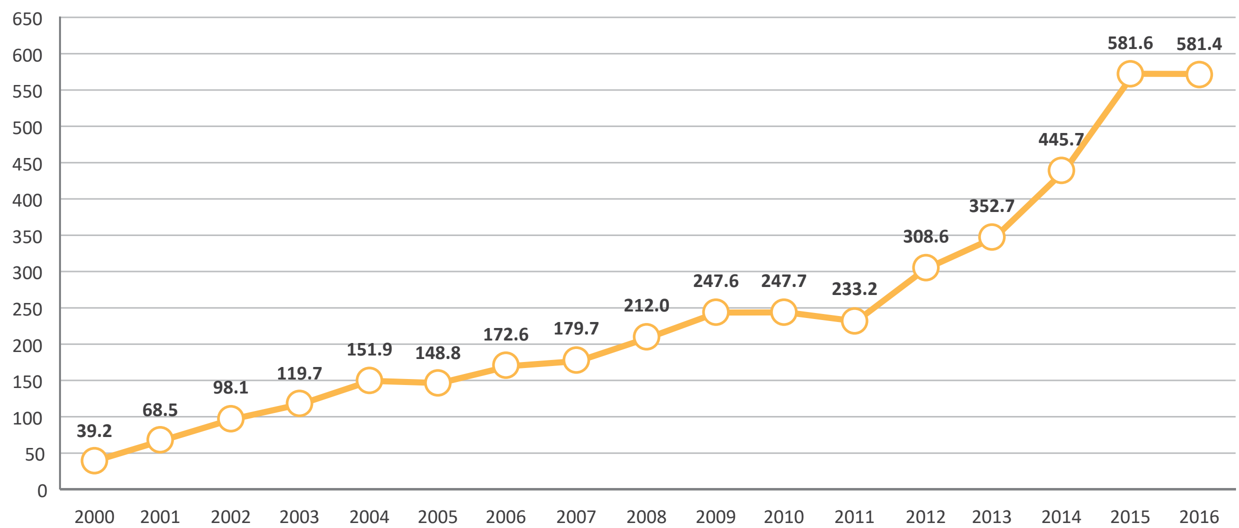
The largest amounts of round wood from **forest enterprises** in 2016 were bought by UAB Juodeliai (290.4 thousand cubic metres or 7.7% of the total amount sold), UAB IKEA Industry Lietuva (265.3 thousand cubic metres or 7% of the total amount sold) and UAB Targirė (215.6 thousand cubic metres or 5.7% of the total amount sold). UAB IKEA Industry Lithuania mainly bought cheaper timber – wood panels and firewood, while UAB Juodeliai mainly purchased logs from the **forest enterprises**.

It is noted, that there are no large purchasers of wood in Lithuania; the largest customers of the **forest enterprises** buy about 6-7% of the total amount of round wood sold. This may be related to the fact that **42 forest enterprises** that operate in Lithuania are relatively small and each enterprise trades individually and is unable to serve larger customers due to low volumes of sales and production. This has a negative effect on the competitiveness of the **forest enterprises**.

Solid Biofuel Market

One of the key priorities of the energy strategy for the EU Member States remains the promotion of usage of renewable energy sources (RES). 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 electricity and district heating (DH). In 2016, solid biofuel consumption for the generation of electricity and district heating was 581.4 thousand tonnes of oil equivalent, which was around the same amount as in 2015, when the consumption was 581.6 thousand tonnes oil equivalent. In Lithuania, during the period of 17 years, the consumption of solid biofuel for district heating increased more than 15 times. It is forecasted, that due to the growing use of biofuel in DH sector, solid biofuel demand will continue to grow.

Solid Biofuel Consumption for Generation of Electricity and District Heating (thousand TOE)



Source: Statistics Lithuania

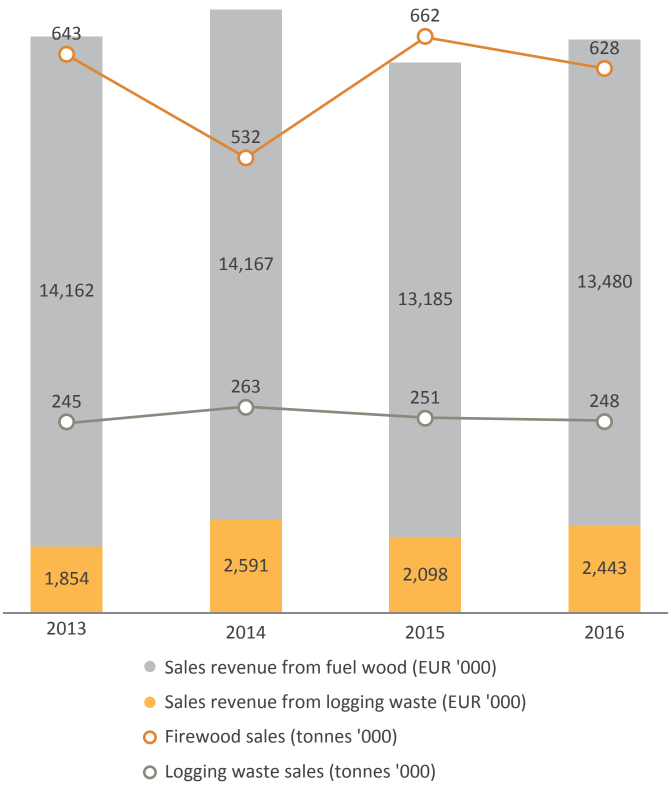
Since 2010, one of the operational priorities of the Directorate General of State Forests has been to increase the production and feedstock for the biofuel in the state forests. Since 2010, when the amount of sold forest logging waste was only 75 thousand cubic metres, the supply and sales of logging waste has increased significantly – in 2016 this amount was three times larger than in 2010 and amounted to 248 thousand cubic metres, i.e. 1.2% less than a year ago. The largest amount of logging waste in 2016 was sold by **Šiauliai, Nemenčinė** and **Kretinga forest enterprises**, 11.5 thousand, 10.7 thousand and 10.4 thousand cubic metres, respectively. Meanwhile, the lowest amounts were sold by **Zarasai, Utena** and **Kupiškis forest enterprises** – 0.8 thousand, 2.1 thousand and 2.8 thousand cubic metres, respectively.

In 2016, **forest enterprises** sold 5.1% less firewood than a year ago (628.3 thousand cubic metres). The greatest amount of firewood was sold by **Radviliškis, Panevėžys** and **Joniškis forest enterprises**, 40.4 thousand, 28.1 thousand and 27.9 thousand cubic metres, respectively. Meanwhile, **Druskininkai, Veisiejai** and **Valkininkai forest enterprises** sold the lowest amount of firewood – 1.8 thousand, 1.9 thousand and 4 thousand cubic metres, respectively.

Significant differences in sales of raw material for biofuel between forest enterprises are partly related to the norms of forest logging and production of logging waste established by the Ministry of Environment. The types of cut trees prevailing in a specific forest enterprise and biofuel demand have some influence as well.

Although, the amount of solid biofuel sold decreased by 4%, the revenue from the sale of biofuel, as a result of increase in prices for firewood and forest logging waste, grew by 4% and reached EUR 15.9 million. The price of firewood, compared to 2015, grew by 1 EUR/m³ while the average price of forest logging waste increased by 2 EUR/m³ and amounted to 10 EUR/m³.

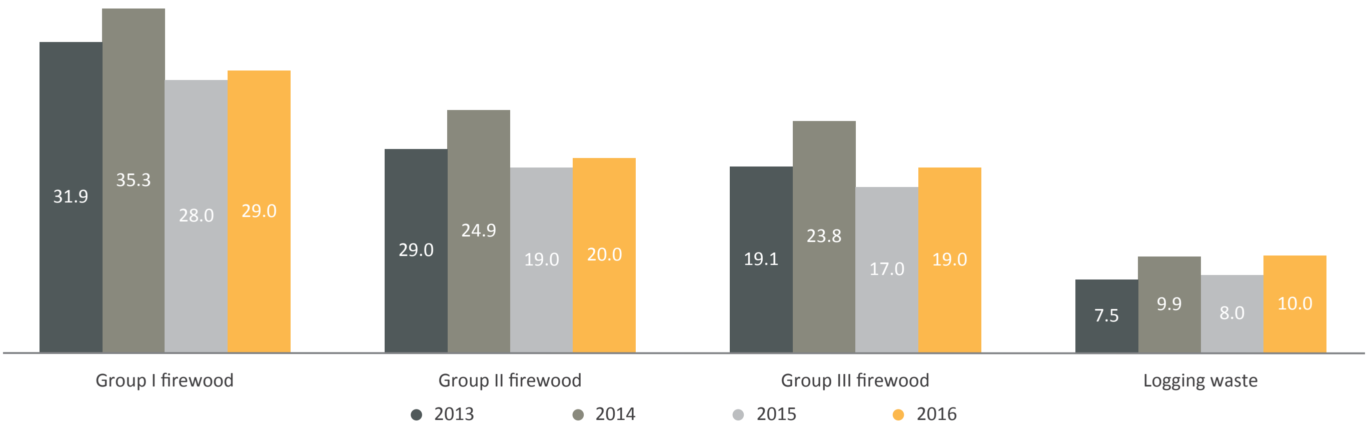
Sales of Biofuel by Forest Enterprises



Source: Directorate General of Forest Enterprise

One of the operational priorities of the Directorate General of State Forests since 2014 was the production of wood chips and their supply to the biofuel exchange at competitive prices. Since the beginning of 2014, forest enterprises have participated in the raw biofuel material exchange Baltpool. In 2016, **forest enterprises** sold 9,924 tonnes of oil equivalent worth EUR 1.36 million, while in 2015 – 4,806 tonnes of oil equivalent, worth EUR 697.4 thousand. The largest volumes in the biofuel exchange was sold by **Valkininkai** (3,930 tonnes of oil equivalent), **Tauragė** (3,540 tonnes of oil equivalent) and **Švenčionėliai** (1,914 tonnes of oil equivalent) **forest enterprises**. According to the Directorate General of State Forests, the growth of raw biofuel material deals was influenced by: a) three **forest enterprises** (**Švenčionėliai, Tauragė** and **Valkininkai**), utilised subsidies of Climate Change special programme and purchased machinery for biofuel production and transportation; b) other **forest enterprises** made deals with contracting firms to be able to perform operations involving biofuel production and transportation; c) the employees of the **forest enterprises** are trained to perform basic transactions in the exchange, have ample knowledge on biofuel technical specifications, regularly submit a report to Directorate General of State Forests on participation in the biofuel exchange; d) as per information provided by the **forest enterprises**, the employees of the Directorate General of State Forest analyses and monitors price changes of biofuel and sales made by **forest enterprises**, keeps in regular contact with the biofuel exchange to solve relevant problems.

Prices of Firewood and Logging Waste Sold by Forest Enterprises (EUR/m³)



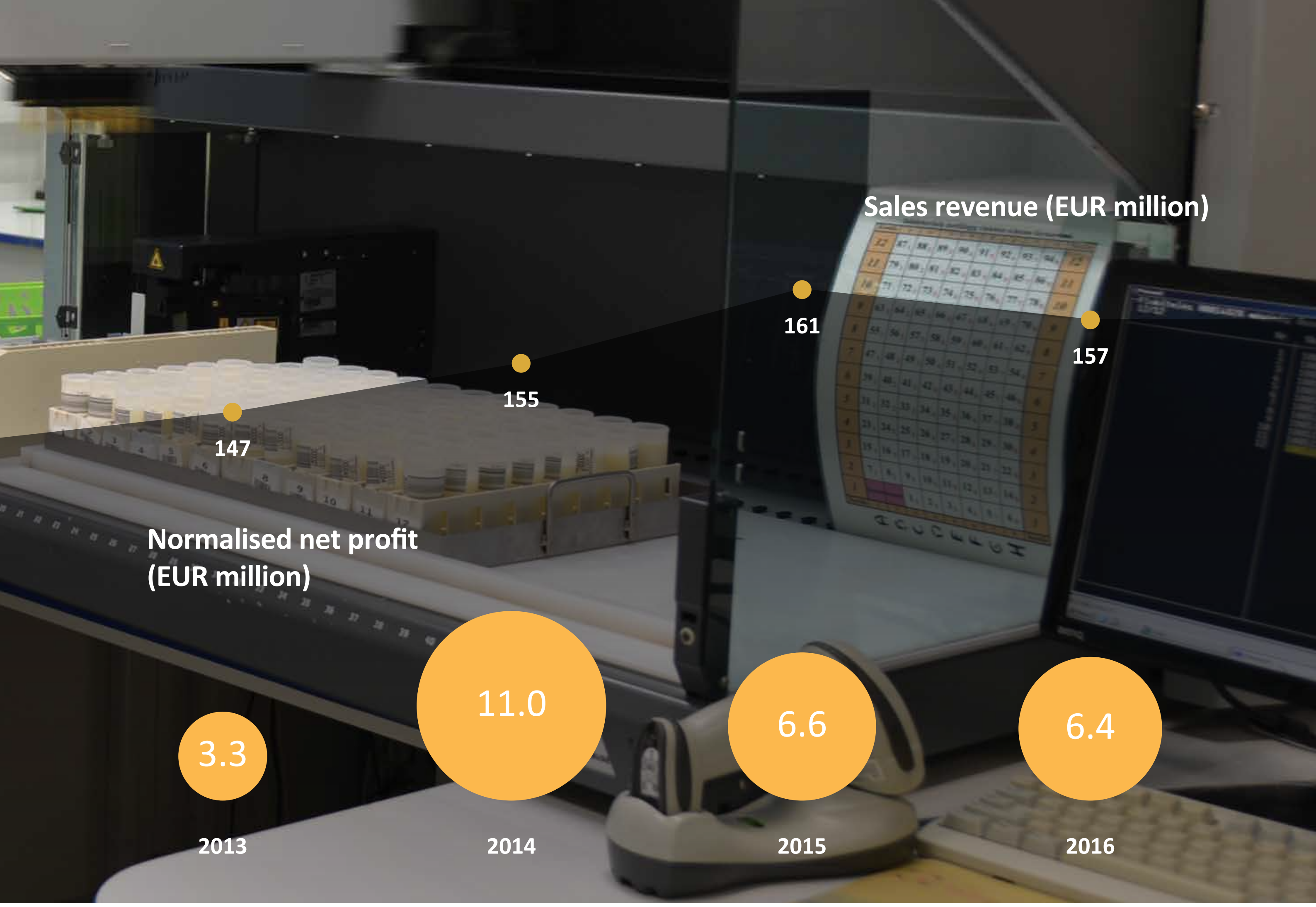
Source: Directorate General of Forest Enterprise

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 47 such enterprises, which numbers diminish every year, and the revenues amount to 6% of the total revenues of the SOE portfolio.

State owned enterprises, that are not included in the three previously described sectors, perform various functions of importance to the State: produces coins, provide assay and calibration services, evaluate construction projects, maintain cultural objects, etc. a number of companies in this sector are the only ones who engage in such activities in Lithuania and have no competitors in the private sector. Three companies – **AB Detonas, AB Jonavos grūdai** and **AB Giraitės ginkluotės gamykla** are legally assigned to the category of companies with strategic importance to national security or that are important for national security.

Enterprise	Field of activity	Turnover in 2016 (EUR '000)	Assets at the end of 2016 (EUR '000)	Number of employees at the end of 2016	State's interest (%)
VĮ Registrų centras	Administration of the Real Estate Register, the Register of Legal Entities and other registers	36,892	30,140	1,691	100.0%
VĮ Regitra	Administration of the Road Register and the Register of Drivers	25,470	20,476	556	100.0%
AB Jonavos grūdai	Wholesale of grain and rapeseed	7,608	6,556	61	70.1%
VĮ Infostruktūra	Provision of secure state data transmisson network services and Internet services	6,580	6,401	60	100.0%
VĮ Mūsų amatai	Manufacture of various furniture, racks, metal ware	6,281	6,882	124	100.0%
UAB Lietuvos parodų ir kongresų centras LITEXPO	Organization of meetings and business events, lease of halls and conference rooms	6,122	16,592	105	98.8%
VĮ Lietuvos paminklai	Management of cultural heritage sites and places	5,941	698	45	100.0%
AB Giraitės ginkluotės gamykla	Manufacture of ammunition	5,773	19,621	72	100.0%
AB Problematika	Laboratory tests and analysis of road building materials, products and articles, maintenance and quality control of roads and road constructions, ect.	5,359	8,166	102	100.0%
VĮ Valstybės žemės fondas	Provision of land management, land use planning, geodetic, GIS, soil analysis and evaluation, land reclamation cadastre services	4,411	6,821	316	100.0%



Sektoriaus įmonių skaičius sumažėjo

47 SOEs are included in the sector of Other Enterprises. Compared to 2015, the number of enterprises decreased by nine companies. Based on the decision of the general annual shareholder meeting on the 10th of November, 2015, **UAB Senevita** was reorganised into a public enterprise. On the 1st of January, 2016, Kaunas, Klaipėda, Šiauliai and Panevėžys metrology centres were merged into **AB Vilniaus metrologijos centras**. On the 6th of April, 2016, **UAB Sportininkų testavimo ir reabilitacijos centras** was privatised; on the 9th of November, 2016, **AB Mintis** was privatised as well. On the 10th of April, 2017, **VĮ Seimo leidykla Valstybės žinios** was liquidated while **UAB Mokslas ir technika** was liquidated on the 24th of February, 2017.

Eight companies included in the sector of Other Enterprises are public limited liability companies, 24 – private limited liability companies, and 15 – state enterprises. The largest company in this sector in terms of turnover and the number of employees is **VĮ Registrų centras**, that provided services for EUR 36.9 million in 2016. Ten of the largest companies in this sector are indicated in the table in the previous page.

Financial Results

The revenues of the sector fell by 2.4%

In 2016, the revenues of the sector of Other Enterprises decreased by 2.4%, down to EUR 156.8 million. **VĮ Registrų centras** received the largest amount of income – EUR 36.9 million, 22.1% more than in 2015. The growth of the turnover of this company was the highest in the sector (from EUR 30.2 million in 2015 to EUR 36.9 million in 2016) and was affected by a merger of Population registry office (on the 1st of January, 2016) and **VĮ Centrinė hipotekos įstaiga** (on the 1st of July, 2016) into **VĮ Registrų centras** on the 1st of July, 2016. Meanwhile, **UAB Lietuvos monetų kalykla** experienced the largest decline in its sales – from EUR 12.9 million in 2015 to EUR 4.2 million in 2016, due to a decrease in revenues from circulation and collector's circulation coins.

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**160,751**	**156,840**
Cost of goods sold	123,339	117,886
Gross profit (loss)	**37,412**	**38,955**
Operating expenses	32,086	33,534
Profit (loss) from other activities	306	651
Operating profit (loss)	5,632	6,071
Operating profit margin	*3.5%*	*3.9%*
EBITDA	**14,980**	**16,996**
EBITDA margin	*9.3%*	*10.8%*
Financial and investment activities	1,782	1,338
Profit (loss) before taxes	**7,414**	**7,409**
Profit tax	1,404	1,577
Net profit (loss)	**6,009**	**5,832**
Minority share in profit (loss)	322	299
Normalised net profit (loss)	**6,619**	**6,447**
Normalised net profit margin	*4.1%*	*4.1%*

BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Intangible assets	5,576	5,571
Tangible assets	169,750	170,895
Financial assets	100,828	84,543
Other non-current assets	1,237	1,555
Biological assets	1,548	1,464
Non-current assets	**278,939**	**264,029**
Inventories, prepayments and contracts in progress	84,414	137,637
Amounts receivable within one year	23,673	17,658
Other current assets	29,193	21,898
Cash and cash equivalents	48,358	66,446
Current assets	**185,639**	**243,639**
Total assets	**464,577**	**507,668**
Equity	**202,845**	**207,043**
Minority shareholder equity	3,471	3,504
Grants and subsidies	**37,089**	**35,880**
Non-current liabilities	157,066	153,364
Current liabilities	67,577	111,380
Liabilities	**224,643**	**264,744**
Financial liabilities	85,714	114,468
Total equity and liabilities	**464,577**	**507,668**

RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	1.4%	1.3%
Normalised ROE	3.2%	3.1%
D/E	42.3%	55.3%

RETURN TO THE STATE (EUR '000)	**2015**	**2016**
Assigned dividends (share of the State)	3,521	3,953
Assigned profit contributions	1,489	1,814
Dividends and profit contributions to the State	**5,010**	**5,768**
Property tax	715	721
Total	**5,725**	**6,489**

EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	5,045	5,104
Number of executives	132	100

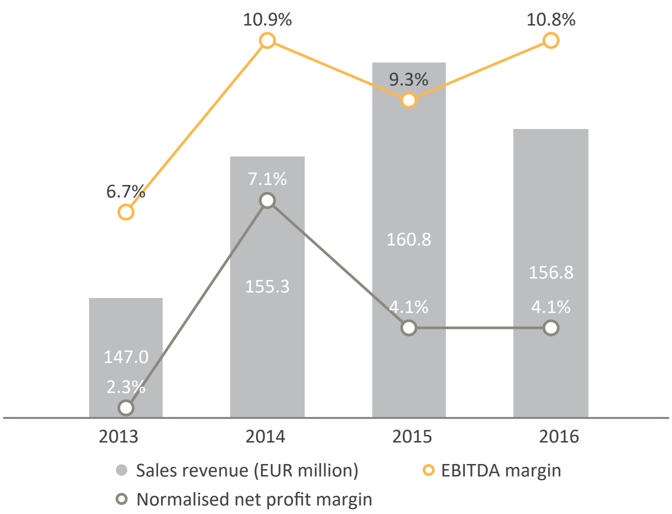
The normalised net profit of the sector of Other Enterprises fell by 2.6%

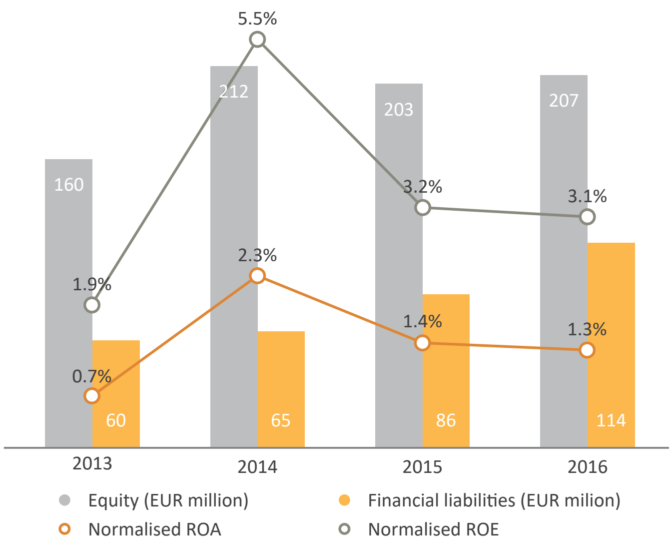
UAB Lietuvos monetų kalykla, which in 2016 accounted EUR 0.4 million of net losses (in 2015 the company's normalised net profit was EUR 0.6 million), had a the most impact on the results of the sector. This result was due to a significant decrease of 92.6% of revenues earned from the sale of circulation and collector's circulation coins, from EUR 7.2 million in 2015 to EUR 0.5 million in 2016. The higher turnover in 2015 was determined by operations related to the production of Euro coins, while a decrease in 2016 was affected by an unstable demand of coins as well as changes in collector's coins' market. **VĮ Mūsų amatai** had a significant impact on the sector's normalised net profit as well. In 2016, the company accounted EUR 0.8 million in losses, while in 2016 its normalised net profit reached EUR 95 thousand. The largest positive impact on the sector's results was made by **AB Problematika**, which in 2016 earned EUR 1 million of normalised net profits – EUR 0.5 million more than a year ago (EUR 0.5 million earned in 2015).

Sector's assets and equity grew by 9.3% and 2.1%, respectively

VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra had a major impact on the growth of the overall sector's assets and equity. The company's assets, during the reporting period increased by EUR 24.6 million, up to EUR 60.8 million, due to by more than three times higher inventories – merchandise bought for resale (in 2015, the enterprise started to implement interventional buying of skimmed milk powder, which it stores in its warehouses). Additional impact on the value of sector's assets and equity was made by **VĮ Registrų centras**, which assets and equity grew from EUR 22.5 million to EUR 30.1 million and from EUR 13.5 million to EUR 18.5 million, respectively. The owner's capital was increased by EUR 4.6 million due to the liquidity of the Population Registry Service and the transfer of its functions to the company; increased by EUR 0.5 million due to reorganisation of **VĮ Centrinė hipotekos įstaiga** and the transfer of its functions to the company; decreased by EUR 9 thousand due to the transfer of State assets.

The return to the State of the sector of Other Companies in 2016 amounted to EUR 6.5 million, out of which 28% was transferred as profit contributions, 60.9% - as dividends. Profit contributions assigned by **VĮ Regitra** (EUR 1.4 million), and dividends assigned by **AB Problematika** (EUR 0.9 million) and **UAB Investicijų ir verslo garantijos** (EUR 0.7 million) amounted the largest part of the return to the State by the sector's enterprises.





The most important events of the sector are briefly described further in the review of this sector

- On the 1st of January, 2016, **AB Kauno metrologijos centras, AB Klaipėdos metrologijos centras, AB Šiaulių metrologijos centras** and **AB Panevėžio metrologijos centras** were reorganised by merging them into **AB Vilniaus metrologijos centras.**
- On the 1st of January, 2016, the budget institution Central Mortgage Office was reorganised into a state enterprise **VĮ Centrinė hipotekos įstaiga** and on the 1st of July, 2016 was reorganised again by merging it into **VĮ Registrų centras.** The reorganisation was implemented to optimise the management of the main State registers, usage of State information resources and provision of public e-services, to ensure their growth and development.
- On the 6th of April, 2016, **UAB Sportininkų testavimo ir reabilitacijos centras was privatised.**
- On 25th of May, 2016, following the Article 24 part 2 of the Law on State and Municipal Enterprises of the Republic of Lithuania, the Government decided to cease operations of state enterprise **VĮ Seimo leidykla Valstybės žinios.** Since 2014 the legislation in the Parliament and other authorities have been published in the Register of Legal Acts of the Parliament, therefore the main activity of the company, which was the printing of official legal acts of the State, has become unnecessary. On the 10th of April, 2017, the company was liquidated.
- On the 9th of November, 2016, **AB Mintis,** which main activities included the publishing and distribution of books, was privatised.
- On the 24th of February, 2017 **UAB Mokslas ir technika** was liquidated.

Enterprises in Detail

AB Lietuvos geležinkeliai Group

www.litrail.lt

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

AB Lietuvos geležinkeliai is the owner of a 100% shareholding of Geležinkelio tiesimo centras, Vilniaus lokomotyvų remonto depas, Geležinkelių projektavimas, Gelsauga, Geležinkelių aplinkosaugos centras and Rail Baltica statyba, also 79.61% of the PE Vilniaus logistikos parkas, as well as 34% of the shares of a Lithuanian and Austrian company UAB voestalpine VAE Legetecha.

- *The volumes of freight transportation decreased by 0.8%*
- *The number of passengers carried increased by 4.8%*
- *In 2016, the Group incurred a net loss of EUR 5.1 million*

During 2016, AB Lietuvos geležinkeliai carried 47.6 million tonnes of freight, a decline of 0.8% y-o-y. As compared to 2015, the volumes of the international freight (68.5 % of the total freight carried in 2016) decreased by 3%. Such changes were mostly caused by the lower transit carriages via the Klaipėda Seaport, mostly oil as well as chemical and mineral fertilizers from Russia and Belarus. Via local routes the Group transported 15 million tonnes, up by 4.3% as compared to 2015. For the purpose of rail transportation, the dominant freight in 2016 was oil products; they represented 30.3% of the total volume of transported freight.

The number of transported passengers increased by 4.8% to 4,428 thousand. On local routes the Group transported 4.4% more passengers than in 2015. The number of passengers served by the Company increased having upgraded the Group's passenger rolling-stock, increased frequency of passenger trains on some routes, and the applied marketing measures. The passenger transportation on international routes in 2016 increased by 6.5%, and reached 0.8 million passengers. The changes were mostly caused by increased flows of transit passengers, mostly on the route Kaliningrad–Moscow.

The sales revenue of the Group decreased by 4.7% to EUR 409.5 million. The revenues fell to a largest extent due to decrease in the volumes of cargo transported, and, as a result, a decrease of EUR 20.9 million, or 5.6 % in the revenues from freight transportation (in 2016, the freight transportation income accounted for 84.5% of all sales revenue of the Group). The main reason for the changes was a decrease in the volumes of the international freight transportation, and the adjustments in the freight transportation structure.

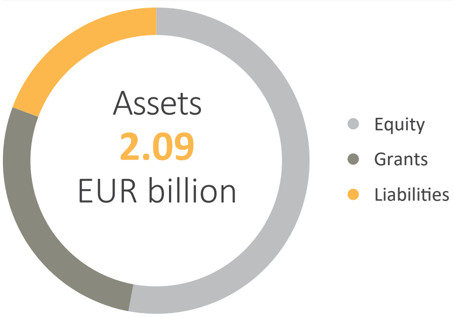
The cost of sales of the Group decreased by 4.2% to EUR 345 million. The costs decreased due to a 12% fall in the average diesel fuel price, and in the expenses for rolling-stock repair.

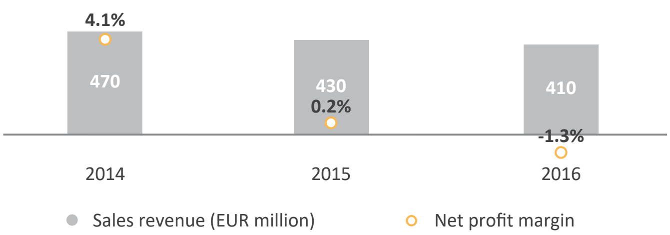
In 2016, the Group incurred EUR 5.1 million in net loss, while in 2015, the result was EUR 0.7 million in net profit. The factors affecting the Company's loss included a decline in the income from decreased volumes in freight transportation, caused by decline in transportation volumes and the changes in the freight structure, and the increase by 0.35% in operating expenses due to increased depreciation and amortisation as well as remuneration costs.

During 2016, the Group's liabilities decreased by 1.5%. The overall volume of the Group's liabilities decreased as a result of the changes in the long-term debts to credit institutions.

PROFIT (LOSS) STATEMENT (EUR '000)*	2015	2016
Sales revenue	**429,521**	**409,524**
Cost of goods sold	360,020	344,959
Gross profit (loss)	**69,502**	**64,566**
Operating expenses	69,127	69,371
Profit (loss) from other activities	6,850	7,269
Operating profit (loss)	**7,225**	**2,464**
EBITDA	**122,283**	**122,420**
Net profit (loss)	**669**	**-5,131**
Net profit margin	*0.2%*	*-1.3%*
BALANCE SHEET (EUR '000)*	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**1,960,788**	**1,966,510**
Current assets	**117,005**	**119,577**
Cash and cash equivalents	14,682	20,666
Total assets	**2,077,793**	**2,086,087**
Equity	**1,099,419**	**1,094,039**
Grants and subsidies	**576,611**	**596,382**
Liabilities	**401,763**	**395,666**
Financial liabilities	320,709	301,470
Total equity and liabilities	**2,077,793**	**2,086,087**
RATIOS*	**31 DEC 2015**	**31 DEC 2016**
ROA	0.0%	-0.2%
ROE	0.1%	-0.5%
D/E	29.2%	27.6%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	846	0
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	12,256	11,532
Number of employees holding managerial positions	6	6
Average monthly salary of employees holding managerial positions (gross, EUR)	6,386	6,101
SHAREHOLDERS		
State-owned share		**100%**
MANAGEMENT		
Director General		Mantas Bartuška
Chairman of the Board of Directors		Romas Švedas (VU TSPMI Assistant)**
Members of the Board of Directors		Mantas Bartuška (AB Lietuvos geležinkeliai Director General) Rolandas Zukas (UAB EPSO-G Director General)** Paulius Martinkus (Vice Minister of Transport and Communications)

** The Table presents the data of unaudited financial statements*
*** Independent member*





AB Lietuvos paštas Group

www.post.lt

Provision of universal, other postage, courier, financial and other services

Lithuanian Post manages its subsidiaries UAB Lietuvos pašto finansinės paslaugos, UAB LP mokėjimų sprendimai and UAB Baltic Post (100 %).

- *The Group's sales revenue changed insignificantly*
- *The assets increased by 10.4%*
- *The Group's EBITDA increased by 6.9%*

During 2016, the Lietuvos paštas Group provided 174 million units of services, i.e. 0.5% more than 2015. During 2016, the Group provided 19.4% more courier services than in previous year. The volumes of other services were also increasing, and 8% increase could be accounted for by the growth in unaddressed advertising services. The postal services decreased by 9.1%, largely due to a 13% decline in the volumes of other postal services, because the volume of dispatched international parcels dropped by 81%. Although only marginally, by 1%, the volumes of universal postal services did increase, in view of the growth in the number of domestic and international postal correspondence parcels up to 2 kg in weight.

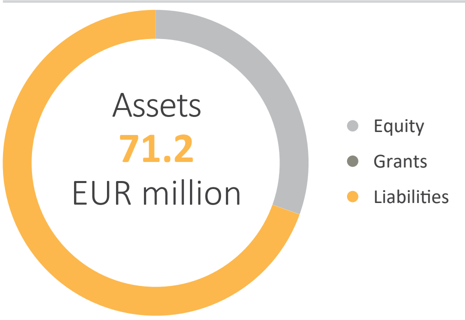
The Group's sales revenue in 2016 accounted for EUR 72 million, nearly unchanged since 2015. The revenues from postal services accounting for 54.2% of the total revenues of the Group, increased by 0.4%, mostly due to the increase of 9.2% of the income from universal postal services, although other postal services generated 7.7% less revenues. The revenues from courier services increased by 15.3% (up to EUR 6.5 million), for the services provided to the Central Electoral Commission of the Republic of Lithuania during the elections to the Seimas of the Republic of Lithuania, the income from financial services decreased by 1.5 % (EUR 11.6 million). The revenues from other services also decreased by 5.5% (subscription of periodic publications, services of unaddressed advertising, retail and commission trade, etc.) from EUR 15.7 million to EUR 14.8 million. Within the revenues from other services the largest increase was generated by additional postal services in delivery of parcels of a Chinese company, in addition to a 26.3% increase in the income from retail sale of goods.

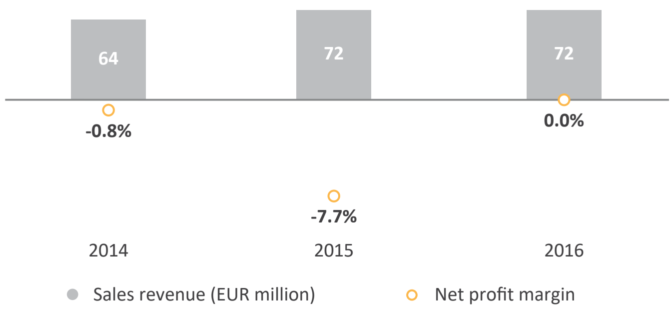
In 2016, the Group's operating costs accounted for EUR 72.4 million. As compared to 2015, the operating costs decreased by 8.3%. The personnel costs representing the largest share of the costs (57.5%) increased during the accounting period by 10.3%. The international postal delivery and clearing with foreign post offices in 2016 decreased by 14%, as the numbers of international parcels, as compared to 2015, decreased by 92.1%. Other costs were 47.7% lower than at the end of 2015, mostly caused by an estimated impairment of the recoverable value of the non-current tangible assets, and the tangible assets, as well as the goodwill related to the cash generating unit of UAB Baltic Post.

During 2016, the Lietuvos paštas Group generated EUR 19 thousand in net profit, as compared to EUR 5,519 thousand in net loss in 2015. The Group's EBITDA ratio at the end of 2016 was reported at EUR 2.3 million, cf. EUR 2.2 million in 2015.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**71,931**	**71,909**
Operating expenses	78,910	72,384
Profit (loss) from other activities	1,294	731
Operating profit (loss)	**-5,685**	**256**
EBITDA	**2,167**	**2,316**
Net profit (loss)	**-5,519**	**19**
Net profit margin	*-7.7%*	*0.0%*
Normalised net profit (loss)	*-268*	*19*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**35,635**	**36,299**
Current assets	**28,891**	**34,916**
Cash and cash equivalents	3,184	4,843
Total assets	**64,526**	**71,215**
Equity	**22,412**	**21,698**
Grants and subsidies	**13**	**12**
Liabilities	**42,101**	**49,506**
Financial liabilities	11,854	10,497
Total equity and liabilities	**64,526**	**71,215**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	-0.4%	0.0%
Normalised ROE	-1.1%	0.1%
D/E	52.9%	48.4%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	692	0
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	5,766	5,741
Number of employees holding managerial positions	9	10
Average monthly salary of employees holding managerial positions (gross, EUR)	2,837	3,092
SHAREHOLDERS		
State-owned share		**100%**
MANAGEMENT		
Director General		Lina Minderienė
Chairman of the Board of Directors		Not appointed
Members of the Board of Directors		Janina Laskauskienė (Ministry of Transport and Communications) Algimantas Variakojis (KŪB Verslo angelų fondas I Acting Manager)* Irma Kirklytė (Ministry of Transport and Communications) Jonas Butautis (Magnetic MRO AS)*

** Independent member*





VĮ Klaipėdos valstybinio jūrų uosto direkcija

www.portofklaipeda.lt

Management of the Klaipėda port infrastructure: collection of the fees for the use of infrastructure, land lease, execution of development and reconstruction works

- *The stevedoring operations at the Port increased by 4.2%, as a result of successful handling of general freights and liquid cargoes*
- *The Company's revenues increased by 3.6%, EBITDA and the normalised net profit increased by 13.8 % and 20.3% respectively*

During 2016, total 40.1 million tonnes of freight were handled at the Klaipėda Port, an increase of 4.2% from 2015. The increase in freight handling was mainly caused by growth in stevedoring of general cargoes by 10.7%, and an increase of 10.4% in liquid cargoes volumes, enabling the Company to reach record high volumes in freight handling.

In 2016, the Klaipėda Seaport registered total 350,670 passengers. As compared with 2015, the number of passengers grew by 3%, e.g. 10,244 passengers; in the course of the year total 6,898 vessels entered the Seaport, i.e. 2.3 %, or 161 vessels less than in 2015.

During the reporting period the Company's current assets increased by 59%. The increase was essentially caused by a growth in the receivables according to grants that in 2016 were 12.6 times higher than at the end of 2015.

The sales revenue of the VĮ Klaipėdos valstybinio jūrų uosto direkcija increased by 3.6% to EUR 56.5 million. Revenues from tolls, accounting for 87.2 % of the Port's principal operations income, increased by 5% to EUR 49.3 million, while the income from land lease dropped by 2.2% to EUR 7.1 million. The income from lease services also decreased by 93%. In 2016, the Company's costs accounted for EUR 29.4 million, a decrease of 4.4% against the previous year. The operating expenses fell due to the lower amount of the funds transferred to the municipality by 47% to EUR 1 million, and the decrease of 38.5% to EUR 2.3 million in the expenses related to the cleaning of the territorial waters.

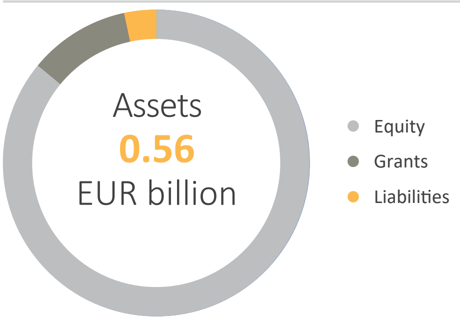
In 2016, the normalised net profit of the Klaipėda Seaport Authority increased by 20.3% to EUR 29.1 million. The increase in the profit was caused by the significant growth in the revenues by EUR 2 million. The EBITDA of the Seaport Authority was also increasing. During the accounting period the EBITDA ratio was 13.8% higher than at the end of 2015. In 2016, the normalised net profit margin was 51.6%, being 16.2 percentage points higher than the normalised net profit margin reached in 2015.

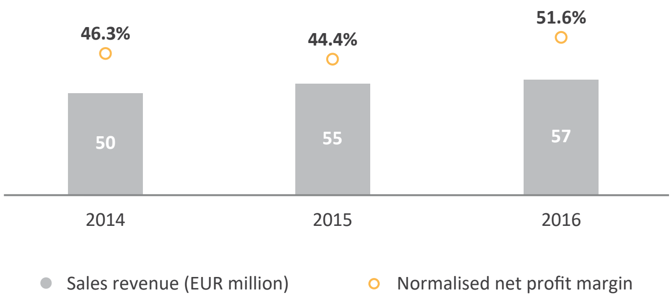
In 2016, the Company's investments accounted for EUR 15.3 million. During the period concerned the major part of the investment resources was allocated for the quays reconstruction projects (58%), deepening of the water area (10%), and building and reconstruction of access roads and railways (21%).

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**54,546**	**56,514**
Operating expenses	30,712	29,354
Profit (loss) from other activities	605	1,679
Operating profit (loss)	**24,439**	**28,839**
EBITDA	**36,758**	**41,815**
Net profit (loss)	**23,771**	**28,664**
Normalised net profit (loss)	**24,229**	**29,146**
Normalised net profit margin	*44.4%*	*51.6%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**497,768**	**510,362**
Current assets	**29,547**	**46,984**
Cash and cash equivalents	14,142	37,397
Total assets	**527,315**	**557,347**
Equity	**457,785**	**486,448**
Grants and subsidies	**54,891**	**54,695**
Liabilities	**14,639**	**16,203**
Financial liabilities	11,597	9,645
Total equity and liabilities	**527,315**	**557,347**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	4.7%	5.4%
Normalised ROE	5.4%	6.2%
D/E	2.5 %	2.0%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contributions	0	0
Property tax	458	482
Total contributions and non-standard taxes to the State	**458**	**482**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	243	242
Number of employees holding managerial positions	5	5
Average monthly salary of employees holding managerial positions (gross, EUR)	3 595	5 564

MANAGEMENT	
Director General	Arvydas Vaitkus
Chairman of the Board of Directors	Not appointed
Members of the Board of Directors	Normantas Marius Dvareckas* (UAB Adventum) Saulius Kerza (Ministry of Transport and Communications) Andrius Šniuolis (Ministry of Transport and Communications) Nerijus Udrėnas* (Energy and Infrastructure Baltic Fund)

**Independent member*





VĮ Lietuvos oro uostai

www.ltou.lt

LIETUVOS ORO UOSTAI
VNO KUN PLQ

Operation of airports, lease of premises and car parks, advertising

- *The number of passengers served by the Company reached 4.8 million*
- *The sales revenue have increased by 22%*
- *EBITDA increased by 22.2%*

During 2016, the Lithuanian airports provided services to 4.8 million passengers, i.e. 13.2% more than in 2015. The largest increase in the number of passengers, by 60%, was recorded at the Palanga airport. In Vilnius the number of passengers grew by 14.3%, and in Kaunas the respective indicator decreased by 0.9%. During 2016, the Lithuanian airports provided services to 52,9 thousand flights, i.e. by 2.9% more than in 2015.

The revenues from sales at the Lithuanian airports accounted for EUR 29.9 million, an increased by 22% if compared with the results of 2015. The revenues from aviation operations increased by 27.6% to EUR 19.5 million. The revenues from aviation operations increased as a result of a larger number of passengers and aircrafts serviced. The revenues from non-aviation activities of VĮ Lietuvos oro uostai increased by 12.7%, to EUR 10.4 million. The Company's operating costs during 2016, increased by 17.2%, and accounted for EUR 25.7 million. The operating costs increased mostly due to the increase of 67% in other costs, increase in the costs of maintenance, repair and utility services of the non-current assets of 19.5%, and the increase in the employee benefits and the related social insurance costs of 15.4%.

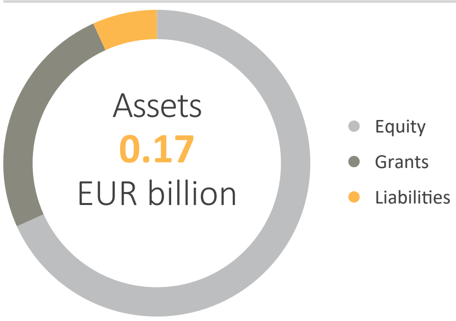
The Company's EBITDA increased by 22.2% and at the end of 2016 was recorded at EUR 10.1 million. As compared with 2015, the normalised net profit of VĮ Lietuvos oro uostai increased by as many as 56.1% to EUR 3.8 million, and the normalised net profit margin reached 12.7%, i.e. by 2.8 percentage points up since 2015.

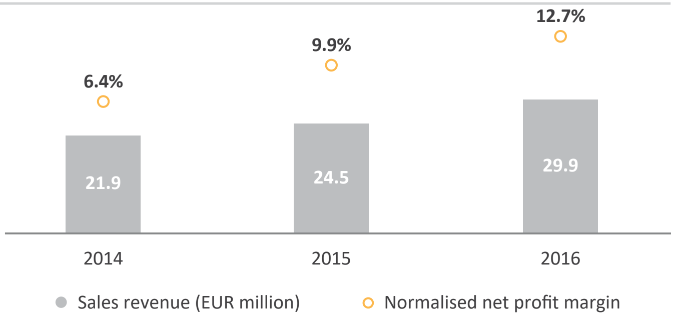
In 2016, the Company invested total EUR 2,426 thousand. 52.6% of the investments were funded by own funds of the Company, and 47.4% – from State budget funds. 37% of the investments were allocated to the buildings and structures, their modernisation, development and acquisition, 44% of the investment resources were allocated for the procurement of vehicles, while the remaining funds were used to acquire software, machinery, equipment and other tangible assets.

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**24,499**	**29,888**
Expenses of core activities	21,971	25,747
Profit (loss) from other activities	18	20
Operating profit (loss)	**2,547**	**4,162**
EBITDA	**8,275**	**10,111**
Net profit (loss)	**2,113**	**3,467**
Normalised net profit (loss)	**2,424**	**3,785**
Normalised net profit margin	*9.9%*	*12.7%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**151,922**	**144,511**
Current assets	**14,012**	**22,779**
Cash and cash equivalents	10,122	16,198
Total assets	**165,935**	**167,289**
Equity	**113,248**	**117,040**
Grants and subsidies	**41,434**	**37,769**
Liabilities	**11,253**	**12,481**
Financial liabilities	5,147	3,279
Total equity and liabilities	**165,935**	**167,289**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	1.5%	2.3%
Normalised ROE	2.2%	3.3%
D/E	4.5%	2.8%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contributions	1,056	1,733
Property tax	366	374
Total contributions and non-standard taxes to the State	**1,422**	**2,107**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	577	581
Number of employees holding managerial positions	10	10
Average monthly salary of employees holding managerial positions (gross, EUR)	3,617	4,698

MANAGEMENT	
Director General	Gediminas Almantas
Chairman of the Board of Directors	Tomas Krakauskas (UAB INVL Asset Management Director of the Investment Management Department)*
Members of the Board of Directors	Janina Laskauskienė (Ministry of Transport and Communications) Nerijus Pačėsa (ISM University of Management and Economics)* Ričardas Degutis (Vice Minister of Transport and Communications) Vilius Veitas (Ministry of Transport and Communications)

**Independent member*





VĮ Oro navigacija

www.ans.lt

Air traffic, communications, navigation and surveillance services as well as aeronautical information services in the airspace of the Republic of Lithuania for the needs of civil aviation

- *During 2016, the number of flights in the Lithuanian air space was increasing*
- *During the accounting period the Company's revenues were increasing, and the costs were decreasing*
- *The Company's normalised net profit in 2016 exceeded the level in 2015 by 60%*

During 2016, VĮ Oro navigacija provided services to 230,947 aircrafts, of which 174,914 were passing in transit. As compared to the data of 2015, the total number of flights increased by 1.6%, and the number of transit flights increased by 1%. The most frequent flight operator in the Lithuanian air space was the Finnish air company Finnair (23,475 flights), the Latvian company AirBaltic (19,130 flights), and the Russian air company Aeroflot (17,750 flights) – respectively, represented by 10.2%, 8.3% and 7.7% of all flights. The decline in the number of European and Asian air companies' flights to Russia was partly compensated by an increased direct flights supply from the International Vilnius airport to major European cities.

Furthermore, as compared to 2015, the rates of route and terminal changes imposed upon the services provided to other entities were decreasing. The charges decreased, respectively, by 4.1% and 10.1%. The charges are set according to the provisions of the Commission Implementing Regulation (EU) No 391/2013 of 3rd May 2013 laying down a common charging scheme for air navigation services. Key principle of the common charging scheme is to have complete and transparent information on the cost base made available in due time to airspace users' representatives and the competent authorities.

During the accounting period the revenues of the Company as compared to 2015, increased by 2% and reached EUR 28.2 million. From its principal activities providing air navigation and airport navigation services the Company generated EUR 27.9 million in income, of which EUR 0.5 million were represented by the amount to be returned to airspace users in 2018, and EUR 0.8 million were the excess income for 2014. The largest share of the revenues was represented by the proceeds from foreign airlines. In 2016, this share represented 99 % of the total revenues of the Company.

The costs incurred in 2016 decreased by EUR 0.8 million or 3%. The major impact upon the change was produced by the decrease in the personnel costs. The factors contributing to the change were the adjustments in the annual leave schedules, decrease in the number of business trips, and the arrangement regarding the rent of flight managers – flight managers replacing those retiring, are assigned a lower category in the first year, and are paid lower wages. Lower electric energy and key equipment maintenance costs were also the factors contributing to the decrease in the level of costs.

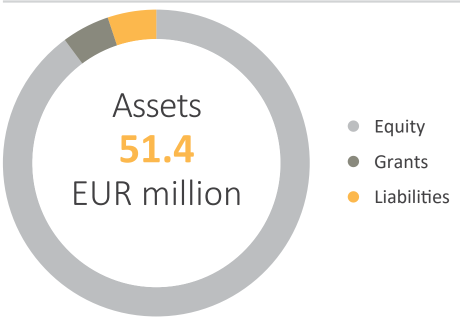
As compared to 2015, the Company's net profit in the accounting period increased by more than 74%, or EUR 918 thousand. The normalised net profit increased by 60%, or EUR 917 thousand, and reached EUR 2.4 million. The major impact upon the increase of profits was the decrease in the factual costs incurred in 2016, and a slight increase in the revenues.

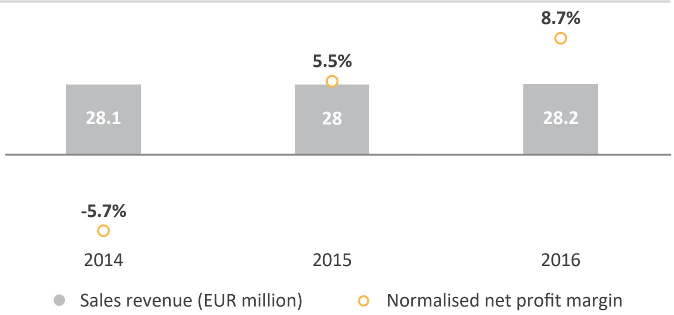
In 2016, the Company's investment accounted for EUR 8.8 million. The major part of the investment resources was allocated to the building of a new regional flight operation centre, and the provision of the relevant services, acquisition of the required equipment, and the expansion of the ground traffic operation and control system functionality.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**27,990**	**28,246**
Cost of goods sold	20,235	19,549
Gross profit (loss)	**7,755**	**8,697**
Operating expenses	5,953	5,848
Operating profit (loss)	**1,802**	**2,456**
EBITDA	**5,410**	**5,593**
Net profit (loss)	**1,227**	**2,145**
Net profit margin	*4.4%*	*7.6%*
Normalised net profit	**1,528**	**2,445**
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**33,498**	**32,813**
Current assets	**13,354**	**18,532**
Cash and cash equivalents	5,371	3,800
Total assets	**46,852**	**51,345**
Equity	**44,044**	**46,120**
Grants and subsidies	**57**	**2,592**
Liabilities	**2,751**	**2,633**
Financial liabilities	0	0
Total equity and liabilities	**46,852**	**51,345**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	3.3%	5.0%
Normalised ROE	3.5%	5.4%
D/E	0.0%	0.0%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contributions	0	0
Property tax	350	316
Total contributions and non-standard taxes to the State	**350**	**316**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	309	306
Number of employees holding managerial positions	5	4
Average monthly salary of employees holding managerial positions (gross, EUR)	2,625	4,708

MANAGEMENT	
Director General	Mindaugas Gustys
Chairman of the Board of Directors	Ričardas Degutis (Vice Minister of Transport and Communications)
Members of the Board of Directors	Janina Laskauskienė (Ministry of Transport and Communications) Normantas Marius Dvareckas* (UAB Ad ventum Director General) Dangirutis Janušas* (UAB Verslo konsultacijų spektras Director) Vilius Veitas (Ministry of Transport and Communications)

**Independent member*





AB Lietuvos radijo ir televizijos centras

www.telecentras.lt

Provision of radio and television broadcast services, placement of broadcasters' and telecommunication system operators' equipment on Company's sites, provision of telephony, wireless internet, mobile internet and data transmission services

- *The sales income and operating costs were increasing*
- *The net profit increased by 57% to EUR 269 thousand*

In 2016, the Company's sales revenue were 1.6% larger than in 2015, and reached EUR 19.1 million. The operating revenues accounting for 89.1% of the total revenues, increased by 1.6% as compared to 2015. The Company's revenues were increasing from radio transmission and broadcasting, digital TV transmission, access services and data transmission services, as well as from non-telecommunication activities, which increased by 16.5% – cafés and the tours to TV tower, guest catering. In 2016, the Company's other services income increased by 9 times as compared to 2015, due to the sale of redundant and non-current assets. The income from financial activities increased by 14.1%, due to larger income from fines and late interest.

In 2016, the Company's operating income increased by 13.5% to EUR 5.9 million. Despite the decrease in the electric energy costs, and consultation, financial, bank and other costs, the growth in the Company's overall expenses was caused by acquisition of external services required for the implementation of strategic projects, and increased costs for promotion and advertising, serving of information systems, cost of equipment sales and personnel wages.

In view of the increased income and having earned additional income from the same of non-current assets, **during 2016, the Company earned EUR 269 thousand in net profit.** In the respective period the Company's net profit was recorded at EUR 171 thousand.

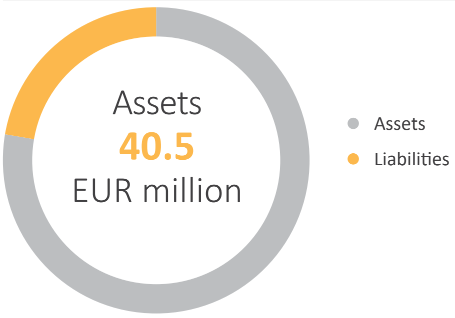
The Company's EBITDA ratio at the end of 2016 reached EUR 5.9 million, and was 8.5% higher than in 2015 y-o-y. The EBITDA margin in the reporting period increased by 1.9 percentage points, and reached 30.6%.

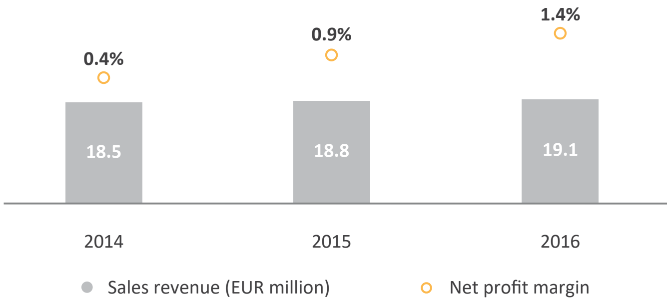
The trade receivables as of the last day of the reporting period were EUR 2.9 million. As compared to 2015, the trade receivables amount decreased in the course of the year by EUR 94 thousand.

In 2016, the Company invested EUR 8.9 million having regard to the needs of the relevant market participants and the actual orders.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**18,825**	**19,120**
Costs of goods sold	13,740	14,947
Gross profit (loss)	**5,084**	**4,174**
Operating expenses	5,204	5,906
Profit (loss) from other activities	193	2,227
Operating profit (loss)	**74**	**495**
EBITDA	**5,399**	**5,860**
Net profit (loss)	**171**	**269**
Net profit margin	*0.9%*	*1.4%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**28,011**	**31,493**
Current assets	**12,730**	**8,986**
Cash and cash equivalents	7,962	3,620
Total assets	**40,741**	**40,480**
Equity	**31,559**	**31,828**
Grants and subsidies	**0**	**0**
Liabilities	**9,182**	**8,652**
Financial liabilities	187	145
Total equity and liabilities	**40,742**	**40,480**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
ROA	0.4%	0.7%
ROE	0.5%	0.8%
D/E	0.6%	0.5%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	0	0
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	359	343
Number of employees holding managerial positions	6	6
Average salary of employees holding managerial positions (gross, EUR)	3,195	3,623
SHAREHOLDERS		
State-owned share		**100%**
MANAGEMENT		
Director General		Remigijus Šeris
Chairman of the Board of Directors		Arūnas Šikšta (UAB Financial Management)*
Members of the Board of Directors		Viktorija Trimbel (Quantum Capital)* Janina Laskauskienė (Ministry of Transport and Communications) Giedrius Martusevičius (UAB Probiosanus Group managing partner)* Lukas Savickas (Advisor to the Prime Minister)

**Independent member*





Road Maintenance Enterprises

www.lakd.lt

LIETUVOS AUTOMOBILIŲ KELIŲ DIREKCIJA

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

- *The number of fatalities on Lithuanian roads was decreasing*
- *The sales revenue of Road Maintenance Enterprises have decreased by 1.3%*
- *Normalised net earnings dropped by 16.5%*

During 2016, 3,280 traffic accidents occurred on Lithuanian roads and streets, an increase of 8.1% since 2015. During the entire 2016, total 3,875 suffered injuries at traffic accidents, i.e. 281 persons more than in 2015. The 188 fatalities in traffic accidents in 2016 represents a decline of 22.3% as compared to the previous year.

During the accounting period the sales revenue of road maintenance companies declined by 1.3%, and were reported at EUR 81.6 million. The most significant decline in the revenues (by 9.9%, down to EUR 11.4 million) was declared by the VĮ Šiaulių regiono keliai, mostly due to a drop of EUR 1 million, or 23%, in the income from contractual work, and a decline of 3%, i.e. EUR 0.2 million, in the income from road maintenance (principal activity). A relatively significant decrease in income was recorded at the Kaunas regional road maintenance company which reported a decline of 3.2%. During the reporting period the largest increase in the revenues was reported by the Vilnius regional road company – by as many as 9.2%. Increase in sale revenues was also reported by Utena, Telšiai and Panevėžys regional road maintenance companies.

At the end of 2016, the cost of goods sold of the road maintenance companies amounted to EUR 72.9 million, which is by EUR 696 thousand, or nearly 1% less than in 2015. The largest decrease in the cost of goods sold was reported by the regional road maintenance of Šiauliai (9.7%) and Marijampolė (3.5%).

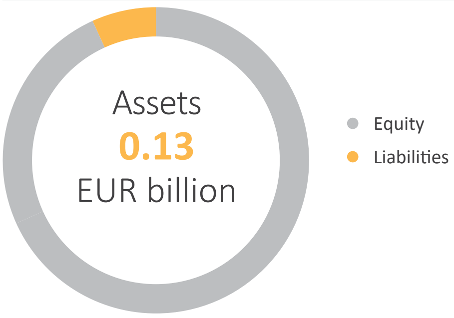
In the course of 2016, the road maintenance companies in aggregate earned EUR 3.2 million in normalised net profit, i.e. by 16.5% down as compared to 2015. The most significant decrease in the normalised net profit was recorded by the Tauragės regiono keliai (EUR 174 thousand, or 44.8%), and Utenos regiono keliai (EUR 118 thousand, or 33.7%). The increased normalised net profit was reported only by Marijampolė and Alytus regional road maintenance companies 12.7% and 1.4% respectively. The normalised net profit of the road maintenance companies was affected by the increase in operating costs of 6.2%, and a decrease in the sales revenue of 1.3%.

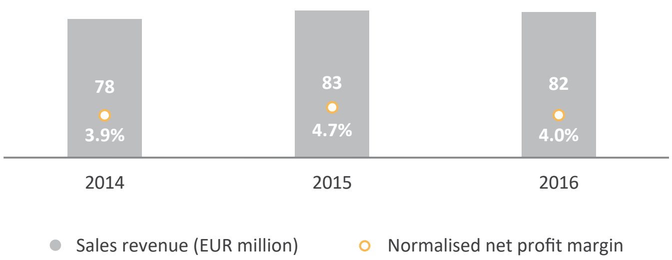
PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**82,676**	**81,639**
Cost of goods sold	73,611	72,915
Gross profit (loss)	**9,065**	**8,725**
Operating expenses	7,340	7,798
Profit (loss) from other activities	682	609
Operating profit (loss)	**2,407**	**1,536**
EBITDA	**12,337**	**11,579**
Net profit (loss)	**1,978**	**1,336**
Normalised net profit (loss)	**3,892**	**3,249**
Normalised net profit margin	*4.7%*	*4.0%*
BALANCE SHEET1 (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**98,053**	**99,678**
Current assets	**29,059**	**29,068**
Cash and cash equivalents	17,568	17,531
Total assets	**127,112**	**128,746**
Equity	**120,227**	**120,580**
Grants and subsidies	**0**	**0**
Liabilities	**6,886**	**8,167**
Financial liabilities	0	0
Total Equity and liabilities	**127,112**	**128,746**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	3.1%	2.5%
Normalised ROE	3.3%	2.7%
D/E	0.0%	0.0%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contribution	963	665
Property tax	2,251	2,251
Total contributions and non-standard taxes to the State	**3,214**	**2,916**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	2,684	2,672
Number of employees holding managerial positions	44	37
Average monthly salary of employees holding managerial positions (gross, EUR)	2,581	3,288

VADOVYBĖ

Automagistralė	Vladislovas Molis
Alytaus regiono keliai	Bronius Vaičiulionis
Kauno regiono keliai	Darius Aleknavičius
Klaipėdos regiono keliai	Petras Kaučikas
Marijampolės regiono keliai	acting manager Alfonsas Štrimaitis
Panevėžio regiono keliai	Rolandas Žagaras
Šiaulių regiono keliai	Piotras Bakanovas
Tauragės regiono keliai	acting manager Stasys Būrė
Telšių regiono keliai	Romualdas Kačerauskas
Utenos regiono keliai	Jurgita Kazakevičienė
Vilniaus regiono keliai	Petras Džervus

[1] - Having eliminated the book value of the roads, and the short-term liabilities due to the appreciation in the assets, accounted for at the end of 2012 in relation to transferring the road maintenance entities to the Lithuanian Road Administration.





Lietuvos energija, UAB, Group

www.le.lt

Production of electricity and heat energy, supply, import and export of electricity, trade in and distribution of electric energy and natural gas, as well asservicing and development of electric energy facilities

The Group consists of the following companies: AB Lietuvos energijos gamyba (managed shareholding – 96.75%), AB Energijos skirstymo operatorius (94.98%), UAB Eurakras (75%), UAB Lietuvos dujų tiekimas (100%.), UAB NT Valdos (100%), UAB Technologijų ir inovacijų centras (97.8%), UAB Energetikos paslaugų ir rangos organizacija (100%), Tuuleenergla OU (100%), UAB Energijos tiekimas (100%), UAB LITGAS (100%), VšĮ Energetikų mokymo centras (100%), UAB Elektroninių mokėjimų agentūra (100%), UAB Verslo aptarnavimo centras (97%), UAB VAE SPB (100%), UAB Vilniaus kogeneracinė jėgainė (100%), UAB Duomenų logistikos centras (79.64%), UAB Energijos sprendimų centras (100%), Lietuvos energijos paramos fondas (100%), UAB Kauno kogeneracinė jėgainė (51%), through UAB Energijos tiekimas - Geton Energy OU (100%) and SIA Geton Energy (100%).

- *2016 recorded an increase in the volume of distributed electric energy, and the share of electric energy produced from renewable energy resources*
- *The Company earned EUR 143 million in normalised net profit*

In 2016, due to a lower average temperature in January and the growing national economy the amount of distributed electric energy increased by 5.2%. The total output of electric energy decreased by 25.6%, however, the share produced from renewable energy resources increased by 81.5%. **During the reporting period, the consumption of natural gas grew.** In 2016, the Company distributed 7.39 TWh in natural gas, up by 8.3% since a year ago. Due to the changes in the regulatory environment and the renegotiated LNG supply conditions with Statoil, the amount of the gas sold in 2016 decreased by 18.6%.

The sales revenue in 2016 were 0.5% higher than during the same period in 2015, and accounted for EUR 1,101.6 million. The Group's revenues increased due to higher income from electric energy transmission operations (+EUR 63 million), and the proceeds from balancing and power reservation income (+EUR 30.8 million). The lower income from gas distribution and sales (-EUR 63.3 million), and the public and guarantee supply (-EUR 29.4 million) adversely affected the financial results of the Group.

In 2016, the Group's operating income decreased by 10.3%, mostly as a result of the merger between AB LESTO and AB Lietuvos dujos, optimisation of the operations, and the staff reduction.

During 2016, the operating EBITDA increased by 20.3% if compared with the same period a year ago. The calculation of the Group's operating EBITDA eliminated the negative effect of the EUR 28.9 million in Gazprom gas price discount applied in 2016 to household and non-household customers.

In 2016, the Group earned EUR 118.4 million in net profit, EUR 61.3 million more as compared with the previous year. The Group's normalised net profit for the accounting period, disregarding one-off factors, reached EUR 143 million, up by 11.8% as compared to 2015.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**1,095,766**	**1,101,630**
Cost of goods sold	774,001	727,427
Gross profit (loss)	**321,765**	**374,203**
Operating expenses	256,672	226,852
Operating profit (loss)	**65,093**	**147,351**
EBITDA	**219,875**	**264,481**
Net profit (loss)	**55,296**	**118,438**
Net profit margin	*5.0%*	*10.8%*
Minority share in profit (loss)	6,080	10,333
Normalised net profit (loss)	**127,889**	**143,023**

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**1,955,377**	**2,061,183**
Current assets	**383,853**	**370,969**
Cash and cash equivalents	164,341	178,565
Total assets	**2,339,230**	**2,432,152**
Equity	**1,304,485**	**1,319,547**
Minority shareholder equity	50,445	51,172
Grants and subsidies	**296,437**	**284,929**
Liabilities	**738,308**	**827,676**
Financial liabilities	420,688	494,234
Total equity and liabilities	**2,339,230**	**2,432,152**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	5.4%	6.0%
Normalised ROE	9.8%	10.9%
D/E	32.2%	37.5%

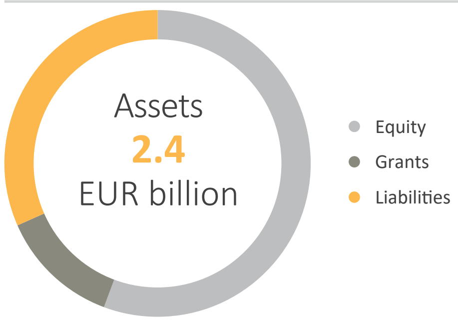
RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Allocated dividends (total)	85,991	100,706

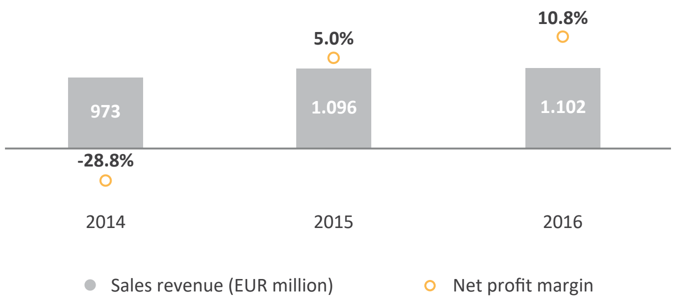
EMPLOYEE INFORMATION	2015	2016
Number of employees	5,379	4,861
Number of employees holding managerial positions	71	66
Average salary of employees holding managerial positions (gross, EUR)	4,694	4,256

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	Dominykas Tučkus (Generation and Services Director) Ilona Daugėlaitė (Director of Organisational Development) Darius Kašauskas (Finance and Treasury Director) Mindaugas Keizeris (Strategy and Development Director)
Members of the Supervisory Board	Antanas Danys* (Grinvest PTE.LTD) Tomas Garasimavičius (Office of the Government of the Republic of Lithuania) Šarūnas Kliokys* (UAB „Avestis“) Virginijus Lepeška* (UAB Organizacijų vystymo centras) Rasa Noreikienė (Ministry of Economy) Agnė Bagočiūtė (Ministry of Finance)

**Independent member*





Lietuvos energijos gamyba, AB

www.gamyba.le.lt

Production of electric and heat energy, and trade in electric energy

The Company operates the reserve power plant and a combined cycle unit at the Elektrėnai Complex, the Kruonis Pump Storage Hydroelectric Plant and the Kaunas Algirdas Brazauskas' Hydroelectric Power Plant.

- *After the new electricity links were put in operation, and the supported electricity production quotas were abolished in 2016, the Company's electricity production output decreased by 31.7%*
- *The Company's EBITDA increased by 15.5%, while normalized net profit grew by 33.7%*

In 2016, the Company produced and sold 31.7% less electric energy, than during the same period in 2015. The production outputs mostly decreased as a result of the abolition of the supported electricity production quota, and the launching of the new power links to Sweden and Poland. In view of those reasons the most notable reduction in the electricity production volumes was recorded at the Elektrėnai complex, i.e. by 54.2%, from 1.07 to 0.49 TWh. The production volumes at the Kruonis HAE decreased from 0.67 to 0.52 TWh, i.e. by 22.4%. During the same period because of the larger volumes of water in the Nemunas river, the amount of electricity produced by the Kaunas Brazauskas HE increased by 33.3%, from 0.27 to 0.36 TWh.

In 2016, the Company's income was EUR 172.9 million, a decrease of 19.3% since the previous year. During the period concerned the revenues from sales of Lietuvos energijos gamyba, AB accounted for EUR 151.8 million, down by 25% as compared to 2015. The revenues decreased mostly because of the shrink of the electricity production at the Elektrėnai Complex since the abolition of the supported electricity production quotas early in 2016.

The Company's EBITDA in 2016 increased by 15.5%, and accounted for EUR 58.1 million, and the Company's net result was reported at EUR 40 million. The change in the EBITDA was mostly caused by the increase in the scope of the secondary power reserve service, and the decisions of the National Commission for Energy Control and Prices to recognise the Company having significant impact in the electricity production market. The decisions in 2016, had a EUR 5.6 million negative effect upon the Company's EBITDA indicator (EUR 15.9 million in 2015). **Net profit** was mostly growing due to a more significant impact of the EBITDA margin and one-off factors: sale of part of the business early in 2016, impairment of the assets held in 2015 as related to the decision regarding the decommissioning of Units 5 and 6; as a result the net profit of the Company decreased by EUR 30 million.

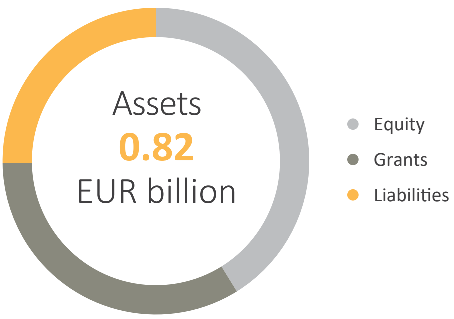
Starting from 2016, the electric energy produced by the Company is marketed on contractual basis by UAB Energijos tiekimas.

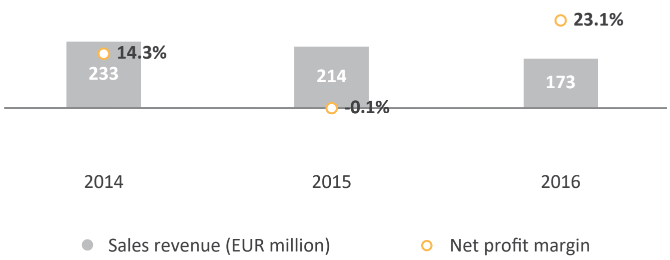
PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**214,395**	**172,922**
Expenses of core activities	208,634	123,892
Operating profit (loss)	**5,761**	**49,030**
EBITDA	**50,272**	**58,054**
Net profit (loss)	**-231**	**39,975**
Net profit margin	*-0.1%*	*23.1%*
Normalised net profit (loss)	**29,896**	**39,975**
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**703,816**	**668,520**
Current assets	**129,658**	**150,910**
Cash and cash equivalents	66,176	99,045
Total assets	**833,474**	**819,430**
Equity	**342,900**	**355,566**
Grants and subsidies	**280,343**	**269,758**
Liabilities	**210,231**	**194,106**
Financial liabilities	145,674	132,459
Total equity and liabilities	**833,474**	**819,430**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	3.4%	4.8%
Normalised ROE	8.4%	11.4%
D/E	42.5%	37.3%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	2,667	40,010
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	429	399
Number of employees holding managerial positions	5	4
Average monthly salary of employees holding managerial positions (gross, EUR)	4,809	4,047

SHAREHOLDERS	
Lietuvos energija, UAB (indirectly state-owned share)	**96.75%**
Other shareholders	3.25%

MANAGEMENT	
Director General	Eglė Čiužaitė
Chairwoman of the Board of Directors	Eglė Čiužaitė (Director General)
Members of the Board of Directors	Mindaugas Gražys (Director of Business Development Department) Darius Kucinas (Director of Power Generation Department) Mindaugas Kvekšas (Director of Finance and Administration Department)
Members of the Supervisory Board	Mindaugas Keizeris (Lietuvos energija, UAB) Dominykas Tučkus (Lietuvos energija, UAB; UAB Litgas) Pranas Vilkas*

**Independent member*





AB Energijos skirstymo operatorius

www.eso.lt

Key functions of ESO include supply and distribution of electric energy and natural gas, guaranteed supply of electricity and gas, introduction of electricity and gas, operation of electricity and gas distribution networks, maintenance, operation and development of such networks and ensuring their security and reliability

- *In 2016, the electric energy and natural gas distribution volumes were increasing*
- *The Company's revenues increased by 1.9%, EBITDA and net profit increased by 9.7% and 8.2% respectively*

As compared to the previous period, increase trends were observed both with respect of distributed electric energy, and natural gas volumes. The volumes of transmitted electric energy, as compared to 2015, increased by 5.2% and reached 9 TWh. The major share, i.e. of 31% of the transmitted electric energy was consumed by residents. Industry entities and service companies consumed 28.6% and 11.3% of electricity respectively. The volumes of distributed natural gas were also increasing during the same period – to 7.4 TWh, or 8.3%. Most of the growth came from increased gas consumption at heat and electricity production companies due to colder weather during the heating season.

In 2016, the Company's income on a YOY basis increased by EUR 12.2 million, or 1.9%. A major share, 66% of the Company's income, was generated from the electricity transmission operations. The income from the public electricity supply operations accounted for 18%, and the gas distribution operations generated 9% of the total corporate income. The income increased mostly as a result of a growth in the volumes of distributed energy and gas.

In 2016, the Company's costs accounted for EUR 542.1 million, an increase of 1.2% against the previous year. The increase was caused mostly by the higher costs related to the growth in volumes of electric energy, and an increase of 2.8% in the costs of procurement of natural gas and related services. A major decrease was recorded in the fits to employees, and the repair and technical maintenance costs of 16% and 27.9% respectively.

In 2016, the net profit of AB ESO increased by EUR 7 million, and at the end of the reporting period was recorded at EUR 92.5 million. The net profit increased mostly as a result of a growth in the revenues from distribution volumes, and lower costs of administrative activities. During 2016, the Company's EBITDA increased by 9.7% or EUR 14.4 million.

The Company's investment volumes in 2016 increased by 13.4%, and accounted for EUR 149.2 million. A major contributor to the growth of the investments was represented by an investment in development of the distribution grid that increased by 20% or EUR 14 million. During the accounting period, the Company's investment in IT, management systems and other assets nearly doubled to reach EUR 8.5 million.

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Revenue	**637,866**	**650,063**
Expenses of core activities	535,812	542,077
Operating profit (loss)	**102,054**	**107,986**
EBITDA	**148,908**	**163,314**
Net profit (loss)	**85,478**	**92,502**
Net profit margin	*13.4%*	*14.2%*

BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**941,305**	**1,032,300**
Current assets	**137,423**	**80,886**
Cash and cash equivalents	26,961	10,662
Total assets	**1,078,728**	**1,113,186**
Equity	**573,813**	**623,195**
Grants and subsidies	**21,384**	**20,477**
Liabilities	**483,531**	**469,514**
Financial liabilities	246,985	219,081
Total Equity and liabilities	**1,078,728**	**1,113,186**

RATIOS	**31 DEC 2015**	**31 DEC 2016**
ROA	8.1%	8.4%
ROE	15.1%	15.5%
D/E	43.0%	35.2%

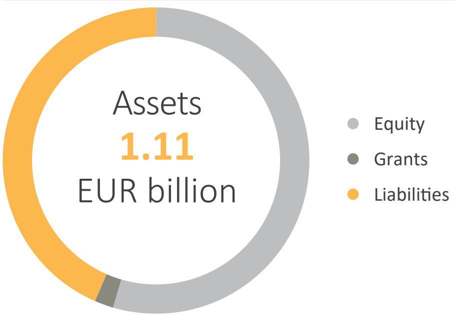
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	62,686	64,287

EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	3,149	2,677
Number of employees holding managerial positions	10	7
Average monthly salary of employees holding managerial positions (gross, EUR)	5,199	4,999

SHAREHOLDERS	
Lietuvos energija, UAB (indirectly state-owned share)	**94.98%**
Other shareholders	5.02%

MANAGEMENT	
Director General	Dalia Andrulionienė
Chairwoman of the Board of Directors	Dalia Andrulionienė (Director General)
Members of the Board of Directors	Ignas Pranskevičius (Director of Services division) Augustas Dragūnas (Director of Finance and Administration division) Rytis Borkys (Director of Network Development division) Dalius Svetulevičius (Director of Network Operations division)
Members of the Supervisory Board	Dalius Misiūnas (Lietuvos energija, UAB Director General and Chairman of the Board) Ilona Daugėlaitė (Lietuvos energija, UAB Director of Organisational Development) Petras Povilas Čėsna* (Lithuanian centre of Exhibition and Congress LITEXPO, chairman of the Board)

**Independent member*



UAB EPSO–G Group

www.epsog.lt

The principal activity of the Group is to ensure an uninterrupted and stable transmission of electricity through high voltage networks, transportation of natural gas through high pressure pipelines, and ensure a proper operation, maintenance and development of such transmission systems; organisation of trade in natural gas and biofuel exchanges

The Group consists of its subsidiaries AB Litgrid (managing 97.5% of the shareholding, AB Amber Grid (96.6%) and UAB BALTPOOL (67%).

- *The sales revenue have increased by 50%*
- *The Group's EBITDA increased by 61.7%*
- *The net profit was 3.2 times higher than in 2015*

During 2016, Group's sales revenue increased by 50%, and reached EUR 234.5 million. The income from the sales of transmission of electric energy accounted for 29% of the total income of the Group, and having increased by 34.8% reached EUR 68 million. The largest contributor to the revenue increase was the increase in the sales of transmission of electric energy, in addition to a higher rate for electricity transmission service. The revenues from the sales of natural gas in 2016 accounted for 25.5% of the total sales income, having increased by 20.1% and accounted for EUR 59.9 million. Transportation of natural gas to Lithuanian customers generated EUR 49.7 million, and that to Latvia and Kaliningrad region earned EUR 10.1 million.

During 2016, Group's operating expenses increased by EUR 49.4 million, as compared to 2015. This growth resulted from an increase in electricity and related services operating expenses associated with the commissioned operation of new power links to Sweden and Poland, and an increase in depreciation costs having completed the related gas and electricity infrastructure projects. The largest share of the costs was incurred through the purchase of energy resources and related services (the electricity and related services procurement costs increased by EUR 42.8 million, and reached EUR 80.6 million, and the natural gas costs decreased by EUR 1.4 million to EUR 7.2 million), that increased by EUR 41.4 million as compared to 2015, due to an increase in the price and the quantity of the balancing electricity, increased demand for reserve capacity, and a higher price of the services, in addition to larger technological loss in the electric energy transmission network, etc.

The Group's earnings before interest, taxes, depreciation and amortisation EBITDA, in 2016 increased to EUR 90.5 million. As compared to 2015, Group's EBITDA increased by 61.7%, or EUR 34.5 million. In 2016, the Group earned EUR 39.1 million in net profit, and in late 2015 Group's net profit reached EUR 12.2 million. In 2016, the net profit of the Group increased by 3.2 times.

The return on equity increased by 11.2 percentage points to reach 17.7%. **The financial liabilities that include the outstanding liabilities to Lietuvos energija for the acquisition of shares of AB Litgrid, decreased by EUR 116.7 million to EUR 485 million.**

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**156,342**	**234,522**
Operating expenses	140,252	189,639
Operating profit (loss)	**16,090**	**44,883**
EBITDA	**55,980**	**90,496**
Net profit (loss)	**12,226**	**39,074**
Net profit margin	*7.8%*	*16.7%*
Minority share in profit (loss)	605	1,233
Normalised net profit (loss)	**12,226**	**34,893**

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**948,674**	**946,982**
Current assets	**203,449**	**146,442**
Cash and cash equivalents	33,655	16,718
Total assets	**1,152,123**	**1,093,424**
Equity	**201,966**	**240,413**
Minority shareholders' equity	12,826	13,509
Grants and subsidies	**190,609**	**258,738**
Liabilities	**759,548**	**594,273**
Financial liabilities[1]	601,644	484,956
Total Equity and liabilities	**1,152,123**	**1,093,424**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	1.2%	3.5%
Normalised ROE	6.2%	15.8%
D/E	297.9%	201.7%

RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Allocated dividends (total)	425	508

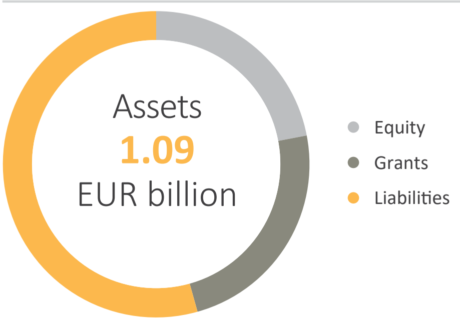
EMPLOYEE INFORMATION	2015	2016
Number of employees	1,033	1,078
Number of employees holding managerial positions	23	24
Average monthly salary of employees holding managerial positions (gross, EUR)	5,228	5,283

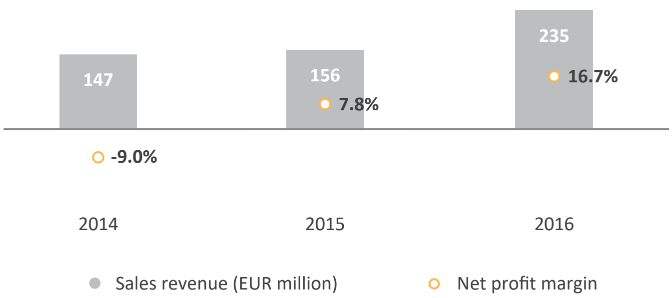
SHAREHOLDERS	
State-owned share	**100%**

MANAGEMENT	
Director General	Rolandas Zukas
Chairman of the Board of Directors	Rytis Ambrazevičius*
Members of the Board of Directors	Gediminas Almantas* Valdas Vitkauskas* Rolandas Zukas (UAB EPSO-G Director General) Algirdas Juozaponis (UAB EPSO-G Director of Finance)
Chairman of the Supervisory Board	Viktorija Trimbel *
Members of the Supervisory Board	Inga Černiuk (Ministry of Transport and Communications) Agnė Amelija Kairytė (Ministry of Energy) Raimondas Rapkevičius*

[1] - In table the financial liabilities of 2015 included EUR 209,975, and the financial liabilities of 2016 included an amount of EUR 205,794 to Lietuvos energija for the acquisition of the shares of AB Litgrid.

**Independent member*





AB Litgrid Group

www.litgrid.eu

Litgrid is a subsidiary of EPSO-G Group and the operator of the Lithuanian electricity transmission system, maintains stable operation of the national electric energy system, manages electric energy flows, and creates conditions for competition in the open electricity market. The Company is responsible for the integration of the Lithuanian electric energy system in the European electric infrastructure, and the single European market for electricity

The Litgrid Group consists of AB Litgrid, UAB Tetas, and UAB Litgrid Power Link Service. Litgrid also manages the shares and the voting rights of LitPol Link Sp.z.o.o. (50 %), AB Duomenų logistikos centras (20.36%), UAB Technologijų ir inovacijų centras (0.04%) and Nord Pool AS (2%).

- *The Group's income increased by 67%. The increase was mostly caused by larger volumes of transmitted electric energy, the transmission service rates set by the National Commission for Energy Control and Prices, and the increase in systemic services, balancing and links overload income due to new inter-system links*
- *The Group's normalised profit increased by 11.6 times*

For the purpose of performing the functions of the electricity transmission operator during 2016 Litgrid transmitted total 9,729 million kWh in electric energy through high voltage grids – an increase of 5.5% as compared to 2015. The overall consumption of electricity in Lithuania grew by 4.5%.

The revenues of the Group increased by 67% to EUR 167.1 million. The income from electric energy transmission that in 2016 accounted for 41% of the total revenues of the Group, increased by 35% to EUR 68 million. The increase in the income was mostly caused by a larger volume of delivered electricity and an increase of 28% in the electricity transmission service rate as set by the National Commission for Energy Control and Prices. The main contributors to the increase of 51% to EUR 22.1 million in the revenues of the sale of balancing (regulation) electric energy was the increase of 56% in the transmitted balancing electric energy required for ensuring the throughput of the new links to Sweden and Poland. The increase in the income from systemic services by 3.6 times to EUR 33.9 million was caused by a 3.8 times higher systemic services rate set by the National Commission for Energy Control and Prices.

The Group's costs accounted for EUR 145.9 million, and the growth as compared to 2015 was 49%. The major factor determining the cost level was the technological costs incurred in relation to the new electric links with Poland and Sweden. The electric energy and the related services procurement costs, representing the major part of the costs (total 55%) increased by more than two times, and were recorded at EUR 80.6 million. The balancing (regulation) electricity costs increased by 54% to EUR 16.7 million, and the systemic services costs reached EUR 36.9 million, i.e. increased by 3.6 times if compared to the data of 2015.

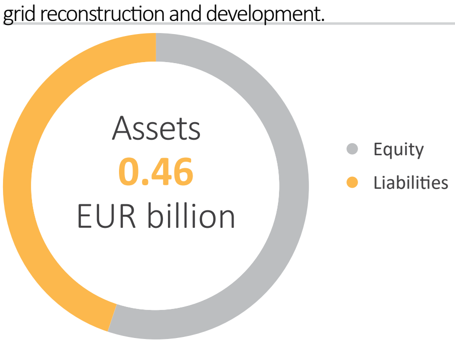
In 2016, the net profit of the Group accounted for EUR 17.9 million, cf. EUR 1.4 million at the end of 2015. The Group's earnings before interest, taxes, depreciation and amortisation EBITDA, increased by EUR 22.7 million to EUR 49.2 million. The most important factor for the growth of the EBITDA was the increase in the income from sales and other activities (late payment interest).

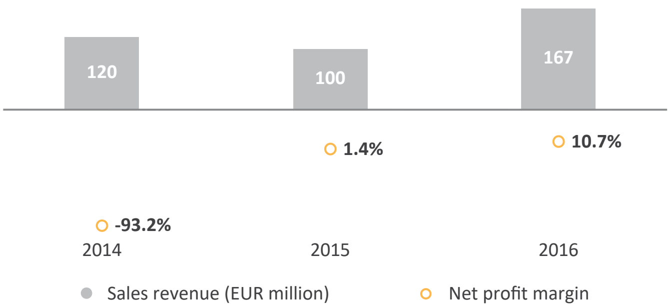
In 2016, the main investment of Litgrid accounted for EUR 36.7 million; half of the amount was allocated to the strategic electric energy projects, and the remaining part of the investment resources was allocated to the transmission grid reconstruction and development.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**100,028**	**167,055**
Expenses of core activities	97,828	145,874
Operating profit (loss)	**2,314**	**21,310**
EBITDA	**26,549**	**49,211**
Net profit (loss)	**1,414**	**17,857**
Net profit margin	*1.4%*	*10.7%*
Minority share in the profit (loss)	*38*	*10*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**469,378**	**403,410**
Current assets	**84,501**	**58,954**
Cash and cash equivalents	791	798
Total assets	**553,879**	**462,364**
Equity	**241,323**	**254,805**
Minority shareholder' equity	133	0
Grants and subsidies	**3,870**	**38**
Liabilities	**308,686**	**207,521**
Financial liabilities	203,438	165,503
Total equity and liabilities	**553,879**	**462,364**
RATIO	**31 DEC 2015**	**31 DEC 2016**
ROA	0.3%	3.5%
ROE	0.6%	7.2%
D/E	84.3%	65.0%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	4,589	18,156
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	707	685
Number of employees holding managerial positions	12	12
Average monthly salary of employees holding managerial positions	5,111	5,333
SHAREHOLDERS		
UAB EPSO-G (indirectly state-owned share)		**97.5%**
Other shareholders		2.5%

MANAGEMENT	
Director General	Daivis Virbickas
Chairman of the Board of Directors	Rimvydas Štilinis (UAB EPSO-G Director of Infrastructure)
Members of the Board of Directors	Daivis Virbickas (AB Litgrid Director General) Vidmantas Grušas (AB Litgrid Director of Transmission Grid Management) Nemunas Biknius (UAB EPSO-G Director of Strategy and Development) Domas Sidaravičius*

**Independent member*





AB Amber Grid

www.ambergrid.lt

AB Amber Grid is the operator of Lithuania's natural gas transmission system and is responsible for the transmission of natural gas (transportation of natural gas through high pressure pipelines) to system users, and operation, maintenance and development of natural gas transmission system. Customers of AB Amber Grid are large and medium-sized Lithuanian business entities (electricity, district heating production and industry companies), and natural gas supply companies. AB Amber Grid is the associate member of ENTSOG (the European Network of Transmission System Operators for Gas)

- *The revenues from gas transportation services increased by 20.1%*
- *The volumes of transported gas decreased by 10.9%*
- *Investments amounted to EUR 13.1 million*

During 2016, 60.3% of the natural gas need for customers of Lithuania and other Baltic States were supplied from the Klaipėda LNG terminal, as compared to 16.6% in corresponding amount in 2015. In total, during 2016, 23.3 TWh of natural gas were transported to Lithuanian customers, which is by 10.9% down from 2015. In 2016, transportation of natural gas to adjacent transmission systems increased by 5.2% and reached 24 TWh.

During the reporting period the Company earned EUR 66.7 million in revenues – 19.6% more than in 2015. The revenues from the gas transmission services were increasing due to the commissioned transmission capacities at several system entry points, and increased sales of short-term transmission capacities. The largest share of the revenues, i.e. 89.7%, was generated from the transmission of natural gas.

In 2016, the Company incurred EUR 42 million in costs, which represented an increase of 3.2% as compared to 2015. This increase in the costs was caused by larger amortisation and depreciation expenses that grew by 5.9%, due to the commissioning of the gas pipeline Klaipėda – Kuršėnai in late 2015. The non-current assets amortisation and depreciation costs accounted to 38% of the total costs. In 2016, the natural gas costs decreased by 16.5 % due to a downward trend in production costs, and were recorded at EUR 7.2 million.

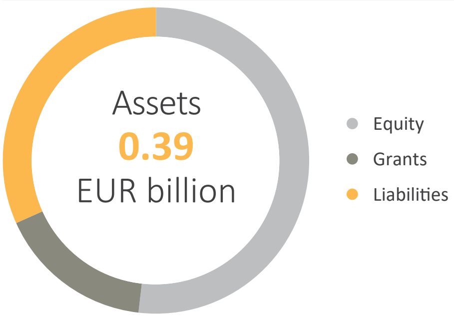
In 2016, AB Amber Grid net profit was recorded at EUR 20.9 million, up by 31% as compared to 2015, when the Company recorded EUR 16 million in net profit. The net profit margin increased by 2.8 percentage points, and reached 31.4%.

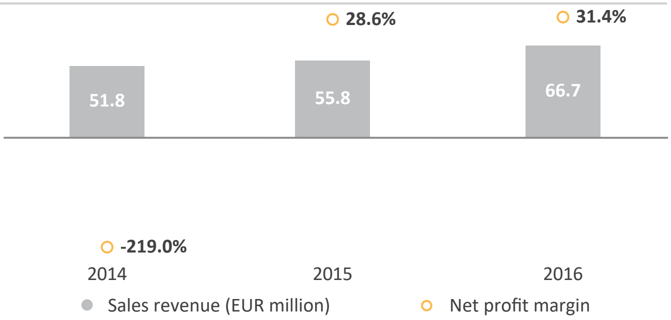
The return on equity rate increased by 3.1 percentage points to reach 10.5%.

During the reporting period the Company allocated EUR 13.1 million for various investments – a drop of EUR 36.4 million, or 73.5% since 2015. EUR 6.6 million were invested in the development of the transmission system, i.e. 86.6% less than in 2015; the Company invested EUR 6.1 million in reconstruction and modernisation of its facilities.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Revenue	**55,800**	**66,742**
Expenses of core activities	40,671	41,978
Operating profit (loss)	**15,129**	**24,764**
EBITDA	**30,060**	**40,708**
Net profit (loss)	**15,978**	**20,928**
Net profit margin	*28.6%*	*31.4%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**354,911**	**348,715**
Current assets	**98,442**	**42,583**
Cash and cash equivalents	26,969	13,966
Total assets	**453,353**	**391,298**
Equity	**194,664**	**202,810**
Grants and subsidies	**62,885**	**64,450**
Liabilities	**195,804**	**124,038**
Financial liabilities	138,010	93,666
Total equity and liabilities	**453,353**	**391,298**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
ROA	3.9%	5.0%
ROE	7.4%	10.5%
D/E	70.9%	46.2%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	12,782	20,928
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	363	362
Number of employees holding managerial positions	5	5
Average monthly salary of employees holding managerial positions (gross, EUR)	5,949	6,065
SHAREHOLDERS		
UAB EPSO-G (indirectly state-owned share)		**96.6%**
Other shareholders		2.5%
MANAGEMENT		
Director General		Saulius Bilys
Chairman of the Board of Directors		Nemunas Biknius (UAB EPSO-G Director of Strategy and Development)
Members of the Board of Directors		Saulius Bilys (AB „Amber Grid“ Director General) Nerijus Datkūnas* Vytautas Ruolia (AB „Amber Grid“ Director of Commerce) Rimvydas Štilinis (UAB „EPSO-G“ Director of Infrastructure)

**Independent member*





AB Klaipėdos nafta

www.kn.lt

AB Klaipėdos nafta is a company operating in the Lithuanian energy sector and operating the oil and LNG terminals in Klaipėda, small-scale LNG activities and provides long-term oil products storage services at the Subačius oil terminal (Kupiškis region)

- *The volumes of oil product handling increased by 13.6%*
- *The net profit decreased by 37.4% to EUR 13.8 million*
- *The return on equity ratio dropped to 7.1%*

The volumes of handling oil products in 2016 increased by 13.6%, and were recorded at 7,388,000 tonnes. During 2016, AB Orlen Lietuva was operating at full capacity; therefore the stevedoring terminal handled 18% more oil products than in 2015. The principal reason for the increase in the customer flows was the favourable macroeconomic environment. The freight handling volumes also increased due to larger transit freight flows from plants in Belarus and Russia. Despite a decline in the freight flows due to the geopolitical situation in the second half of the year, the volumes of stevedoring of transit oil products in 2016 increased by 8.8%.

Having started providing regasification services on 27 November 2014, in 2016, the LNG terminal regasified 14,600 MWh of natural gas. As compared to 2015, the regasification volumes increased by 3.2 times.

The Klaipėda Oil Terminal revenue decreased by 8.5 per cent, and the LNG terminal sales income were down by 4.2%, which led to a reduction in the Company's sales revenues as compared to 2015. Total in 2016, the Company generated EUR 103.8 million in sales income, of which EUR 67 million were the LNG terminal income, EUR 34.0 million were generated from oil product reloading services, EUR 2.8 million were the income of the Subačius oil terminal. In 2016, the cost of sales, as compared with the same period a year ago, increased by 3.1% to EUR 83 million. This increase in the cost of sales was caused by the floating storage facility lease and other related expenses that at the end of 2016 reached EUR 50.8 million, and accounted for 61.2% of the total cost of sales.

In 2016, the Company generated EUR 13.8 million in net profit, i.e. down by 37.4% since 2015. At the end of 2016, EBITDA was recorded at EUR 28.4 million, 23.4% less than in 2015.

In 2016, the Company received EUR 2.8 million in grants for acquiring non-current assets (construction of the LNG distribution station); in 2015 the grants awarded accounted for EUR 0.2 million.

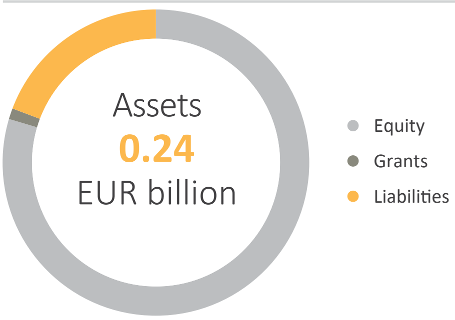
The Company's investments in 2016 increased by 1.8 times to EUR 12.6 million. The investment in 2016 amounted to EUR 19.4 million, and its largest share was allocated for the small-scale operations at the LNG and the oil product terminals.

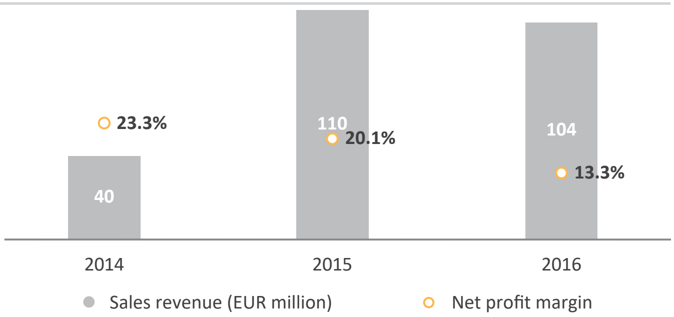
In 2016, the return on equity ratio decreased from 11.9% to 7.1%.

For the year 2016, the shareholders allocated EUR 9.7 million to be disbursed in dividends, i.e. down by 45.2% from 2015.

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**109,702**	**103,839**
Cost of goods sold	80,579	83,042
Gross profit (loss)	**29,123**	**20,797**
Operating expenses	4,823	5,905
Profit (loss) from other activities	286	-8
Operating profit (loss)	**24,586**	**14,884**
EBITDA	**37,136**	**28,446**
Net profit (loss)	*22,036*	*13,794*
Net profit margin	*20.1%*	*13.3%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**180,074**	**186,895**
Current assets	**58,713**	**55,536**
Cash and cash equivalents	23,788	42,056
Total assets	**238,787**	**242,431**
Equity	**196,804**	**192,969**
Grants and subsidies	**209**	**2,781**
Liabilities	**41,774**	**46,681**
Financial liabilities	29,737	29,724
Total equity and liabilities	**238,787**	**242,431**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
ROA	9.6%	5.7%
ROE	11.9%	7.1%
D/E	15.1%	15.4%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Allocated dividends (total)	17,629	9,656
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	367	370
Number of employees holding managerial positions	36	37
Average monthly salary of employees holding managerial positions (gross, EUR)	3,513	3,918
SHAREHOLDERS		
State-owned share		**72.3%**
Achema Group		10.2%
Other shareholders		17.5%
MANAGEMENT		
Director General		Mindaugas Jusius
Chairman of the Board of Directors		Not appointed
Members of the Board of Directors		Dainius Bražiūnas (Ministry of Energy) Bjarke Pålsson* (Managing Director of Financial Strategy and Origination at Nykredit) Mantas Bartuška (AB Lietuvos geležinkeliai Director General) Giedrius Dusevičius*

**Independent member*





Forest enterprises

www.gmu.lt

Forest regeneration and protection, logging and selling of timber

- *The amounts of round timber sold increased by 1.8%*
- *The average price of round timber decreased by more than 1.3%*
- *The normalised net profit of forest enterprises increased by 4.6%*

In 2016, forest enterprises sold 1.8 % more round timber than in 2015. In the course of the reporting period the forest enterprises sold total 3.8 million cubic metres of round timber, i.e. 67.6 thousand cubic metres more than in 2015.

The revenues from sales of forest enterprises in 2016 increased marginally, by EUR 44 thousand. This minor increase in the sales revenue was caused by a slightly decreased price of the round timber. The average round timber price per cubic metre decreased by 1.3%, from EUR 38.6 in 2015 to EUR 38.1 in 2016. The income from the sale of round timber is the main source of income of forest enterprises, and during the reporting period, it accounted for 92.1% of the total sales revenue generated by the forest enterprises.

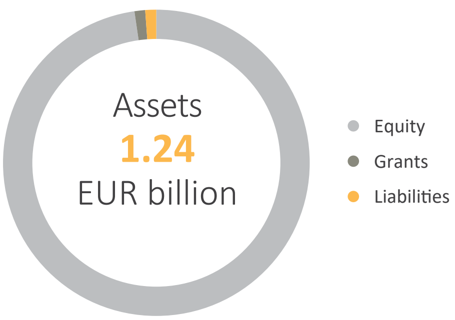
The operating costs of forest enterprises changed only marginally and decreased by 0.3% to EUR 85.7 million. **The production costs in 2016 amounted to EUR 62.7 million, a decrease of 2.1% if compared to 2015;** the change was essentially caused by the improved forest road infrastructure (fewer internal transfers, and shorter timber pulling distances).

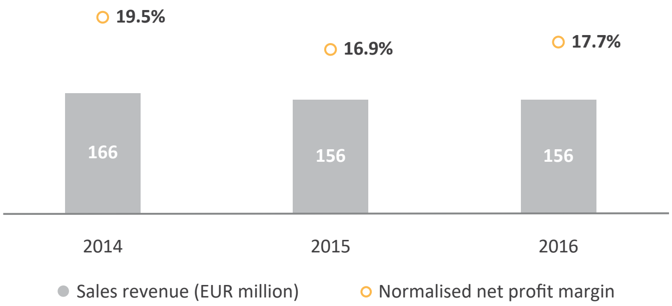
The normalised net profit of forest enterprises increased by 4.6%, and stood at EUR 27.6 million. The change was caused by a marginally increased sales income, lower cost of sales and operating costs. The increased normalised net profit favourably affected the net profit margin of the forest enterprises; the margin at the end of 2016 reached 17.7%, and represented an increase of 0.8 percentage points as compared to 2015.

At the end of 2016, the normalised return on equity of forest enterprises was equal to 2.3%, and essentially did not change compared to 2015. The impact of the increased normalised net profit upon the normalised return on equity was counterbalanced by a 4.7% increase in equity which increased due to the 5% growth in the value of commercial forests.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**156,194**	**156,238**
Cost of goods sold	64,049	62,693
Gross profit (loss)	**92,145**	**93,545**
Operating expenses	85,944	85,722
Profit (loss) from other activities	689	690
Operating profit (loss)	**6,890**	**8,512**
EBITDA	**19,205**	**20,546**
Net profit (loss)	**6,138**	**7,278**
Normalised net profit (loss)	**26,420**	**27,623**
Normalised net profit margin	*16.9%*	*17.7%*
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets1	**1,109,889**	**1,168,754**
Current assets	**72,135**	**68,518**
Cash and cash equivalents	22,340	22,569
Total assets	**1,182,024**	**1,237,272**
Equity1	**1,156,265**	**1,210,416**
Grants and subsidies	**12,767**	**14,197**
Liabilities	**12,992**	**12,659**
Financial liabilities	274	284
Total equity and liabilities	**1,182,024**	**1,237,272**
RATIOS[1]	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	2.3%	2.3%
Normalised ROE	2.3%	2.3%
D/E	0.0%	0.0%
RETURN TO THE SHAREHOLDER (EUR '000)	**2015**	**2016**
Assigned profit contributions	3,114	3,611
Property tax	2,232	2,271
Raw material tax	21,628	21,665
Total contributions and non-standard taxes to the State	**26,975**	**27,546**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	3,653	3,499
Number of employees holding managerial positions	85	43
Average monthly salary of employees holding managerial positions (gross, EUR)	1,903	2,340
MANAGEMENT		
Director of the Directorate General of State Forests		Rimantas Prūsaitis

[1] – The consolidated book values of non-current assets and equity of the forest enterprises were increased by the value of the forests computed using a discounted cash flow method, and which was estimated at the beginning of 2017 to be equal to EUR 1,053 million. The ratios are computed on the basis of the increased values of the non-current assets and equity.





VĮ Registrų centras

www.registrucentras.lt

Oversight of the Real Estate Cadastre, and the Real Estate Register, and other registers, development and maintenance of the related information systems, property valuation, issuance of certificates

- *The sales revenue have increased by 22.1%*
- *The net normalised profit decreased by 19.3%*
- *EBITDA increased by 54.3% and reached EUR 2.5 million*

In 2016, the Company's sales revenue were 22.1 % larger than in 2015, and reached EUR 36.9 million. 86.4% of the total sales revenue were earned from non-commercial services, of which the major part (72.9 %) was the income generated by the Real Estate Register. In 2016 this type of income of the Company increased by 6%. **In 2016, the Company's costs accounted for EUR 36.8 million, an increase of 22.3% against the previous year.** This increase in the income as well as the costs is attributed to the mergers of the Resident Registration Services to the Centre of Registers as of 1st January 2016, and the Central Mortgage Service as of 1st July 2016.

In 2016, the Company's operating costs increased by 22.7% to EUR 9.9 million. The major share of the operating and production cost was represented by personnel wages and the related costs, exceeding 69% of the total cost structure. In 2016, this category of expenses increased by 18.2%. There was also a significant increase in the tax expenses, total of 37.2%.

The Company during 2016 earned EUR 280 thousand in the normalised net profit. In 2015, the Company's normalised net profit was recorded at EUR 347 thousand, i.e. in 2016, the net normalised profit decreased by 19.3%.

The Company's EBITDA ratio at the end of 2016 reached EUR 2.5 million, and was by 54.3% higher than in 2015.

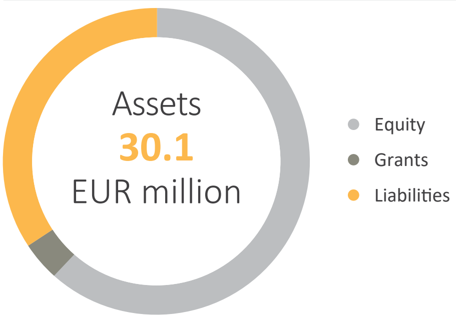
The return on equity rate fell by 0.8 percentage points to reach 1.8%. This decrease in the normalised return on equity was caused by the increase in the equity value of 37.6%, and the decline in the normalised net profit.

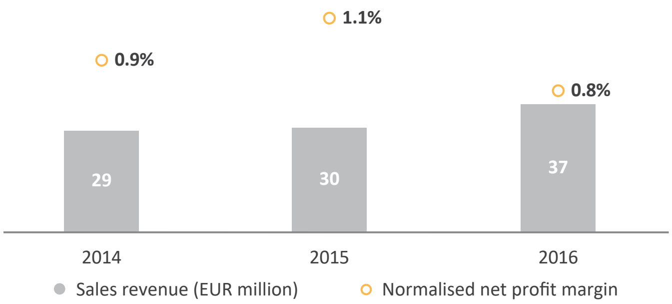
During 2016, the Company invested EUR 3.6 million. As compared to 2015, the level of investment increased by 22.3%. The major part of the investment was allocated to acquire servers, licences and software.

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**30,219**	**36,892**
Cost of goods sold	21,948	26,796
Gross profit (loss)	**8,270**	**10,095**
Operating expenses	8,103	9,945
Operating profit (loss)	**240**	**226**
EBITDA	**1,607**	**2,479**
Net profit (loss)	**173**	**98**
Net profit margin	*0.6%*	*0.3%*
Normalised net profit (loss)	**347**	**280**
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**19,303**	**24,702**
Current assets	**3,190**	**5,438**
Cash and cash equivalents	330	2,094
Total assets	**22,493**	**30,140**
Equity	**13,452**	**18,505**
Grants and subsidies	**1,599**	**1,277**
Liabilities	**7,442**	**10,358**
Financial liabilities	1,965	1,730
Total equity and liabilities	**22,493**	**30,140**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	1.5%	1.1%
Normalised ROE	2.6%	1.8%
D/E	14.6%	9.3%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contributions	83	187
Property tax	1,452	1,955
Total contributions and non-standard taxes to the State	**1,535**	**2,142**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	1,547	1,691
Number of employees holding managerial positions	7	6
Average monthly salary of employees holding managerial positions (gross, EUR)	2,931	3,709

MANAGEMENT	
Director General	Arvydas Bagdonavičius (Acting Director General)
Chairman of the Board of Directors	Algirdas Stasys Vėgėlė* (UAB Vilpra Chairman of the Board of Directors)
Members of the Board of Directors	Arvydas Bagdonavičius (Acting Director General) Gintautas Galvanauskas* (Danske Bank A/S Lithuanian Branch Director General) Šarūnas Kliokys* (President of The Association of Lithuanian Chambers of Commerce and Industry)

**Independent member*





VĮ Regitra

www.regitra.lt

Management of the register of motor vehicles of the Republic of Lithuania, and the registers of drivers of the motor vehicles, registration of vehicles and their trailers, examination of drivers, issuance of drivers' licences

- *In 2016, the Company significantly expanded the scope of the services it provides*
- *The Company's revenues increased by 6.6%, and net profit grew by 21.9%*
- *In 2016, the normalised return on equity exceeded 15%*

In 2016, the volumes of all the services provided by the Company were growing as compared to the previous period. The leader in this respect, having increased by 27.3% was the volume of the vehicle registration services. The development was caused mostly by the trends in the new vehicle market, as well as the significant increase in the re-export of vehicles to other countries. In view of the legal base favourable for foreign nationals or the entities established by foreign nationals, allowing them to register vehicles in Lithuania and operate in foreign States, including non-EC States, the registration of vehicles imported from abroad increased by 9.6%, and the re-registration of the vehicles registered in Lithuania increased by 6.1%. During 2016, as compared to 2015, the scope of theoretical and practical examinations of candidate drivers increased, respectively, by 4.7% and 8.1%. This year driving schools trained 8% more drivers, and they were the major contributors to the growth in the income. In 2016 the driver's licence issuance activities increased by 14.9%.

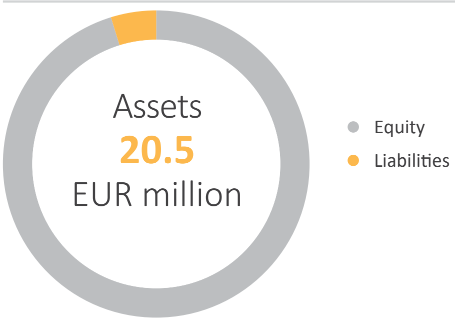
During the accounting period the revenues of the Company as compared to 2015, increased by 6.6%, i.e. EUR 1.6 million. A major share of the income, 59.5%, was generated from the road vehicle registration service. The drivers' examination service and the driver's licence issuance service in 2016 accounted for, respectively, 21.3% and 19.2% of the total revenues of the Company.

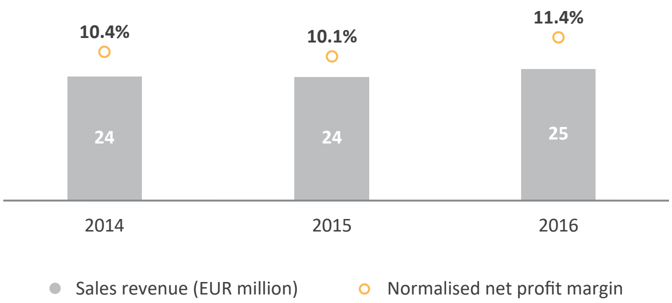
As compared to the previous period, in 2016 the net profit increased by 21.9%, i.e. EUR 0.5 million, and stood at EUR 2.8 million. During the same period the Company's EBITDA increased by 8.3% to EUR 6.7 million. The normalised net profit at the end of 2016 was 20.8% larger than during the previous year, and accounted for EUR 2.9 million. In 2016, the Company's achieved normalised return on equity was 15.5%, which was 1.6 percentage points higher than in 2015.

PROFIT (LOSS) STATEMENT (EUR '000)	**2015**	**2016**
Sales revenue	**23,888**	**25,470**
Cost of goods sold	17,871	18,641
Gross profit (loss)	**6,016**	**6,829**
Operating expenses	3,385	3,603
Operating profit (loss)	**2,687**	**3,321**
EBITDA	**6,166**	**6,678**
Net profit (loss)	**2,270**	**2,767**
Net profit margin	*9.5%*	*10.9%*
Normalised net profit margin	**2,402**	**2,901**
BALANCE SHEET (EUR '000)	**31 DEC 2015**	**31 DEC 2016**
Non-current assets	**8,471**	**7,024**
Current assets	**10,347**	**13,452**
Cash and cash equivalents	8,503	12,178
Total assets	**18,818**	**20,476**
Equity	**17,850**	**19,498**
Grants and subsidies	**444**	**0**
Liabilities	**524**	**978**
Financial liabilities	0	0
Total equity and liabilities	**18,818**	**20,476**
RATIOS	**31 DEC 2015**	**31 DEC 2016**
Normalised ROA	13.0%	14.8%
Normalised ROE	13.9%	15.5%
D/E	0.0%	0.0%
RETURN TO THE SHAREHOLDERS (EUR '000)	**2015**	**2016**
Assigned profit contribution	1,135	1,384
Property tax	1,782	1,621
Total contributions and non-standard taxes to the State	**2,917**	**3,005**
EMPLOYEE INFORMATION	**2015**	**2016**
Number of employees	537	556
Number of employees holding managerial positions	3	2
Average monthly salary of employees holding managerial positions (gross, EUR)	2,563	2,784

MANAGEMENT	
Director General	Dalius Prevelis
Chairman of the Board of Directors	Algirdas Stončaitis (Chancellor of the Ministry of the Interior)
Members of the Board of Directors	Ilona Pileckienė (Ministry of the Interior) Vytautas Pliuskus* Irina Urbonė (Ministry of the Interior) Dalius Prevelis (Director General) Kęstutis Širvaitis*

**Independent member*





Evaluation Methodology

The analysis of indicators of SOE portfolio was based on the aggregate financial data disclosed in audited annual financial statements of enterprises due to the absence of consolidated or joint financial statements of all SOEs. Transactions between the 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, UAB, UAB EPSO-G, AB Lietuvos geležinkeliai** and **AB Lietuvos paštas Groups'** results as well as consolidated financial results of **42 forest enterprises**, managed by Directorate General of the State Forests.

The comparable data used while analysing the SOE portfolio is based on the composition of the 2016 SOE portfolio.

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

- the value of listed companies is based on the price of their stock quoted on the stock exchange at the end of the period (31st of December, 2016);
- the value of companies not listed on the stock exchange was estimated based on the book value of equity;
- the value of commercial forests estimated using the discounted cash flow method was added to the book value of equity of the **forest enterprises**. In the beginning of 2017, the value of the forests was recalculated to reflect the changes in the market conditions. It was estimated that the value of forests increased by 5%, from EUR 1,003 million at the end of 2015 to EUR 1,053 million at the end of 2016;
- the book value of roads (EUR 2 billion at the end of 2016) 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 the **road maintenance enterprises**;
- the market value of SOEs was calculated considering the State's interest in these companies only (i.e. after the deduction of minority interest).

The aggregate operational earnings before depreciation and amortisation (EBITDA) of the SOEs portfolio and sectors were calculated by adding depreciation and amortisation costs, and atypical events costs (asset revaluation, prestige, etc.) 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 the state enterprises for the use of the entrusted state property (property tax) and mandatory deductions from the revenue for the 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 (loss) 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 (loss) of the past 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 31st of December, 2016, is calculated on the basis of profit earned by the company between the 1st of January, 2016 and the 31st of December, 2016. Accordingly, the equity average values are calculated on the basis of book value of equity on the 1st of January, 2016, and on the 31st of December, 2016.

In 2016, financial indicators of SOEs were affected by one-off events. As for the better comparability of the data, the normalised net profit after the elimination of non-standard taxes and deductions of revaluation of assets and other one-off events of **Lietuvos energija, UAB, Group, UAB EPSO-G Group,** and **AB Lietuvos paštas Group,** is indicated in the overviews of the SOE portfolio and reports of sectors. The effect of bankruptcy of banks to the results of the previous years is eliminated by adding losses included in the financial or operating costs of the enterprises resulting from the reduction in value of financial assets (write-off) to the net profit. 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 net profit, i.e. it is not reduced by a share of profit tax.

The net profit margins, ROE and ROA indicated in the Report have been calculated by using the values of the normalised net profit.

The purpose of disclosing normalised profits is to reveal financial results after eliminating the influence of one-off events. For example, normalised net profit of **Lietuvos energija, UAB, Group** was estimated by eliminating[1] the following one-off events:

- negative effect on the results of 2015 and 2016 due to applied discount for gas consumers. The net profit in 2015 was reduced by EUR 42.5 million, 2016 – by EUR 24.6 million;
- negative impact on the 2015 results by EUR 30.1 million due to a decrease in **AB Lietuvos energijos gamyba** asset value.

In the descriptions of the enterprises, the compositions of the boards of SOEs are indicated on the basis of data provided during the preparation of the report (May – June, 2017). The numbers of employees and employees holding managerial positions are presented as they were at the end of the reporting period (31st of December, 2016).

In the P/E ratio subsection of the Overview of Portfolio Results, P/E ratio of comparable foreign sectors were estimated based on 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 2016.

[1]The negative effect of the reporting period is eliminated by increasing the net result of previous periods, while the positive effect is eliminated by decreasing the net result of previous periods

This Annual Report has been prepared by the public institution „Stebėsenos ir prognozių agentūra“, while implementing the functions of the Governance Coordination Function in accordance with the requirements and provisions of Resolution No 1052 of the Government of the Republic of Lithuania of 14th of 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 6th of 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 the 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, VAS Starptautiskā lidosta "Rīga" (Riga Airport), AS Tallinna Lennujaam (Tallinn Airport), SJSC Latvijas dzelzceļš (Latvian Railroads), Eesti Statistika (Statistics Estonia), Eurostat, Capital IQ, Bloomberg 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 2016 (EUR '000)	Sales revenue in 2016 (EUR '000)	EBITDA in 2016 (EUR '000)	Net profit in 2016 (EUR '000)
1	Lietuvos energija, UAB, Group	100.0%	Ministry of Finance	Energy	1B	I	2,432,152	1,101,630	264,469	118,438
1a	AB Lietuvos energijos gamyba Group	96.1%	Lietuvos energija, UAB, Group	Energy	-	I	819,430	172,922	58,054	39,975
1b	AB Energijos skirstymo operatorius[1]	95.0%	Lietuvos energija, UAB, Group	Energy	-	I	1,113,186	650,063	163,314	92,502
2	UAB EPSO-G	100.0%	Ministry of Energy	Energy	1B	I	1,093,424	234,522	90,496	39,074
2a	AB LITGRID Group	97.5%	UAB EPSO-G	Energy	-	I	462,364	167,055	49,211	17,857
2b	AB Amber Grid	96.6%	UAB EPSO-G	Energy	-	I	391,298	66,742	40,708	20,928
3	AB Klaipėdos nafta	72.3%	Ministry of Energy	Energy	1B	-	242,431	103,839	28,060	13,794
4	VĮ Energetikos agentūra	-	Ministry of Energy	Energy	2	V	1,090	0	-2	0
5	VĮ Ignalinos atominė elektrinė[2]	-	Ministry of Energy	Energy	2	III	644,868	194	-2,958	-3,966
6	VĮ Radioaktyviųjų atliekų tvarkymo agentūra	-	Ministry of Energy	Energy	2	V	322	21	6	-7
7	VĮ Visagino energija	-	Ministry of Economy	Energy	1A	II	50,328	11,780	1,315	-268
8	UAB Geoterma	99.1%	VĮ Turto bankas	Energy	1A	IV	6,107	1,228	-45	-456
9	VĮ Lietuvos naftos produktų agentūra	-	Ministry of Energy	Energy	2	I	94,319	33,641	-340	-348
10	AB Lietuvos geležinkeliai Group	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	I	2,086,087	409,524	122,483	-5,131
11	AB Lietuvos paštas Group	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	I	71,215	71,909	2,316	19
12	AB Smiltynės perkėla	99.0%	Ministry of Transport and Communications	Transport and Communications	1B	IV	9,434	4,549	1,859	435
13	VĮ Oro navigacija	-	Ministry of Transport and Communications	Transport and Communications	2	II	51,345	28,246	5,593	2,145
14	VĮ Klaipėdos valstybinio jūrų uosto direkcija	-	Ministry of Transport and Communications	Transport and Communications	1B	I	557,347	56,514	43,634	28,664
15	VĮ Lietuvos oro uostai	-	Ministry of Transport and Communications	Transport and Communications	1B	I	167,289	29,888	10,111	3,467
16	VĮ Vidaus vandens kelių direkcija	-	Ministry of Transport and Communications	Transport and Communications	2	IV	27,221	2,228	93	-230
17	AB Lietuvos radijo ir televizijos centras	100.0%	Ministry of Transport and Communications	Transport and Communications	1B	II	40,480	19,120	5,860	269
18	VĮ Automagistralė	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	321,648	8,975	1,137	236
19	VĮ Alytaus regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	92,810	4,575	790	23
20	VĮ Kauno regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	222,274	10,385	1,564	311
21	VĮ Klaipėdos regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	185,887	6,001	689	4
22	VĮ Marijampolės regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	149,883	4,767	843	64
23	VĮ Panevėžio regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	127,041	8,900	1,254	94
24	VĮ Šiaulių regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	290,614	11,378	1,949	410
25	VĮ Tauragės regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	118,512	4,579	705	96

No	Enterprise	State Interest*	Accountability	Sector	Group	Category	Assets as of 31 DEC 2016 (EUR '000)	Sales revenue in 2016 (EUR '000)	EBITDA in 2016 (EUR '000)	Net profit in 2016 (EUR '000)
26	VĮ Telšių regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	97,058	4,627	619	17
27	VĮ Utenos regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	166,471	7,669	1,017	68
28	VĮ Vilniaus regiono keliai	-	The Lithuanian Road Administration under the Ministry of Transport and Communications	Transport and Communications	2	II	328,717	9,784	1,011	12
29	VĮ Valstybinis miškotvarkos institutas	-	Ministry of Environment	Forestry	1A	V	1,775	2,219	203	124
30	VĮ Alytaus miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,536	2,706	414	213
31	VĮ Anykščių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,929	3,010	395	119
32	VĮ Biržų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,319	4,542	673	304
33	VĮ Druskininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,001	3,510	711	445
34	VĮ Dubravos eksperimentinė-mokomoji miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	6,827	2,841	271	5
35	VĮ Ignalinos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,376	2,544	269	55
36	VĮ Jonavos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,722	3,680	397	119
37	VĮ Joniškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,332	2,560	378	122
38	VĮ Jurbarko miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,124	5,120	941	376
39	VĮ Kaišiadorių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,625	3,692	563	107
40	VĮ Kauno miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,916	3,038	397	114
41	VĮ Kazlų rūdos mokomoji miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,002	4,484	502	278
42	VĮ Kėdainių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	6,288	3,929	415	5
43	VĮ Kretingos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	8,668	5,200	598	129
44	VĮ Kupiškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	1,607	1,794	140	33
45	VĮ Kuršėnų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,904	3,309	387	139
46	VĮ Marijampolės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,460	3,347	259	54
47	VĮ Mažeikių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,780	4,034	487	193
48	VĮ Nemenčinės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,761	4,589	646	370
49	VĮ Pakruojo miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,393	3,088	369	136
50	VĮ Panevėžio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,631	5,758	854	276
51	VĮ Prienų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,858	3,718	507	134
52	VĮ Radviliškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,342	3,435	305	102
53	VĮ Raseinių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	3,762	2,925	487	189
54	VĮ Rietavo miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	3,234	3,146	410	79
55	VĮ Rokiškio miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,514	3,261	334	128
56	VĮ Šakių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,353	4,807	791	316
57	VĮ Šalčininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,598	3,230	352	145

No	Enterprise	State Interest*	Accountability	Sector	Group	Category	Assets as of 31 DEC 2016 (EUR '000)	Sales revenue in 2016 (EUR '000)	EBITDA in 2016 (EUR '000)	Net profit in 2016 (EUR '000)
58	VĮ Šiaulių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,709	3,972	685	212
59	VĮ Šilutės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,965	4,301	733	267
60	VĮ Švenčionėlių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,741	5,159	870	292
61	VĮ Tauragės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	7,822	5,876	1,108	353
62	VĮ Telšių miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,530	4,186	733	211
63	VĮ Tytuvėnų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,806	2,505	411	142
64	VĮ Trakų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	6,249	5,327	825	377
65	VĮ Ukmergės miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,958	5,753	799	235
66	VĮ Utenos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	1,635	2,122	193	90
67	VĮ Valkininkų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,523	3,640	485	103
68	VĮ Varėnos miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	4,179	3,341	459	168
69	VĮ Veisiejų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,989	2,924	140	1
70	VĮ Vilniaus miškų urėdija	-	Directorate General of State Forests	Forestry	1B	IV	5,299	4,188	475	122
71	VĮ Zarasų miškų urėdija	-	Directorate General of State Forests	Forestry	1B	V	2,010	1,649	144	19
72	UAB Projektų ekspertizė	100.0%	Ministry of Environment	Other	1A	V	725	428	74	54
73	VĮ Statybos produkcijos sertifikavimo centras	-	Ministry of Environment	Other	1B	V	1,150	1,048	121	56
74	UAB Būsto paskolų draudimas	100.0%	Ministry of Finance	Other	2	IV	21,852	750	-1,173	13
75	VĮ Indėlių ir investicijų draudimas	-	Ministry of Finance	Other	2	IV	15,900	606	23	113
76	VĮ Lietuvos prabavimo rūmai	-	Ministry of Finance	Other	2	V	3,505	558	57	3
77	VĮ Turto bankas	-	Ministry of Finance	Other	2	II	159,278	3,127	-24	-174
78	UAB Viešųjų investicijų plėtros agentūra	100.0%	Ministry of Finance	Other	-	III	38,639	1,772	574	424
79	Mūsų amatai, VĮ	-	Prison Department	Other	1B	III	6,882	6,281	-580	-847
80	UAB Lietuvos kinas	100.0%	Ministry of Culture	Other	1A	V	748	314	62	43
81	VĮ Lietuvos paminklai	-	Department of Cultural Heritage	Other	2	V	698	5,941	52	25
82	UAB Respublikinė mokomoji sportinė bazė	100.0%	Department of Physical Education and Sports	Other	1A	V	31	30	-59	-59
83	UAB Lietuvos monetų kalykla	100.0%	Bank of Lithuania	Other	1B	IV	6,162	4,162	-111	-423
84	AB Informacinio verslo paslaugų įmonė	51.7%	Statistics Lithuania	Other	1A	V	849	621	134	103
85	VĮ distancinių tyrimų ir geoinformatikos centras Gis-centras	-	National Land Service	Other	2	V	3,067	1,028	199	162
86	AB Detonas	100.0%	Ministry of Transport and Communications	Other	1B	V	3,881	2,370	571	312
87	AB Problematika	100.0%	Ministry of Transport and Communications	Other	1A	IV	8,166	5,359	1,473	984
88	UAB Universiteto vaistinė	100.0%	Ministry of Health	Other	1A	V	1,297	2,426	32	23
89	UAB Kauno Petrašiūnų darbo rinkos mokymo centras	54.2%	VĮ Turto bankas	Other	2	V	1,130	949	168	120
90	VĮ Registrų centras	-	Ministry of Justice	Other	2	I	30,140	36,892	2,479	98
91	AB Giraitės ginkluotės gamykla	100.0%	VĮ Turto bankas	Other	1A	III	19,621	5,773	960	178
92	UAB Investicijų ir verslo garantijos	100.0%	Ministry of Economy	Other	2	IV	19,857	1,353	970	929
93	UAB Toksika	92.5%	Ministry of Economy	Other	1A	IV	29,818	2,238	280	-307
94	UAB Lietuvos parodų ir kongresų centras LITEXPO	98.8%	Ministry of Economy	Other	1A	III	16,592	6,122	1,569	812

No	Enterprise	State Interest*	Accountability	Sector	Group	Category	Assets as of 31 DEC 2016 (EUR '000)	Sales revenue in 2016 (EUR '000)	EBITDA in 2016 (EUR '000)	Net profit in 2016 (EUR '000)
95	UAB poilsio namai Baltija	100.0%	VĮ Turto bankas	Other	1A	V	5,295	708	501	-685
96	AB Vilniaus metrologijos centras[3]	100.0%	Ministry of Economy	Other	1B	IV	5,920	3,026	725	391
97	VĮ Infostruktūra	-	Ministry of Transport and Communications	Other	1B	III	6,401	6,580	715	-356
98	VĮ Regitra	-	Ministry of the Interior	Other	2	II	20,476	25,470	5,058	2,767
99	AB Jonavos grūdai	70.1%	Ministry of Agriculture	Other	1B	III	6,556	7,608	1,142	656
100	AB Lietuvos veislininkystė	99.0%	Ministry of Agriculture	Other	2	V	1,628	1,151	121	76
101	AB Kiaulių veislininkystė	99.0%	Ministry of Agriculture	Other	2	V	1,699	1,620	53	2
102	UAB Gyvulių produktyvumo kontrolė	100.0%	Ministry of Agriculture	Other	2	V	1,067	1,034	72	33
103	UAB Lietuvos žirgynas	89.6%	Ministry of Agriculture	Other	2	V	2,124	612	141	25
104	UAB Panevėžio veislininkystė	97.0%	Ministry of Agriculture	Other	1A	V	1,360	1,482	48	35
105	UAB Šeduvos avininkystė	100.0%	Ministry of Agriculture	Other	2	V	977	110	54	15
106	UAB Šilutės polderiai	81.0%	Ministry of Agriculture	Other	1A	V	1,077	1,772	115	39
107	UAB Šilutės veislininkystė	96.5%	Ministry of Agriculture	Other	2	V	1,465	240	106	9
108	UAB Valstybinė projektų ir sąmatų ekspertizė	100.0%	Ministry of Agriculture	Other	1A	V	101	144	7	6
109	UAB Aerogeodezijos institutas	99.8%	Ministry of Agriculture	Other	1A	V	1,222	464	-162	-232
110	UAB Dotnuvos eksperimentinis ūkis	100.0%	Ministry of Agriculture	Other	1A	V	3,622	1,104	280	2
111	UAB Klaipėdos žuvininkystės produktų aukcionas	100.0%	Ministry of Agriculture	Other	2	V	2,068	73	-185	-201
112	UAB Upytės eksperimentinis ūkis	100.0%	Ministry of Agriculture	Other	1A	V	2,617	1,170	190	81
113	UAB Žemės ūkio paskolų garantijų fondas	100.0%	Ministry of Agriculture	Other	2	IV	21,333	1,149	-177	128
114	VĮ Pieno tyrimai	-	Ministry of Agriculture	Other	2	IV	5,359	3,934	640	47
115	VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra	-	Ministry of Agriculture	Other	2	III	60,772	361	-268	-312
116	VĮ Valstybės žemės fondas	-	Ministry of Agriculture	Other	2	IV	6,821	4,411	467	194
117	VĮ Mašinų bandymo stotis[4]	-	Ministry of Agriculture	Other	-	V	161	249	25	14
118	VĮ Žemės ūkio informacijos ir kaimo verslo centras	-	Ministry of Agriculture	Other	2	V	3,721	727	389	7
Enterprises under liquidation:										
1	VĮ Seimo leidykla Valstybės žinios[5]	-	Office of the Parliament	Other	2	V	N/A	N/A	N/A	N/A
2	UAB Mokslas ir technika[6]	100.0%	Lithuanian Academy of Sciences	Other	-	V	N/A	N/A	N/A	N/A

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

[1] *On the 1st of January, 2016, AB LESTO and AB Lietuvos dujos were reorganised and merged into a new enterprise AB Energijos skirstymo operatorius*

[2] *Ignalina Nuclear Power Plant is in the decommissioning stage (production was carried out until the 31st of December, 2009)*

[3] *On the 1st of January, 2016, AB Kauno metrologijos centras, AB Klaipėdos metrologijos centras, AB Šiaulių metrologijos centras and AB Panevėžio metrologijos centras were merged into AB Vilniaus metrologijos centras.*

[4] *VĮ Mašinų bandymo stotis įsteigta was established on the 1st of October, 2015 by reorganising budget institution Valstybinė mašinų bandymo stotis*

[5] *On the 26th of October, 2016, a decision was made to liquidate VĮ Seimo leidykla Valstybės žinios*

[6] *On the 13th of June, 2016, a decision was made to liquidate UAB Mokslas ir technika*

Financial Results of SOEs Not Included Into the SOE Portfolio

UAB poilsio namai Baltija

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**759**	**708**
Cost of goods sold	629	688
Gross profit (loss)	**129**	**20**
Operating expenses	1,245	696
Profit (loss) from other activities	1,200	0
Operating profit (loss)	83	-676
EBITDA	**349**	**501**
Financial and investment activities	-78	-27
Profit (loss) before taxes	**5**	**-703**
Profit tax	1	-18
Net profit (loss)	**4**	**-685**
Net profit margin	*0.5%*	*-96.8%*
Normalised net profit	**28**	**-685**

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**5,438**	**5,258**
Current assets	**90**	**37**
Cash and cash equivalents	23	6
Total assets	**5,528**	**5,295**
Equity	**4,676**	**3,991**
Grants and subsidies	**0**	**0**
Liabilities	**852**	**1,304**
Financial liabilities	270	744
Total equity ant liabilities	**5,528**	**5,295**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	0.4%	-12.7%
Normalised ROE	0.6%	-15.8%
D/E	5.8%	18.6%

SHAREHOLDERS	
State's interest	**100%**

RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Assigned dividends (total)	0	0
Property tax	28.2	0

EMPLOYEE INFORMATION	2015	2016
Number of employees	49	60
Number of executives	2	2

UAB Viešųjų investicijų plėtros agentūra

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**1,682**	**1,772**
Cost of goods sold	568	625
Gross profit (loss)	**1,113**	**1,148**
Operating expenses	342	647
Profit (loss) from other activities	0	0
Operating profit (loss)	771	500
EBITDA	**820**	**574**
Financial and investment activities	0	0
Profit (loss) before taxes	**771**	**500**
Profit tax	117	76
Net profit (loss)	**654**	**424**
Net profit margin	*38.9%*	*23.9%*

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**29,184**	**28,456**
Current assets	**11,916**	**10,183**
Cash and cash equivalents	4,086	6,694
Total assets	**41,100**	**38,639**
Equity	**873**	**3,098**
Grants and subsidies	**0**	**0**
Liabilities	**40,227**	**35,541**
Financial liabilities	37,979	35,382
Total equity ant liabilities	**41,100**	**38,639**

RATIOS	31 DEC 2015	31 DEC 2016
ROA	1.8%	1.1%
ROE	118.0%	21.4%
D/E	4,349.9%	1,142.1%

SHAREHOLDERS	
State's interest	**100%**

RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Assigned dividends (total)	61	255

EMPLOYEE INFORMATION	2015	2016
Number of employees	30	38
Number of executives	2	3

UAB Klaipėdos žuvininkystės produktų aukcionas

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**3**	**73**
Cost of goods sold	1	55
Gross profit (loss)	**2**	**18**
Operating expenses	110	219
Profit (loss) from other activities	17	16
Operating profit (loss)	-90	-185
EBITDA	**-90**	**-185**
Financial and investment activities	1	-16
Profit (loss) before taxes	**-89**	**-201**
Profit tax	0	0
Net profit (loss)	**-89**	**-201**
Net profit margin	*-2,867.7%*	*-275.9%*

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**2,146**	**2,035**
Current assets	**656**	**33**
Cash and cash equivalents	201	1
Total assets	**2,803**	**2,068**
Equity	**3**	**-199**
Grants and subsidies	**2,034**	**1,930**
Liabilities	**766**	**337**
Financial liabilities	678	175
Total equity ant liabilities	**2,803**	**2,068**

RATIOS	31 DEC 2015	31 DEC 2016
ROA	-6.3%	-8.3%
ROE	-	-
D/E	26,076.9%	-

SHAREHOLDERS	
State's interest	**100%**

RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Assigned dividends (total)	-	-

EMPLOYEE INFORMATION	2015	2016
Number of employees	-	-
Number of executives	-	-

VĮ Mašinų bandymo stotis

PROFIT (LOSS) STATEMENT (EUR '000)	2015	2016
Sales revenue	**41**	**249**
Cost of goods sold	18	66
Gross profit (loss)	**23**	**183**
Operating expenses	36	167
Profit (loss) from other activities	0	0
Operating profit (loss)	-13	16
EBITDA	**-11**	**25**
Financial and investment activities	0	0
Profit (loss) before taxes	**-13**	**16**
Profit tax	0	3
Net profit (loss)	**-13**	**14**
Net profit margin	*-31.2%*	*5.6%*
Normalised net profit	-13	15

BALANCE SHEET (EUR '000)	31 DEC 2015	31 DEC 2016
Non-current assets	**35**	**52**
Current assets	**111**	**109**
Cash and cash equivalents	5	18
Total assets	**146**	**161**
Equity	**68**	**82**
Grants and subsidies	**19**	**15**
Liabilities	**58**	**64**
Financial liabilities	0	0
Total equity ant liabilities	**146**	**161**

RATIOS	31 DEC 2015	31 DEC 2016
Normalised ROA	-17.4%	9.5%
Normalised ROE	-37.1%	19.4%
D/E	0.0%	0.0%

RETURN TO THE SHAREHOLDERS (EUR '000)	2015	2016
Total contributions and non-standard taxes to the state	0	8

EMPLOYEE INFORMATION	2015	2016
Number of employees	32	29
Number of executives	2	2

Abbreviations and definitions

AB	Public limited liability company
Asset turnover	Financial indicator, which shows the amount of sales generated per euro of assets
COGS	Cost of goods sold
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 by the resolution of the Government of the Republic of Lithuania to observe and analyse the implementation of state policy in SOEs. Under Resolution No. 665 of 6 June 2012 of the Government of the Republic of Lithuania, the corporate governance functions were assigned to the state enterprise State Property Fund, which on 1 October 2014 was merged into state enterprise Turto bankas. From the 1st of July, 2017, the functions of the GCC are performed by public institution Stebėsenos ir prognozių agentūra.
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
Nomination Guidelines	Procedure for the selection and nomination of the collegial governance bodies of the state-owned enterprises approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015
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, Lietuvos energija, UAB, Group, UAB EPSO-G Group and AB Lietuvos paštas Group asset revaluation and other one-off items
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)
VAS	Value added statement – a report which shows how much value or assets are created through joint efforts of the enterprise's equity owners, the management and employees and how it is distributed between different interested parties (employees, creditors, shareholders, the state, etc.) during the reference period
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, gigawatt = 10^9 Wh, terawatt = 10^{12} Wh)

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STATE-OWNED ENTERPRISES IN LITHUANIA. ANNUAL REPORT 2016

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