



State-Owned Enterprises in Lithuania

ANNUAL REPORT 2018

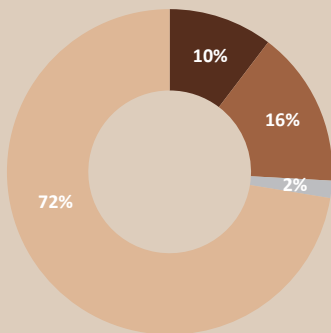
VKC
Valdymo koordinavimo centras

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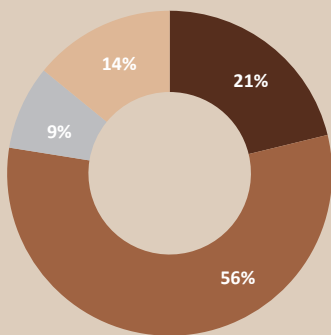
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SOE Portfolio: a Brief Overview

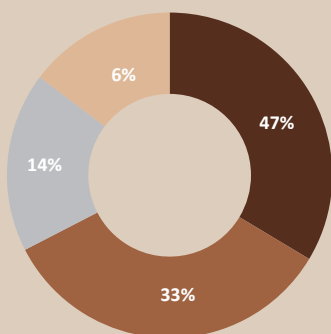
2018: Enterprises



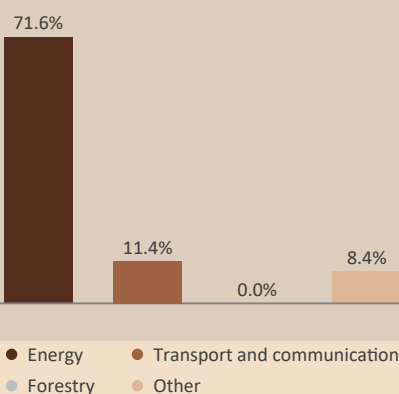
Employees



Assets

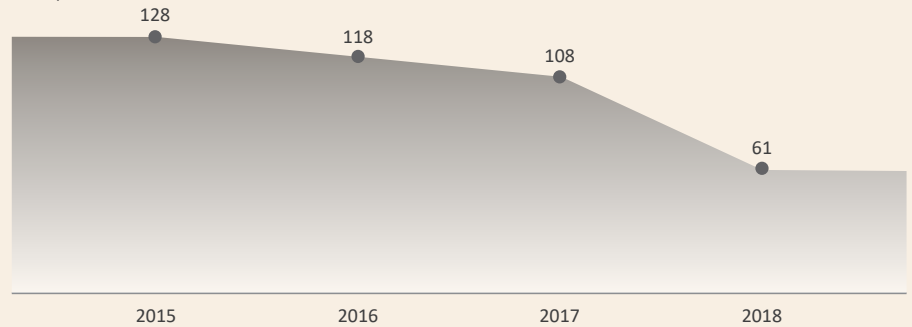


Debt-to-equity



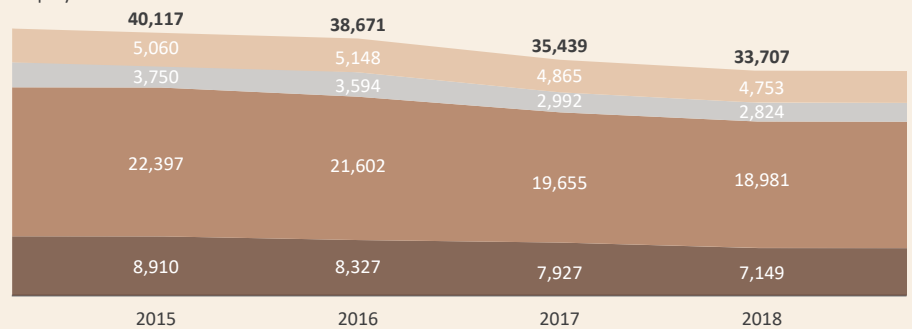
There were 61 SOEs at 31 December 2018

Enterprises



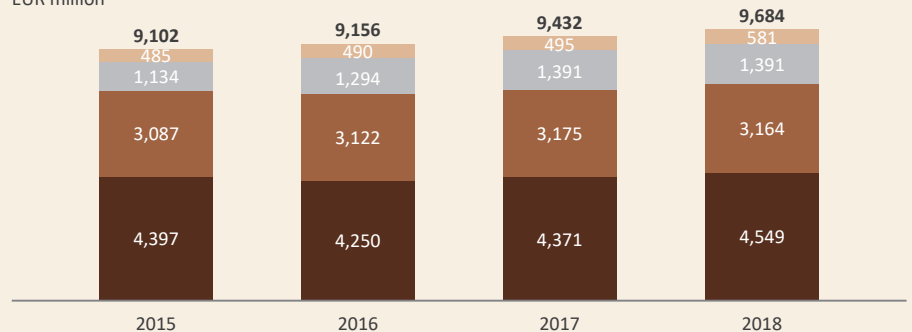
Number of employees decreased by 4.9%

Employees

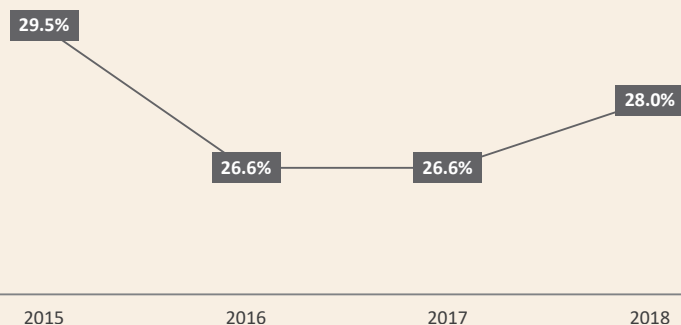


SOE portfolio book assets value amounted to EUR 9,684.5 million

EUR million

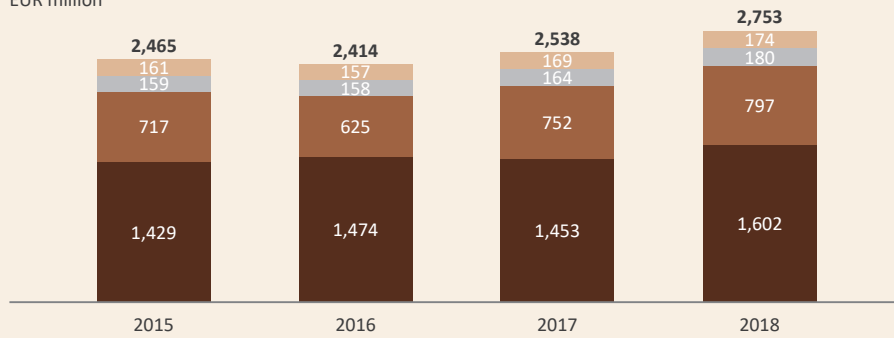


SOE debt-to-equity ratio equalled to -28.0%



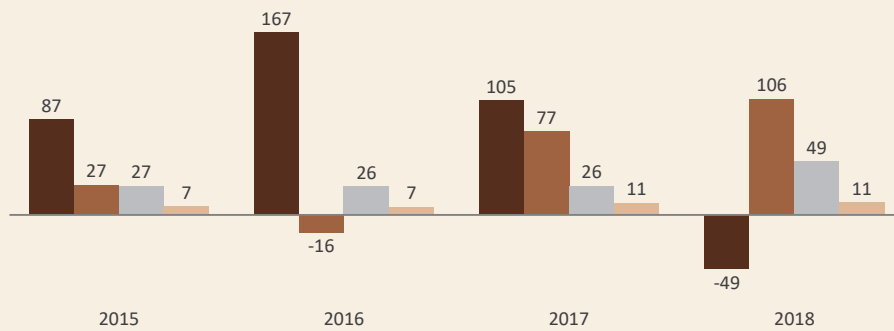
SOE portfolio sales revenue increased by 8.5%

EUR million



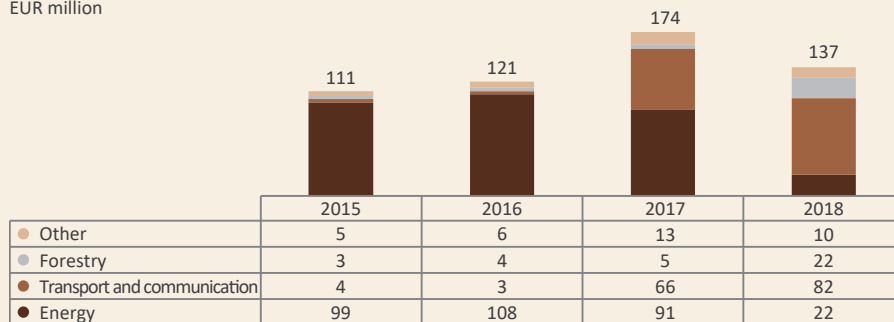
SOE portfolio net profit amounted to EUR 117.1 million in 2018

EUR million

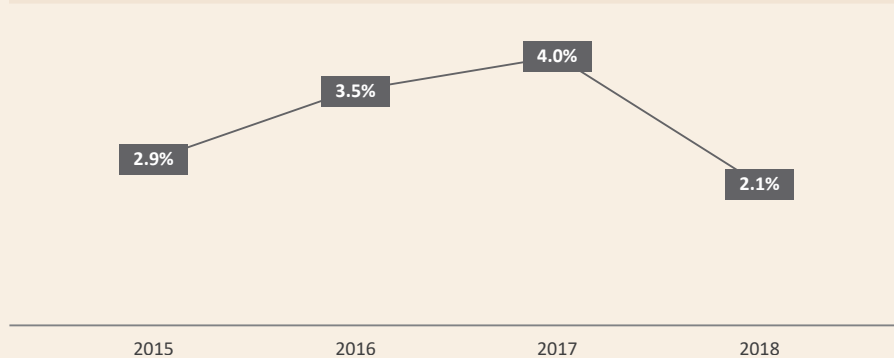


EUR 136.6 million was assigned as dividends and profit contributions to the State

EUR million

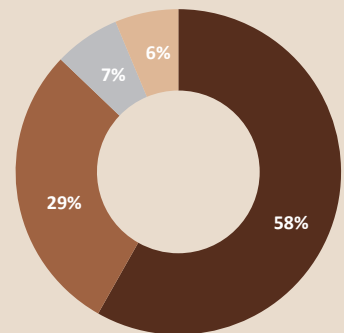


SOE return on equity decreased to 2.1%

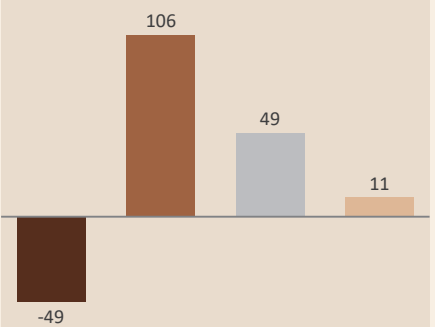


2018:

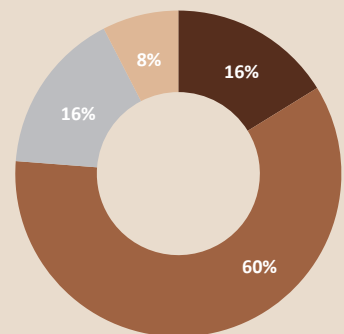
Sales revenue



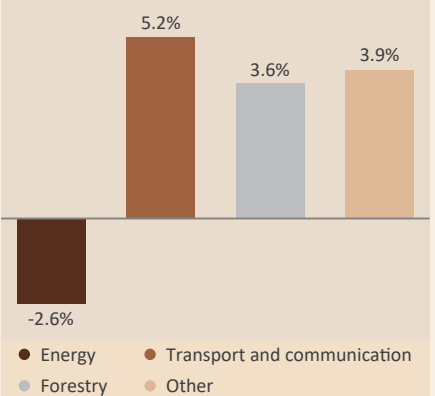
Net profit (loss)



Dividends and profit contributions



Return on equity



With significant reforms in the management policies of state-owned enterprises (SOEs), 2018 was very successful and enabled Lithuania to become the 36th member of the Organisation of the Economic Co-operation and Development (OECD).

To maximise the highest possible efficiency of business operations and continuing the work in progress in the policy development of SOEs, in 2018, the activities of companies were significantly optimised and their number was reduced by as many as 47 companies to 61. The successful reorganisation of state forestry enterprises and VĮ Valstybinis miškotvarkos institutas by merger and through centralising the management of forestry sector companies resulted in positive changes: the company's return to the State was among the highest among all SOEs. Improving corporate governance and continuing to implement the OECD recommendations, the legal form of a state enterprise was abandoned: at the end of 2018, state enterprise Kelių priežiūra, which was established following the reorganisation of regional road maintenance companies, and state enterprise Pieno tyrimai became companies.

In the area of property policy-making, essential changes to the property guidelines were established, through which the division of companies into groups was abolished, and the formation of expectations of companies was regulated in more detail, allowing to change the attribution of generic goals to clearer and more personalised goals. Thus, seeking to increase the transparency of corporate activities by clearly disclosing the financial and operational expectations assigned by the State on companies.

The successful implementation of good governance practices in the public sector is further evidenced by the fact that we have strengthened the functions of the Governance Coordination Centre (GCC) in January 2019, by mandating the sharing of good practices with municipal-owned enterprises (MOEs). I hope that the experience gained in working with the GCC will be applied by providing methodological assistance to the authorities representing municipalities in all matters related to the implementation of MOEs' management policy. Annual summary reports on the activities of MOEs will also be prepared from now on.

To consistently improve corporate governance and ensure the professionalism of the state institutions, the concentration of managing institutions of SOEs will be further strengthened, sustaining the assessment of the separation of commercial functions and special obligations performed by companies, and improving the procedure for the selection of the members of the collegial bodies.

SOEs already play an essential role in contributing to the growth of the national economy, ensuring a significant and sustainable contribution to the national budget and in fulfilling their goals, ensuring the fulfilment of the assigned social functions. By continuing to improve corporate governance, we can provide the continuity of these encouraging changes.



Virginijus Sinkevičius
Minister of the Economy and Innovation of the Republic of Lithuania

Introducing the overview of state-owned enterprises 2018, I would like to welcome the fact that this year was unique not only in terms of major reforms implemented at a political level, but also highly productive for the Governance Coordination Centre at the same time.

Taking part in international and national conferences and seminars, we have been sharing the experience on good governance issues, offered advice, took part in the nomination of members of collegial bodies in the companies, and made assessments of the corporate strategic plans and their implementation. Year 2018 saw successful depoliticisation of the elected collegial bodies in the SOEs take place. They no longer have members of political confidence, and the number of independent members increased from 32.8% to 55.7% over the year. We have been sharing our experience with other countries seeking to join the OECD, and, since 2019, we have been sharing our successful experience of introducing good governance practices with municipalities too.

The performance of the state-owned enterprises for 2018 revealed the dependence of the SOE portfolio results on the performance of the energy sector companies. The majority of the SOE turnover was concentrated in the energy sector companies with the turnover of the Lietuvos energija Group alone representing as much as 45.6% of the total annual turnover in the SOE portfolio. Poorer performance of the energy sector companies had a considerable impact on the changes in the net profit of the SOE portfolio as all SOEs jointly earned EUR 117.1 million in net profit, which was 46.5% less than last year. In turn, this affected the value of the dividends and profit contributions awarded to the State budget as the value took a 21.6% hit and equalled EUR 136.6 million.

Despite the poorer performance of the SOE portfolio, I would like to express my satisfaction at the greater sectoral diversification of the companies, which generate increasing return. The most noticeable is the upward trend in the performance of transport and communications sector companies as their net profit, equalling EUR 105.7 million, saw a 37.9% rise, and let the companies in this sector achieve 5.2% return on equity. The value of dividends and profit contributions awarded to the State budget was also considerable reaching EUR 82.0 million. Following the completion of the reorganisation of 42 forestry enterprises, there has been noticeable growth of the performance in the forestry sector which led to EUR 22.1 million worth of profit contributions to be awarded to the State budget.

Looking ahead to 2019, I can assure that the Governance Coordination Centre will continue to put its best efforts to identify the issues in corporate business, introduce good governance practices and will help the performance of the companies improve. I trust this will help achieve and ensure stable returns to the State.



Vidas Danielius
Director of VŠĮ Stebėsenos ir prognozių agentūra

Significant events

On 8 January 2018, 42 forestry enterprises were merged by absorption into VĮ Valstybinis miškotvarkos institutas, creating VĮ Valstybinių miškų urėdija. This corporate merger was carried out to achieve greater returns and improved governance, and to address the transparency issues in the forestry sector. As in the case of the merger of road maintenance companies, such reorganisation led to the implementation of yet another one of the OECD guidelines.



On 9 May 2018, an amendment was passed to the Decree Setting the Special Obligations for State-Owned Enterprises and Approving Guidelines for the Provision of Information. The amendment clarifies the definition of special obligations and isolates the commercial function entrusted by the State, which is not considered a special obligation. Classifying the function under special obligations is only permitted with a written approval of VĮ Stebėsenos ir prognozių agentūra. A clear definition of the undertaken functions provided in the legislative amendments helps gain a better understanding of the companies' business and set reasonable expectations of return.

On 10 April 2018, an amendment to Article 10 of the Law on State and Municipal Enterprises was passed, which provided for the engagement of recruitment (selection) agencies in the nomination process of independent board members. This amendment seeks to attract highly qualified independent board members.



On 27 June 2018, the amendments to the Ownership Guidelines came into effect. These amendments abandoned the categorisation of companies into groups, gave a more detailed overview of the processes for drafting and publishing the Letters of Expectation – transitioning from general goal setting for a wide range of company groups to personalised solutions. In the Letters of Expectation, which must be published, the VAI sets customised key expectations to the SOEs: commercial objectives, expectations in relation to special obligations, etc. In addition, the amendment has improved the methodology for setting average target return on equity, which is to be approved by the Government – employing the CAPM model, it also includes individual assessment, which helps set more accurate return requirements. To give a more accurate assessment of the requirement of the companies' return ratios, the return on equity is only expected from commercial activities eliminating the special obligations.

On 5 July 2018, the instruments of accession to the OECD Convention were deposited with the French Government as Lithuania officially became the 36th country to join the OECD. The OECD has welcomed Lithuania's progress in the SOE governance and other areas; however, it encourages the continuation of the reforms launched. During a visit to Lithuania, the OECD Secretary-General Angel Gurría presented the Economy Survey of Lithuania 2018, which discussed, among other issues, the situation in the SOE sector. It was stated that the launched reforms were significant, but it was proposed to continue strengthening the ownership functions, improve independence of the SOEs' collegial bodies, harmonise the SOE legal forms and improve transparency.

On 2 January 2019, the amendments to the Law on Possession, Use and Disposal of State and Municipal Property of the Republic of Lithuania came into effect. By virtue of these legislative amendments, the Governance Coordination Centre (VĮ Stebėsenos ir prognozių agentūra) has been charged with providing methodological assistance to the institutions representing municipalities on all issues related to the implementation of municipal-owned enterprises' governance policy, including setting objectives and indicators, preparing strategies, nominating independent members of collegial bodies and other governance-related matters. In addition, the GCC was tasked with preparing summary annual reports on the MOE activities.



On 9 January 2019, the Resolution Setting Target Profitability Indicators for State-Owned Enterprises in 2018-2021 was passed.

The Resolution had been submitted to the Government for consideration by Public Enterprise Stebėsenos ir prognozių agentūra, which was in charge of introducing good governance practices in the SOE sector, in partnership with the Ministry of the Economy and Innovation. The adjusted profitability ratios will help ensure that SOEs engaged in commercial activities put efforts to earn an adequate and risk-consistent return to meet the expectations of the State, and will help achieve more responsible approach to the implementation of the public social and strategic objectives and higher quality services by those SOEs, which are not engaged in commercial activities. The target return on equity for AB Lietuvos paštas saw the biggest increase estimated at 9.0%; the ratio for VĮ Lietuvos oro uostai reached 6.7%, and the target return on equity ratio for Lietuvos energija, UAB was increased to 6.6%. State Enterprise Valstybinių miškų urėdija had a target average annual consolidated net profit indicator set for 2019-2021, reaching EUR 40.5 million, rather than target return on equity.



On 16 January 2019, a recast of the Schedule of Procedures for the Implementation of State Property and Non-Property Rights in State-Owned Enterprises entered into force, which established that not only state-owned enterprises, but their subsidiaries too should be subject to the provisions of the *Ownership Guidelines*.

On 30 March 2019, an amendment to Resolution No 1052 Approving the Schedule of Guidelines for Ensuring Transparency in the Operations of State-Owned Enterprises came into effect. The amendment provides that state-owned enterprises shall ensure that their subsidiaries abide by the provisions on the disclosure of information referred to in the Transparency Guidelines as well as the deadlines therein. In addition, it outlines the requirements for the contents of the information to be disclosed in the annual SOE activity report and requires that conclusions and proposals be submitted along with the summary report.

On 25 June 2019, the Decree Approving the List of Permanent Members of the Nomination Committee was amended. The recast has approved four permanent members of the nomination committee for the members of collegial bodies at state-owned enterprises: Vidas Danielius (Director of Public Enterprise Stebėsenos ir prognozių agentūra), Jekaterina Rojaka (Vice-Minister at the Ministry of the Economy and Innovation of the Republic of Lithuania), Darius Sadeckas (Vice-Minister at the Ministry of Finance of the Republic of Lithuania) and Lukas Savickas (Adviser to the Prime Minister of the Republic of Lithuania).



On 1 August 2019, the Decree of the Minister of the Economy and Innovation of the Republic of Lithuania approved the Guidelines for Drafting a Letter of the Institution Representing the State Concerning the State's Objectives in a State-Owned Enterprise and Expectations from a State-Owned Enterprise, which outlined the principles for setting financial and non-financial expectations, laid down communication requirements when aligning and setting target indicators and their values, set forth the obligation to identify basic requirements for special obligations, and outlined reporting requirements. The Expectations Guidelines will help the institutions representing the State set clear financial and non-financial expectations of the companies' business.

Lithuanian State Ownership Policy: An Overview

Examples of many foreign countries show that state-owned enterprises (SOEs) can operate efficiently, provide benefits to consumers, and compete successfully on the market, and their performance can stand on a par with or even surpass the indicators of private enterprises. Modern and efficiently functioning SOEs can significantly contribute to state budgets, while additional funds can be redistributed to a wide range of areas, from pensions, teachers' and medical staff salaries to investment projects of national importance. In addition, these companies, having implemented advanced management models, become an example of transparent and responsible business, thereby promoting sustainable economic development. To turn SOEs into modern companies, which ensure efficient operations and sustainable development benefiting the State, it is necessary to warrant the introduction of the good governance principles through ongoing and professional supervision of state-owned enterprises. It is important that the State has a clear ownership policy outlined and high transparency standards as well as ambitious expectations set for these companies.

Organisation for Economic Co-operation and Development

The Organisation for Economic Co-operation and Development (hereinafter the OECD) is a multilateral forum for discussions, sharing of experience and development of new economic and social policy guidelines. The organisation offers its members and partner countries support in introducing the good global practices and standards in the public policy field. Lithuania became a full member of the OECD on 5 July 2018.

In 2015, the Organisation for Economic Co-operation and Development updated and published the *OECD Guidelines on Corporate Governance of State-owned Enterprises* – a document outlining the key SOE governance principles. These Guidelines mark an agreement among the most advanced and most economically developed countries and are recognised as an international benchmark. The updates of these Guidelines take account of the developments and countries' experiences in order to identify new emerging issues at a national and an international level.

The *OECD Guidelines* provide specific proposals for addressing the various issues arising from the governance of SOEs. For example, they recommend that the State outline its ownership policy and clearly distinguish between the ownership and regulatory functions. The *Guidelines* also give an overview of the expected roles of members of collegial bodies (boards and supervisory boards) at SOEs and provide recommendations on their composition and nomination procedures. The document emphasizes the need to create equal competitive conditions for both SOEs and private sector companies, taking into account the interests of all shareholders and stakeholders of SOEs, and aims at maximising the transparency of SOEs. These and other recommended changes would help states ensure professional governance of their enterprises.

Pending the accession to the OECD, Lithuania had undertaken intensive work relating to the specific recommendations presented, back in 2015, by the OECD for Lithuania in the area of good SOE governance. The merger of road maintenance and forestry enterprises, the reinforcement of the nomination procedures for members of collegial bodies and their mandate, the strengthening of the GCC, and concrete plans for further work allowed Lithuania become a full member of the OECD on 5 July 2018.

Despite the accession to the OECD, Lithuania continues to put significant efforts to increase the efficiency of state-owned enterprises. The latest OECD review of Corporate Governance in Lithuania 2018, which assesses Lithuania's progress in introducing good governance principles and draws attention to the potential for further developments, notes that Lithuania has made significant advancement in implementing the principles of the OECD principles, but one of the recommendations is to prioritise the strengthening of the boards at the companies, which operate under the Law on Limited Liability Companies. As far as the state-owned enterprises are concerned, it has been advised to continue strengthening the state's ownership coordination function, improving the independence of the boards, and refining the nomination procedures for corporate collegial bodies, to continue the transformation of the

companies with the legal form of state enterprises into limited liability companies, to pursue that the largest SOEs were subject to the disclosure requirements on a mandatory basis, and to abandon the provision of the Law on Limited Liability Companies concerning the terms of office of the heads at state-owned limited liability companies.

State Ownership Policy

The shared experience of foreign countries shows that the implementation of the SOE good governance principles is an important, yet a complex initiative. The main challenge is to strike a balance between the State's commitment to actively pursue its ownership functions (such as setting financial and other objectives and their monitoring) and the unbiased regulation of the sector in which the company operates.

For these reasons, different countries adopt legislation on ownership policy clearly outlining the rights and obligations of all stakeholders involved in SOE governance. The documents laying down the ownership policy also outline the procedure for determining the salaries of members of collegial governing or supervisory bodies, formalise their nomination principles, establish the principles for the composition and independence of such bodies, and detail the expected performance of the SOEs. The purpose of establishing clear ownership functions is to ensure that the State is an active owner of the property – that it sets objectives for enterprises, establishes expectations pertinent to ensuring efficient business and good performance, and lays down the inter-institutional communication standards and liabilities.

Institutional Framework in Lithuania

The Lithuanian State implements its functions of the SOE owner through the government ministries or their subordinate bodies. The role of the Government is to establish the strategy for the implementation of the State ownership functions and basic guidelines. It is the main decision maker on key SOE governance issues. The general SOE governance policy is shaped by the Ministry of the Economy and Innovation of the Republic of Lithuania, which drafts relevant legislation and submits it to the Government.

Governance Coordination Centre (VšĮ Stebėsenos ir prognozių agentūra)

In order to ensure consistent and professional governance of the SOEs, the Government has decided to establish the Governance Coordination Centre (GCC), an institution that monitors and analyses the implementation of the State's policies across state-owned enterprises. The Governance Coordination Centre, whose functions have been undertaken by VšĮ Stebėsenos ir prognozių agentūra since 1 July 2017, is an analytical centre established by the Government of the Republic of Lithuania and seeking to ensure consistent and professional governance at state-owned enterprises promoting the introduction of good governance principles therein. Since 1 July 2017, after the Law on Possession, Use and Disposal of State and Municipal Property of the Republic of Lithuania was amended and the *Ownership Guidelines* were updated, the functions of the GCC have been undertaken by VšĮ Stebėsenos ir prognozių agentūra, which reports to the Ministry of the

Economy and Innovation of the Republic of Lithuania (the Ministry of Economy until 1 January 2019). Prior to the adoption of the *Ownership Guidelines*, the functions of coordination, information gathering and analysis of the SOEs had been vested with the Ministry of the Economy and Innovation (then Ministry of Economy). The functions undertaken by the Centre include a wide range of SOE coordination activities: nomination of independent board and supervisory board members, supervision of the implementation of strategic plans, preparing analytical reports and publishing information on the SOE activities, assistance in the policy-making in the SOE sector, and advice on the matters concerning the introduction of good governance.

In its activities, the Governance Coordination Centre pursues the improvement of the following key areas:

- Improving SOE transparency and accountability;
- Improving the independence and powers of the collegial bodies at SOEs;
- Promoting SOE centralisation and efficient governance.

Areas of activity and functions of the Governance Coordination Centre:

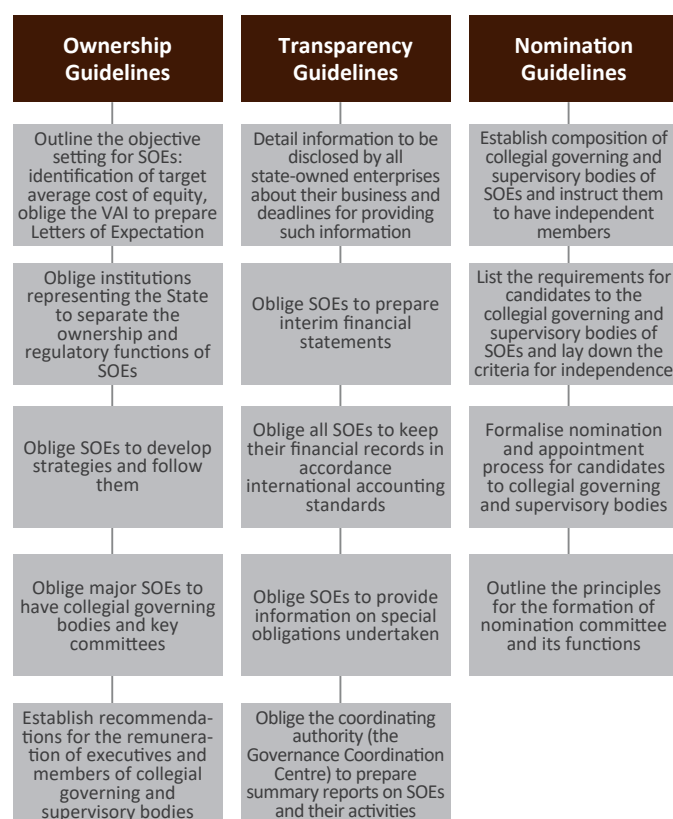
- Transparency (preparing summary reports, evaluation of the companies' financial performance and efficiency, analysis of executive remuneration at SOEs);
- Setting objectives (calculating target return on equity for SOEs, evaluating ambition behind corporate strategic objectives, and monitoring of their implementation);
- Work of collegial bodies (organising the nomination process for the board and supervisory board members, developing a database of potential members of collegial bodies, assessing the competences held by collegial bodies, advising corporate boards and supervisory boards, taking part in the nomination committee for SOE board and supervisory board members);
- Policy-making initiatives (drafting methodological guidelines, new legislative initiatives, advising the Government and the Ministry of the Economy and Innovation of the Republic of Lithuania);
- Advice (advising the Government and the institutions representing the State on SOE governance and the key shareholder decisions to be taken as well as on expectations and deliverables, advising SOEs on business matters and the implementation of the good governance practices, advising the Government and the Ministry of Finance on dividends and profit contributions to be paid out).

The successful implementation of good governance practices across the SOEs led to the launch of the rollout of the good governance practices across the municipality-owned enterprises in 2019. Since January 2019, when the latest recast of the Law on Possession, Use and Disposal of State and Municipal Property of the Republic of Lithuania came into effect, the Governance Coordination Centre (VšĮ Stebėsenos ir prognozių agentūra) "provides methodological assistance to the institutions representing the municipalities on matters concerning the setting of corporate objectives and indicators for municipality-owned enterprises, preparing strategies, evaluating the achievements of objectives, nomination of independent board members, and other issues pertaining to the governance of municipality-owned enterprises; advises institutions representing the State and municipalities and state-owned and municipality-owned enterprises on all matters concerning the implementation of the state- and municipality-owned enterprise governance policies".

Key Legislation Governing the Activities of State-Owned Enterprises in Lithuania

The activities of state-owned enterprises and their efficiency are strongly influenced by the national legislative framework. In their business, the enterprises, subject to their legal form, sectors and other aspects of their activities, must rely on existing legislation. The Law on Possession, Use and Disposal of State and Municipal Property of the Republic of Lithuania lays down the terms and conditions for the possession, use and disposal of state and municipal assets and the powers of state and municipal institutions in this area.

Based on the OECD guidelines and the global best practices, in 2010 the Government passed the Resolution Approving the Schedule of Guidelines for Ensuring Transparency in the Operations of State-Owned Enterprises and Appointing the Coordinating Body (known



as the *Transparency Guidelines*), which set high transparency and reporting standards for all SOEs, and in 2012, the Resolution Approving the Schedule of Procedures for the Implementation of State Property and Non-Property Rights in State-Owned Enterprises (known as the *Ownership Guidelines*), which outlined the Government's ownership policy for the SOEs. The *Ownership Guidelines* provide solutions as to the principles to be followed when outlining strategic objectives and identifying financial indicators, separating the regulatory and ownership functions while forming boards and supervisory boards at SOEs, etc. The *Ownership Guidelines* contain three essential measures to reinforce the SOE governance: a strong shareholder, strong corporate executives and clear objectives. In 2015, to reinforce the principles of independence and nomination of the boards and supervisory boards, the Resolution Approving the Schedule of Procedures for the Nomination of Candidates to the Board of Directors of a State or Municipal Enterprise and Candidates to the Collegial Supervisory or Governing Body of a State- or Municipality-Owned Enterprise to be Elected by the General Meeting (the so called *Nomination Guidelines*) was adopted, which was later supplemented by the provisions from the *Ownership Guidelines*. The *Nomination Guidelines* formalise the nomination process, determine the composition of the collegial bodies at SOEs, the requirements for the candidates, etc. The measure concerning clear objectives is implemented by setting the target average cost of equity as well as preparing and submitting letters to companies on the State's objectives and expectations for the SOEs (the *Letters of Expectation*).

Taking into account the guidelines for Lithuania presented by the OECD and the existing best practices, the plan for the implementation of the Government's programme, as approved by the Government on 13 March 2017, provides for the optimisation of corporate governance by merging the enterprises engaged in identical activities, their consolidation and centralisation of their governance. The Government has identified the key indicator of the implementation of the programme, which is the reduction of the number of SOEs down to 30 enterprises in 2020.

There is a review of the corporate business (functions) and corporate legal forms pending. In addition, there is a scheduled improvement of corporate governance pending: consolidating the institutions implementing the shareholder functions, introducing good corporate governance practices, improving the nomination of collegial bodies, increasing the number of independent and professional members of collegial bodies.

Lithuanian Ownership Policy

1. Application of the Ownership Guidelines

The provisions contained in the *Ownership Guidelines* are of mandatory nature and must be abided by the public authorities involved in the SOE governance. Some provisions of the Ownership Guidelines are subject to the “comply or explain” rule, which allows deviations from these provisions only when they are objectively necessary; in such cases, each deviation must be reasonably justified and explained.

2. Clear Objectives

In order to make SOEs perform as efficiently as possible and help them have clear information about what is expected from them by the State, the VAI must clearly identify the financial and non-financial objectives set for the companies and its expectations in terms of their business. The amendments to the *Ownership Guidelines* of 27 June 2018 gave a more detailed overview of the processes for drafting and publishing the *Letters of Expectation* transitioning from general goal setting for a wide range of company groups to personalised solutions.

As set forth in the *Ownership Guidelines*, “the State, being involved in the SOE governance, pursues the growth of business value, yield from dividends or profit contributions, guarantees of national security interests, implementation of strategic projects or other objectives”. Therefore, in the *Letters of Expectation*, the VAI presents customised expectations for an SOE concerning its commercial objectives, special obligations, etc. This goes to show that along with the generic public objectives for SOEs, such as the requirement of financial return, there is an emerging trend of setting custom objectives related to the specific business of a company.

The key guidelines applicable to the *Letters of Expectation* to be prepared by the VAI are provided in the Guidelines for Drafting a Letter of the Institution Representing the State on the State’s Objectives in a State-Owned Enterprise and Expectations from a State-Owned Enterprise (hereinafter the *Expectations Guidelines*). These guidelines outline the principles for shaping the financial and non-financial expectations, establish the communication requirements in the process of getting the target deliverables approved and set along with their values, set forth an obligation to identify the primary requirements for special obligations undertaken, and outline reporting requirements.

The *Letters of Expectation* must be an integral part of corporate strategies. The target financial and non-financial performance expectations should be ambitious, measurable, and quantifiable. For the purposes of monitoring the achievement of objectives, the enterprises should be assessed on a regular basis in terms of how they pursue their goals. All this information, as provided by the *Ownership Guidelines*, shall be available to the public; therefore the above-mentioned letters shall be published on the SOE, VAI and GCC websites.

2.1. State Objectives for the SOEs

In order to make all SOEs perform as efficiently as possible, State must clearly state the objectives of the companies, and these goals must be aligned with the long-term strategies of the companies. SOEs can operate effectively only if they know what the State hopes for. In order to provide companies with clear and transparent information about what the State expects from them, institutions representing the State are obliged to prepare *Letters of Expectation*.

2.1.1. Average annual cost of equity (return on equity) requirements

After the amendments to the Ownership Guidelines came into force on 27 June 2018, the categorisation of companies into groups (1A, 1B and 2) was abolished. The Guidelines stipulate that the target average annual cost of equity (return on equity) requirements shall be established for a significant part of the commercial activities of all SOEs. In addition, they include a personalised company assessment that allows taking account of the factors relevant to the company’s risk and profitability and set

more accurate requirements than the standard CAPM model (Capital Asset Pricing Model) allows. The Resolution of the Government of the Republic of Lithuania of 9 January 2019 approved the average costs of equity for the state-owned enterprises and of the target average annual consolidated net profit indicator for **VĮ Valstybinių miškų urėdija** for the period 2019-2021.

2.1.2. Dividends for the shares in state-owned limited liability companies and profit contributions by state enterprises

State-owned enterprises, subject to their legal form, pay either dividends or profit contributions to the State budget with the dividends being paid by the limited liability companies, and profit contributions, by state enterprises. The arrangements for paying dividends and profit contributions by state-owned enterprises are governed by the Law on State and Municipal Enterprises of the Republic of Lithuania and the Resolution of the Government of the Republic of Lithuania On Dividends for the State-Owned Shares in Companies and Profit Contributions of State Enterprises. Following the above legislation, a state-owned enterprise pays dividends or profit contributions on the distributable profit of the reporting year. A state-owned enterprise, following a separate decision of the Government, may pay lower dividends or profit contributions if:

- it is implementing or taking part in the implementation of an economic project of public importance as declared by a decision of the Government, or is implementing or taking part in the implementation of a project of extraordinary public importance as declared by a decision of the Seimas of the Republic of Lithuania;
- the value of dividends or profit contributions due to be paid by a state-owned enterprise under the legislation threatened its financial sustainability.

2.2. SOE Strategies

SOEs must have clear strategic plans that would serve as communication tools among the Government, the shareholder or institution implementing the owner’s functions, corporate boards and executives. The Government has placed all SOEs under the obligation to develop their strategic business plans. The limited liability companies should develop their strategic business plans for at least a three-year period, state enterprises, for a four-year period and they should update them annually. These plans must include their strategic directions for the company’s business to be developed, long-term and short-term objectives and targets with specific target indicator values to measure the achieved objectives and targets. The plans should also provide for comprehensive financial forecasts, investments and their funding sources along with the evaluation of return, the enterprise’s environmental and risk analysis, available resources, etc.

The companies are obliged to submit their draft strategies to the



Governance Coordination Centre, every year before 15th November, which provides recommendations and proposals for their improvement. The GCC also evaluates the target indicators outlined in these strategic plans and provides recommendations and proposals for their improvement. The approved strategic plans shall be submitted to the Governance Coordination Centre by the 15th January of the year of their approval.

3. Collegial Governing Bodies

One of the key factors to achieve profitable and efficient business of the company is a competent, motivated and independent management or a supervisory board, where it is formed. The board is the main governing body that establishes the company's strategic priorities, assesses the activities of the company's executives and ensures their accountability.

Following the amendments to the *Ownership Guidelines*, SOEs are no longer divided into five categories, instead they have been subjected to the concepts of public-interest entities (i.e. SOEs which are considered to be large in accordance with the Law on Financial Reporting by Undertakings) and of enterprises that are considered of importance for ensuring national security. Such public-interest entities and the companies of importance for ensuring national security must have functioning collegial bodies. A decision on the management boards (or supervisory boards) to be formed in other SOEs is vested with the institution representing the State.

On the basis of their legal form, all state-owned enterprises (SOEs) fall into the following categories: **state enterprises (SEs)** and **state-owned limited liability companies** (either public limited liability companies (AB) or private limited liability companies (UAB)).

SEs are companies incorporated using public assets or enterprises transferred to the State according to the procedure established by the laws; they are owned by the State and they manage, use and dispose of the assets transferred to them or acquired by them under the right of trust. As at 31 December 2018, there were 22 SEs in Lithuania, including VĮ Valstybinių miškų urėdija, VĮ Lietuvos oro uostai, VĮ Klaipėdos valstybinio jūrų uosto direkcija and others.

State-owned public and private limited liability companies (AB and UAB) are private legal entities with limited civil liability with all or part of their shares owned by the State. At the end of 2018, there were 14 SOEs, which were public limited liability companies (AB) in terms of their legal form, in Lithuania (including AB Lietuvos paštas, AB Lietuvos geležinkeliai, AB Klaipėdos nafta), and 25 SOEs, which were private limited liability companies (UAB) in terms of their legal form (Lietuvos energija, UAB, UAB EPSO-G, UAB Lietuvos parodų ir kongresų centras LITEXPO, etc.).

4. Committees

SOEs, which are considered to be public-interest entities under the Law on the Audit of Financial Statements of the Republic of Lithuania, are required to form audit committees which would reinforce the internal control of the companies – monitor the process of having the companies' financial statements prepared, the efficiency of various internal control systems, the auditing process, etc. An audit committee must consist of at least three members, of which more than half must be independent. An independent member shall be elected as the chair of the audit committee.

Every state-owned limited liability company, which is considered to be large under the Law on Financial Reporting by Undertakings of the Republic of Lithuania, must also have a remuneration committee formed to prepare proposals for the remuneration schemes of the company's executives.

5. Remuneration

In order to attract as many experienced independent professionals as possible to become members of collegial bodies, they may be remunerated for their work. The issue concerning the remuneration of members of collegial bodies must be discussed at the general meeting of each limited liability company, but it is recommended that the members of the boards of directors and supervisory boards of state-owned limited liability companies be paid fixed remuneration not exceeding 1/4 of the remuneration set for the company's head, and the chairs of the boards and supervisory boards, the remuneration not exceeding 1/3 of the above amount. Members of collegial bodies who are civil servants or employees of institutions representing the State are not remunerated.

The payment arrangements for the members of the SE board of directors are governed by a separate resolution on the basis of the principle that the remuneration awarded to a board member may not exceed 1/5 of the average monthly salary of the company's head. The remuneration of the members of collegial bodies, who are civil servants, is transferred to the State budget.

Nomination of Members of Collegial Bodies

In March 2017, the Government of the Republic of Lithuania transposed the regulatory framework of the composition and nomination process of collegial governing bodies at SOEs from the *Ownership* to the *Nominations Guidelines*, harmonising the nomination procedures for all state-owned enterprises (public and private limited liability companies (AB and UAB)) and state enterprises (SEs). The amendments significantly reinforced the independence of collegial bodies because previously the independence requirements would only apply to the major SOEs. In addition, the functions of policy-making for individual economic sectors and of ownership implementation were strictly separated.

The *Nomination Guidelines* establish the principles for the formation of collegial governing and supervisory bodies, the general, special and independence criteria, the selection and nomination procedures, and the composition of the nomination committee. The *Guidelines* apply only to a collegial body directly elected by the VAI, regardless of the legal form or size of the SOE.

1. Composition of Collegial Bodies

The *Guidelines* primarily set forth that, in order to achieve improved independence of collegial bodies, at least 1/2 of the collegial body members must meet the independence criteria set out in the *Nomination Guidelines* (effective from the end of the term of office of the collegial body, but not later than from 1 January 2018), i.e. must be independent. In addition, it has been established that persons who are civil servants of political confidence or persons that are responsible for the policy-making in the economic sector which the company operates in may not be elected as members of a collegial body. This principle separates the functions of policy-making for an economic sector and of ownership implementation.

2. Requirements for the Candidates

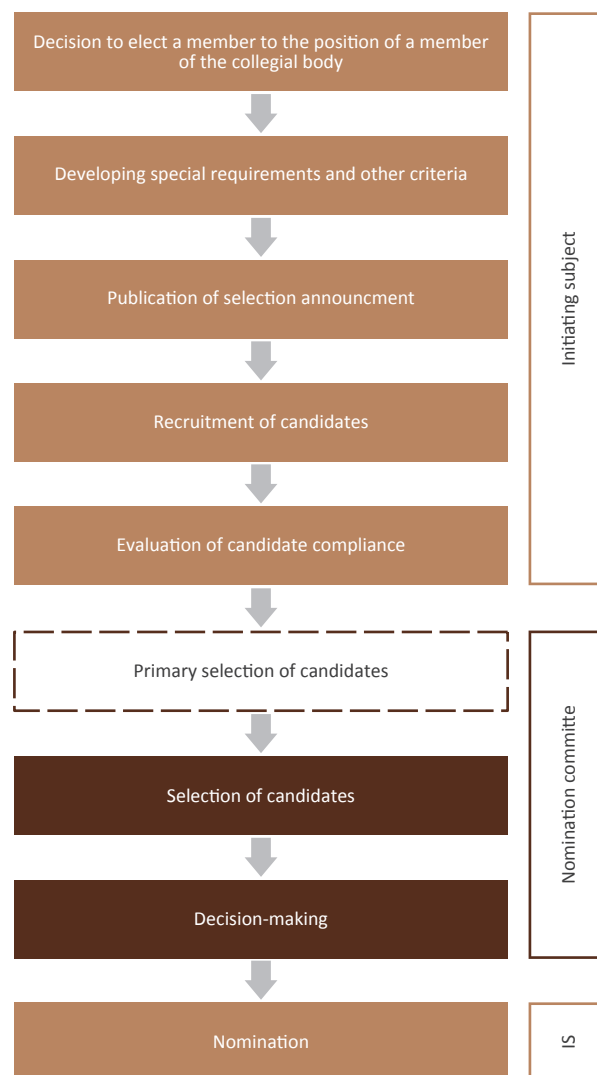
Pursuant to the *Nomination Guidelines*, the candidates are subject to general and special requirements. Each candidate in order to become a member of an SOE collegial body must meet the general requirements. The general criteria require the candidate to be educated to degree level, be of impeccable reputation, and not be a shareholder of the SOE or of an associated company which they stand for, or their representative. Special requirements for candidates are determined by the VAI given the needs of a particular company and the missing or desired competences of the collegial governing body.

The *Nomination Guidelines* also provide for the competences that a collegial body of the company must have. A collegial body elected by the VAI at every single SOE must have members with a variety of competences, including, but not limited to the competences in the areas of finance, strategic planning and management, and knowledge of the economic sector which the company operates in.

3. Nomination of Candidates

The provisions of the *Nomination Guidelines* stipulate that the initiating subject (IS), having made a decision to have an independent member nominated for the position of a member of the collegial body at a state-owned enterprise, must notify the company, the monitoring agency and the selection agency. They must provide the initiating subject with the proposals on the areas of competences that would be best suited to contribute to the company's strategic objectives to be achieved and the special requirements to be set for the candidates. The nomination process for independent members starts with the identification of the requirements for the candidates and publishing of an advertisement about the nomination. Other members of the collegial body may be selected without following the procedures specified in the *Guidelines*, but in accordance with the requirements for the candidates.

The procedures for assessing compliance with the general and special requirements and independence criteria are followed by a transfer of the list of potential candidates to the nomination committee. The nomination committee is authorised to elect independent members of collegial bodies by drawing up a shortlist and conducting selection interviews with the selected candidates. The winner of the nomination procedure shall be determined in accordance with the voting and winner announcement arrangements laid down in the *Guidelines*. The nomination committee shall present the winner to the initiating subject that, in turn, shall take the decision either to appoint the candidate a member of the collegial body or propose a vote on them at the general meeting.



The nomination committee shall be composed of seven members under a decision of the VAI. The committee consists of the following individuals: a member proposed by the Prime Minister, a member proposed by the Minister of Finance, a member proposed by the Minister of Economy, a member proposed by the GCC, and three members proposed by the VAI. In addition, experts from different institutions, bodies or organisations may also be invited to the selection interviews following the decision of the VAI. They are entitled to consult members of the committee without a right to vote.

On 10 April 2018, amendments to the Law on State and Municipal Enterprises were passed, which, following their entry into force on 1 January 2019, provided for the engagement of recruitment (selection) agencies in the nomination process of independent board members. On the basis of the amendment to the above Law, the *Nomination Guidelines* will be reviewed in 2019 to govern the nomination procedures for the independent members of collegial bodies at SOEs accordingly.

Transparency of the SOEs

The transparency of the activities of state-owned enterprises is crucial because every Lithuanian citizen is a shareholder in the state-owned enterprises. For the purposes of good corporate governance, it is necessary not only to publish clear objectives for the SOEs and their executives, but also evaluate the achievement of these objectives by the SOEs on a periodic basis.

The *Transparency Guidelines* have been adopted based on best global practices and the OECD Guidelines. They stipulate that SOEs must comply with similar transparency requirements as the ones applicable to the companies listed on the stock exchange. In addition, it has been recommended that both the record-keeping of the SOEs and the audit of their annual financial statements be carried out in accordance with the international accounting standards. Moreover, the provisions of the *Transparency Guidelines* put SOEs under the obligation to provide information on their special obligations in conjunction with their annual financial statements.

1. Application of the Transparency Guidelines

Based on the latest recast of the *Transparency Guidelines*, they must be followed by all Lithuanian SOEs. Additionally, it has been laid down for the state-owned limited liability companies that they must take steps to ensure compliance with these provisions by their subsidiary public and private limited liability companies. Furthermore, all SOEs, regardless of whether an SOE is listed or not on the stock exchange, are required to comply with the corporate governance code of the listed companies of NASDAQ OMX Vilnius as regards the disclosure of information. In order to assess the SOEs' compliance with the *Transparency Guidelines* and other good governance principles, the GCC prepares the Good Corporate Governance Index of the SOEs with its results being submitted to the Government and published on the GCC website.

2. Submission of Information

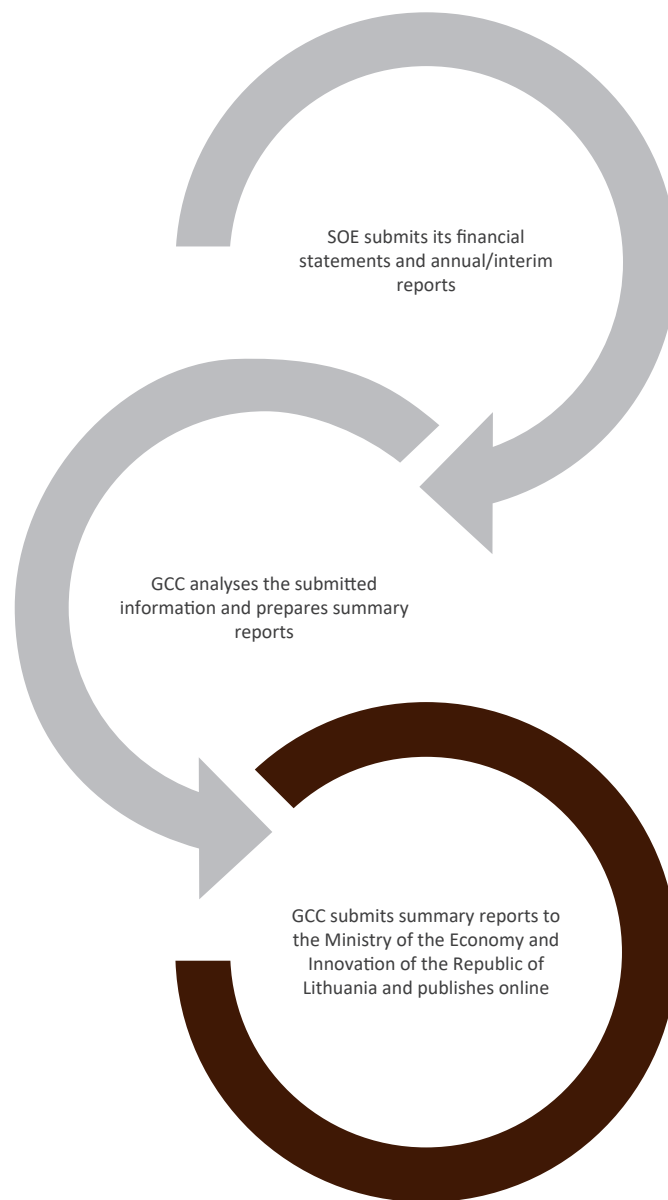
State-owned limited liability companies must prepare the sets of annual and six-monthly interim financial statements, while state enterprises, the sets of annual and quarterly financial statements. All SOEs must additionally prepare annual reports (for public and private limited liability companies) or annual activity reports (for state enterprises), i.e. documents which must give a brief overview of the company's business model, major events and their performance in terms of achieving the objectives provided in the company's business strategy, profitability, liquidity, asset turnover and debt indicators, information about special obligations to be undertaken, the total annual payroll, the average monthly salary, ongoing or scheduled investment projects, and investments made over the reference year. They must also include the information about the implementation of the risk management, dividends, salary and investment policies applicable in the company, the information on the compliance with the *Transparency Guidelines*, etc. Furthermore, the largest Lithuanian SOEs must additionally prepare six-monthly interim reports or interim activity reports.

These documents must be submitted in accordance with the deadlines provided in the *Transparency Guidelines* and published online where they can easily be accessed by the public.

3. Summary Reports

The documents referred to in the *Transparency Guidelines* shall be submitted to the GCC, which aggregates the data and prepares summary annual and six-monthly interim reports on the SOE activities.

The summary annual reports on the SOE activities provide generic information on state-owned enterprises (the changes in the number of enterprises, their legal form, the State's interest in the share capital of the state-owned enterprises), an overview of the state-owned enterprise governance policies, the total value of state-owned enterprises, an overview of financial and non-financial performance, information about the special obligations to be undertaken by the enterprises, sponsorship granted by the companies, a general overview of the implementation of SOE remuneration policies, an overview of the companies falling under the category of public-interest enterprises as well as other key state-owned enterprises and corporate groups, and other SOE-related information. These summary reports and the mentioned findings and proposals are submitted to the Ministry of the Economy and Innovation and the institutions representing the State, and they are presented to the Government of the Republic of Lithuania in line with the deadlines provided for in the *Transparency Guidelines*. The reports are also published on the GCC website (<https://vkcsipa.lt/en/>), which additionally has the financial statements, annual and six-monthly interim reports or activity reports and other relevant information of all SOEs available to the public.



4. Disclosure of Information on Special Obligations

In line with the OECD Guidelines and in order to improve transparency and facilitate financial analysis, SOEs are under the obligation to provide information, along with annual financial statements, on their non-commercial functions (special obligations) undertaken. This implies that SOEs must also publish the costs of all social obligations undertaken or public services provided, various subsidies received, financial assistance, capital used, etc. The separation and disclosure of special obligations are particularly important for assessing the performance of commercial activities and for establishing clear and transparent financing mechanisms for non-commercial functions that would not distort the market as in the course of their commercial activities SOEs must operate under the conditions of fair competition.

Overview of SOE Portfolio Results

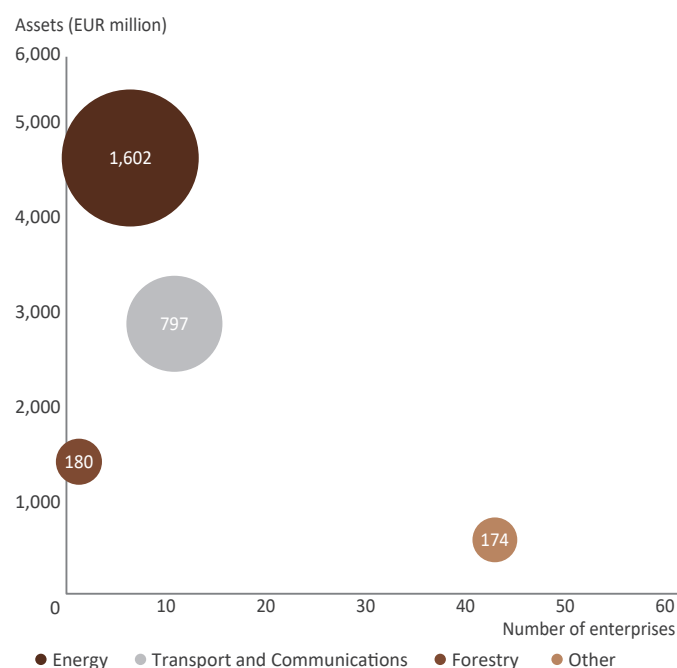
The number of SOEs has decreased during the year – the State owned 61 enterprises in 2018

As of 31 December 2018, the State owned 61 enterprises, while a year ago the number had stood at 108. The number of state-owned enterprises decreased because since 8 January 2018 **42 state forestry enterprises** had been merged by absorption into **VĮ Valstybinis miškotvarkos institutas**, which was renamed **VĮ Valstybinių miškų urėdija**. In addition, the SOE portfolio does not include the following: **UAB Respublikinė mokomoji sportinė bazė**, which was liquidated in 2018, **VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra**, which is in liquidation following the Decree of the Minister of Agriculture of the Republic of Lithuania of 28 September 2018, and which had bankruptcy proceedings launched in May 2019, **UAB Valstybinė projektų ir sąmatų ekspertizė**, which has been merged by absorption into **UAB Projektų ekspertizė** since 14 November 2018, **UAB Aerogeodezijos institutas**, which holding of 99.82% previously owned by the State was sold by **VĮ Turto bankas** on 29 November, and **State Enterprise Visagino energija**, which was reorganised into **Municipal Enterprise Visagino energija** on 19 December. This report gives an overview of the financial results of 58 SOEs in total as included in the SOE portfolio. The financial results of **UAB Geoterma**, **VĮ Energetikos agentūra**, and **UAB Klaipėdos žuvininkystės produktų aukcionas** were not included since they did not provide all the required data. It is worth noting that the portfolio includes unaudited financial results of **VĮ Mūsų amatai**.

All SOEs fall into four sectors: Transport and Communications, Energy, Forestry, and Other Enterprises. The Other Enterprises sector includes the enterprises which do not fall in any the first three sectors. The Energy sector consists of six SOEs, which hold the largest share of the portfolio assets – 47.0% (EUR 4.5 billion). In 2018, the sales revenue from this sector accounted for 58.2% (EUR 1.6 billion) of the total revenue of the portfolio. The Transport and Communications sector include nine enterprises, which hold 32.7% of the portfolio assets (EUR 3.2 billion) and earned 28.9% (EUR 796.9 million) of the portfolio revenue in 2018. The Forestry sector includes only one enterprise – **VĮ Valstybinė miškų urėdija** – surviving following the reorganisation. The assets of this company

accounted for 14.4% (EUR 1.4 billion) of the analysed SOEs' assets, while the revenue generated by the company accounted for 6.6% (EUR 180.4 million) of total portfolio turnover. The Other Enterprises sector includes 42 enterprises with their aggregate sales revenue representing 6.3% (EUR 173.7 million) of the total portfolio revenue, and their disposable assets, 6.0% (EUR 581.3 million) of the total portfolio assets.

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





Revaluation of assets and the effects of other one-off events on SOE portfolio results

The results of **Lietuvos energija, UAB, Group** for 2017 were distorted by a natural gas price discount applicable to household and non-household consumers, which was EUR 7.4 million. The effects of the price discount on Gazprom gases were no longer relevant in 2018. In 2017, **AB Lietuvos energijos gamyba**, a subsidiary of **Lietuvos energija, UAB**, reduced its fixed tangible assets. This company's asset impairment in 2017 had an impact on its net profit taking it down by EUR -26.7 million. The loss of EUR 7.9 million incurred in 2018 was also significantly attributed to the effects of the re-evaluation of fixed assets at **AB Energijos skirstymo operatorius**: its profit (loss) statement reported an impairment of assets, which had an impact of EUR -49.0 million on the consolidated net profit of the corporate group.

The results of **UAB EPSO-G Group** for 2018 were also influenced by the asset revaluation results at its subsidiaries **AB Amber Grid** and **LITGRID AB Group**, which determined the increase of costs reaching EUR 88.7

million. In 2018, **AB Amber Grid** reported EUR 37.7 million worth of impairment costs for its fixed tangible assets. The costs associated with the revaluation of the fixed tangible assets of **LITGRID AB Group** reached EUR 51.0 million. If the effects of the reported asset value were ignored, the normalised net profit of **UAB EPSO-G Group** would reach EUR 14.4 million in 2018. The results of the asset revaluation of its subsidiary, **AB Amber Grid**, affected the results of the group for 2017. Asset impairment led to a loss of EUR 30.2 million.

Regardless of the scope and effects of the afore-mentioned one-off factors on the portfolio results, the net result further in the overview of the SOE portfolio results is calculated without eliminating the effect of the atypical taxes to the State and without deducting the losses of asset revaluation and other one-off atypical factors of **Lietuvos energija, UAB, Group** and **UAB EPSO-G Group**.

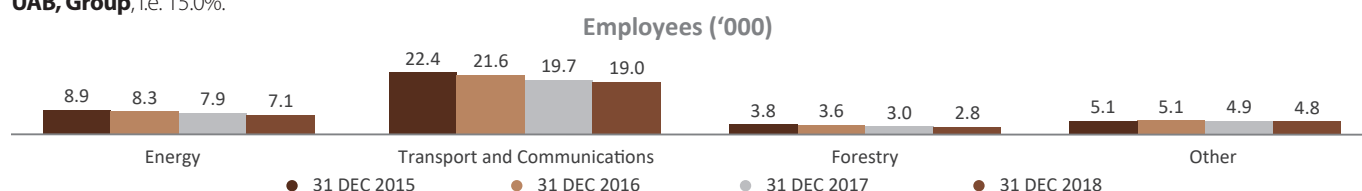
Numbers of SOE employees in decline for the fourth year in a row

At the end of 2018, SOEs had 33,707 employees or 1,732 employees less than a year ago. More than half (56.3%) of the employees were employed by the Transport and Communications sector with the top 3 largest employers being **AB Lietuvos geležinkeliai**, **AB Lietuvos paštas** and **Lietuvos energija, UAB, Groups** – all collectively employing 55.5% (18,710) of all SOEs' employees.

The Energy sector had 7,149 employees at the end of 2018 – a decline of 9.8% if compared with the number of employees in 2017. The greatest decline in the number of employees was suffered by **Lietuvos energija, UAB, Group**, i.e. 15.0%.

At the end of 2018, the Transport and Communications sector employed 3.4% (18,981 employees) less than a year ago. Mostly, the number of staff in this sector fell due to the change in the employee count at **AB Lietuvos geležinkeliai Group** – at the end of the reference period, the company had 9,624 employees, i.e. 344 employees less than a year ago.

The number of employees in the Forestry sector dropped by 5.6%. At the end of 2018, the sector employed 2,824 employees. The number of employees in the Other Enterprises sector shrank by 2.3% down to 4,753 employees.



Aggregated Financial Information of SOEs

The following table contains summarised financial information of all SOEs based on the financial statements for 2018.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|------------------|------------------|---------------|
| Sales revenue | 2,537,727 | 2,753,393 | +8.5% |
| Cost of goods sold | 1,579,331 | 1,834,964 | +16.2% |
| Gross profit (loss) | 958,396 | 918,429 | -4.2% |
| Cost of sales | 382,810 | 415,153 | +8.4% |
| General and administrative expenses | 371,506 | 432,464 | +16.4% |
| Profit (loss) from other activities | 4,750 | 30,067 | +533.1% |
| Net financial items | -15,356 | -6,928 | +54.9% |
| Profit (loss) before taxes | 193,472 | 93,950 | -51.4% |
| Corporate profit tax | -391 | 4,331 | - |
| Net profit (loss) | 193,863 | 89,619 | -53.8% |
| Minority share in profit (loss) | 4,377 | -397 | - |
| Adjusted net profit (loss) | 218,673 | 117,085 | -46.5% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 7,553,912 | 7,877,430 | +4.3% |
| Current assets | 1,853,927 | 1,773,999 | -4.3% |
| Cash and cash equivalents | 577,114 | 658,577 | +14.1% |
| Deferred charges and accrued income | 23,902 | 33,049 | +38.3% |
| Total assets | 9,431,740 | 9,684,478 | +2.7% |
| Equity | 5,529,191 | 5,566,381 | +0.7% |
| Grants and subsidies | 1,467,218 | 1,429,345 | -2.6% |
| Provisions | 143,965 | 174,205 | +21.0% |
| Accounts payable and other liabilities | 2,191,724 | 2,361,574 | +7.7% |
| Accounts payable after one year and other non-current liabilities | 1,309,855 | 1,469,130 | +12.2% |
| <i>Financial liabilities</i> | <i>1,192,051</i> | <i>1,356,885</i> | <i>+13.8%</i> |
| Accounts payable within one year and other current liabilities | 881,870 | 892,444 | +1.2% |
| <i>Financial liabilities</i> | <i>278,326</i> | <i>200,040</i> | <i>-28.1%</i> |
| Accrued expenses and deferred income | 99,641 | 152,973 | +53.5% |
| Total equity and liabilities | 9,431,740 | 9,684,478 | +2.7% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.4% | 1.2% | -1.1 p. p. |
| ROE | 4.0% | 2.1% | -1.9 p. p. |
| D/E | 26.6% | 28.0% | +1.4 p. p. |
| EBITDA | 541,544 | 433,309 | -20.0% |
| EBITDA margin | 21.3% | 15.7% | -5.6 p. p. |
| Net profit margin | 8.6% | 4.3% | -4.4 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 131,065 | 71,105 | -45.7% |
| Assigned profit contributions | 43,166 | 65,461 | +51.6% |
| Dividends and profit contributions to the State | 174,232 | 136,566 | -21.6% |
| Property and raw material tax | 29,049 | 32,174 | +10.8% |
| Total: | 203,280 | 168,740 | -17.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 35,439 | 33,707 | -4.9% |
| Number of executives | 267 | 256 | -4.1% |

SOEs' Market Value on NASDAQ OMX Vilnius Stock Exchange

The market value of listed SOEs declined

In 2018, five state-owned enterprises and their subsidiaries were listed on the NASDAQ OMX Vilnius Stock Exchange. At the end of 2018, the market value of all these state-owned enterprises amounted to EUR 1,483.4 million and was 19.3% lower than at the end of 2017.

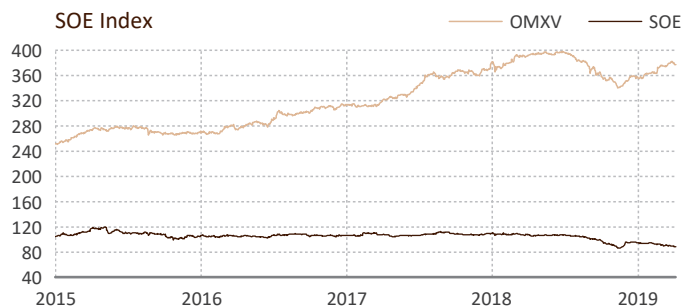
| 31 DEC 2018 Market value on stock exchange | Share value (EUR '000) | State-owned interest* | | Value of the state-owned interest as of 31 DEC 2018 (EUR '000) | Percentage of the total value | Change of the share value from | Change of the state-owned interest from |
|---|---------------------------|-----------------------|-------------|--|-------------------------------------|--------------------------------------|---|
| | | 31 DEC 2017 | 31 DEC 2018 | | | 31 DEC 2017 | 31 DEC 2017 |
| AB Energijos skirstymo operatorius | 579,720 | 94.98% | 94.98% | 550,634 | 37.1% | -24.7% | -24.7% |
| LITGRID AB Group | 317,729 | 97.50% | 97.50% | 309,794 | 20.9% | -10.3% | -10.3% |
| Lietuvos energijos gamyba, AB | 324,001 | 96.13% | 96.82% | 313,686 | 21.1% | -18.1% | -17.5% |
| AB Klaipėdos nafta | 156,049 | 72.32% | 72.32% | 112,849 | 7.6% | -19.3% | -19.3% |
| AB Amber Grid | 203,356 | 96.58% | 96.58% | 196,398 | 13.2% | -18.6% | -18.6% |
| SOE index | 1,580,855 | - | - | 1,483,361 | 100.0% | -19.4% | -19.3% |
| OMXV index of all the shares | | | | | | | -5.6% |

*The percentage points are rounded to .00

In 2018, the largest share (37.1%) of the market value of state-owned shares of SOEs consisted of **AB Energijos skirstymo operatorius** (EUR 550.6 million), while the lowest – **AB Klaipėdos nafta** (EUR 112.8 million). The share price has fallen for all companies under review. The most notable decrease of 24.7% was in the share price of **AB Energijos skirstymo operatorius**, while the decline in **AB Klaipėdos nafta** share price was 19.3%. The share price of **LITGRID AB** decreased the least, by 10.3%.

Significant decline in the companies' share prices was driven by lower financial performance.

An index compiled of state-owned shares of SOEs shows the changes in the value of quoted state-owned assets starting as of the end of 2017. The index of SOEs fell by 19.3% from the end of 2017 to the end of 2018. During the same period, the stock index of NASDAQ OMX Vilnius decreased by 5.6%.

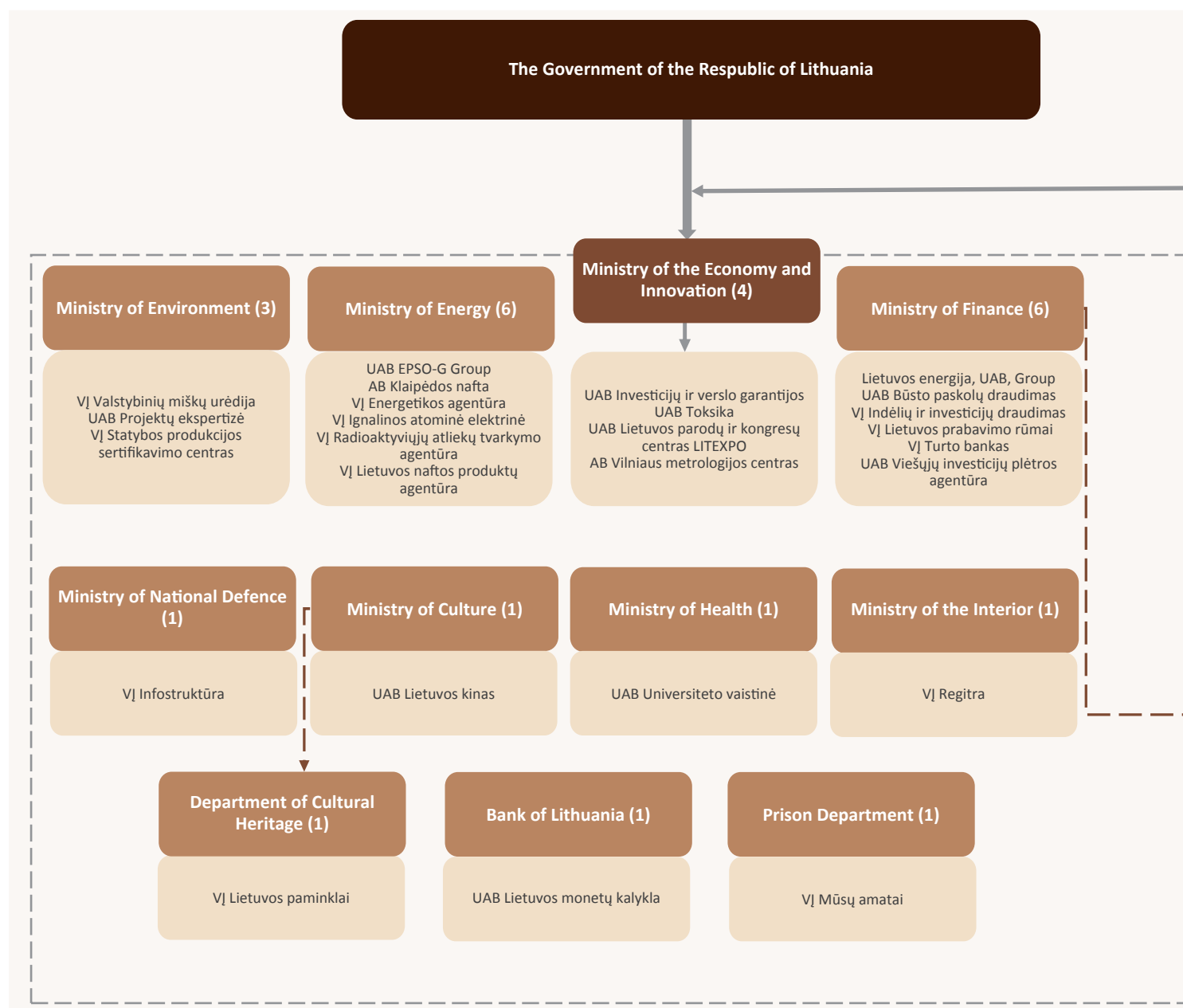


Role of institutions representing the state in the SOE activities

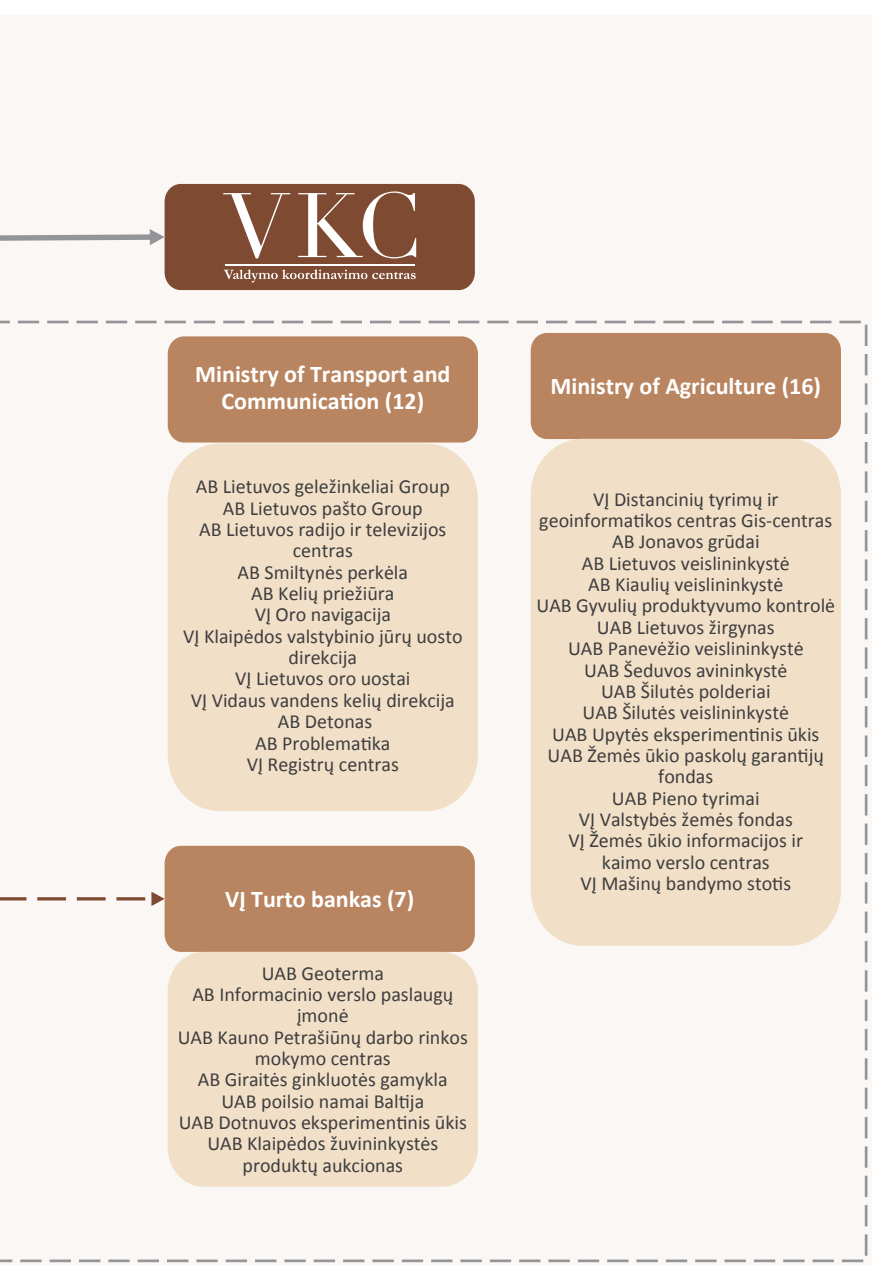
14 institutions represented the government in SOE activities

The Lithuanian State implements its functions of the SOE owner through the government ministries or their subordinate bodies. In terms of controlling the SOEs, the State quite often finds itself in an ambiguous situation when it comes to balancing different views – the roles of a shareholder in SOEs and of a policy maker in certain sectors of the market, which SOEs operate in. This is addressed by separating the corporate governance functions from policy-making in the institutions transferring the governance of the SOEs to institutions other than the policy-maker of the sector.

The institution representing the State (hereinafter the VAI), which is the institution or shareholder exercising the rights and obligations of the owner of the company, shapes the expectations for the SOE business that include the expectations in terms of commercial objectives, special of obligations, and other goals relating to the business of the companies. The VAI is also charged with ensuring the introduction of good governance practices, passing the decisions relating to the SOE business, and resolving other issues pertaining to the SOE business and governance. In turn, Lithuanian SOEs must act in compliance with the same principles of transparency as applicable to the companies listed on the stock exchange.

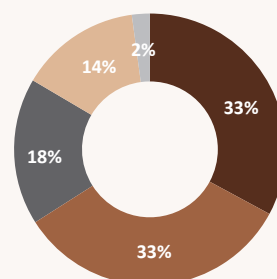


According to the data as at 31 December 2018, 61 SOEs operating in Lithuania had 14 institutions implement the owner's and shareholder's rights and obligations, seven of which had one company to govern each. It should be noted that the Ministry of the Economy and Innovation, which had four subordinate SOEs at the end of the year, also shapes the general SOE governance policies, drafts and submits the relevant legislation to the Government, presents the reports prepared by the GCC to the Government, manages companies, and implements the rights and obligations of the GCC owner, thereby making it involved in all SOE policy making and implementation stages.

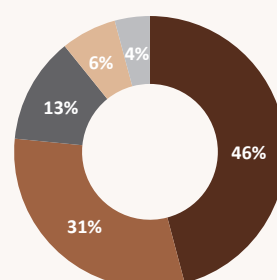


2018:

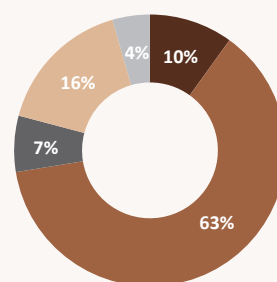
Assets



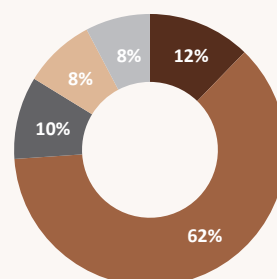
Sales revenue



Dividends and profit contributions



Number of employees



● Ministry of Finance
 ● Ministry of Energy
 ● Other VAIs
 ● Ministry of Transport and Communication
 ● Ministry of Environment

Remuneration of Executives and Members of The Collegial Supervisory and Management Bodies of SOEs

Summary

Remuneration of executives of SOEs

- State enterprises shall follow the policy on the remuneration of executives of SE established by the Government. State-owned limited liability companies usually also follow the policy established by the Government, although the provisions of legislation are only recommendations.
- Remuneration of executives of SOEs are lower than that of the market players. The annual remuneration of executives of SOEs account for merely 40-60% of the market average.
- A variable part of the remuneration of executives of SOEs make the bigger share of the total remuneration, compared to that of the market players. On average, a variable part of remuneration of executives of SOEs is about 30-35% of the total remuneration, while in market companies this part accounts for about 15-20%.
- The remuneration policy set by the Government is too complicated and does not reveal the complexity of the companies' activities. Existing regulation encourages to disregard the established policies (if they are only stated as recommendations) and to maximise the variable part of remuneration, including bonuses, where it serves as a fixed part of remuneration.

Remuneration of members of the collegial supervisory and management bodies of SOEs

- There were no significant breaches in the implementation of the remuneration policy of collegial bodies established by the Government. All SEs applied hourly remuneration schemes, and generally followed the established remuneration limits.
- The payment systems used vary considerably between SOEs. Most often, a reward system is set up per hours spent or meetings attended. Meanwhile, in international practice, a fixed remuneration system is commonly used and is considered the most appropriate remuneration for the work of members of collegial bodies.
- On average, the remuneration of the chairmen of collegial bodies is about 1.5 times higher than that of other members. In Western European countries, the chairman's salary is usually about twice as high as that of other members.
- The actual remuneration of independent members differs significantly among SOEs. In some cases, the difference between the actual monthly salary is as big as 100 times. Even taking into account the fact that state-owned enterprises vary greatly in size, such differences indicate that the remuneration of independent members of some SOEs is very low.

Remuneration of Executives of SOEs

The activities of executives of state-owned enterprises are often particularly complex, consisting of both commercial objectives (as in the case of private sector companies) and social objectives set by the State in the form of special obligations. For these reasons, running a state-owned enterprise is no less a challenge than running a private business. Because of the highest standards of transparency applied to SOEs, the remuneration of executives of SOEs becomes one of the most important elements of governance and is therefore regulated by Governmental resolutions.

Policy of the remuneration of executives of SOEs and implementation thereof

The policy on the remuneration of executives of SOEs is regulated by the Resolution No 1341 of the Government of the Republic of Lithuania On the Remuneration for Work of Executives in State-owned Enterprises (hereinafter referred to as the Resolution). The Resolution regulates only the remuneration of executives of SE (except for **VĮ Ignalinos atominė elektrinė**) and their deputies. Its provisions are only recommended for the state-owned limited liability companies.

According to the Resolution, the monthly salary of SOEs' executives consists of a fixed and a variable part. The fixed part of a monthly salary is calculated using coefficients on the basis of the basic official salary amounts set by the Seimas of the Republic of Lithuania to state politicians, judges, state officials and civil servants of the Republic of

Lithuania, depending on the company's category. The company's category is determined by the sales figures of the previous year and the average number of employees or assets managed by that company. Depending on the indicators, companies are classified into categories I to IV. If the company has the authority to perform public administration functions in accordance with the procedure established by law, it shall be classified one category above than established by the indicators. The coefficient of a fixed part of the monthly salary of executives of state-owned enterprises with strategic importance for national security can be raised up to 75%, by the owner's decision.

| Category | Sales revenue | Average number of employees or managed assets | Coefficients* |
|----------|---|---|--------------------|
| I | ≥ EUR 57.92 million | ≥1,000 or ≥ EUR 150 million | 19.2-21.8 (38.2**) |
| II | Revenue ≥ EUR 57.92 million or ≥1 000 employees or assets managed ≥ EUR 150 million | | 16.2-19.2 (33.6**) |
| III | ≥ EUR 8.69 million | <1,000 and < EUR 150 million | 12.7-16.2 (28.4**) |
| IV | < EUR 8.69 million | <1,000 and < EUR 150 million | 9.3-12.7 (22.2**) |

*On the basis of the basic official salary amounts set by the Seimas of the Republic of Lithuania to state politicians, judges, state officials and civil servants of the Republic of Lithuania.

**The maximum possible raise of the coefficient for enterprises with strategic importance for national security.

The basic official salary amount set by the Seimas of the Republic of Lithuania to state politicians, judges, state officials and civil servants of the Republic of Lithuania amounted to EUR 132.5 in 2018.

Based on the Resolution, the variable part of a monthly salary of executive personnel cannot exceed 50% of the fixed part and is determined by the owner's decision, according to specific performance results of a state enterprise. In addition, the executives of a state enterprise can be awarded with a bonus from the profit of the state enterprise that cannot exceed the amount of four fixed parts of their monthly salary, or a bonus from savings (used for salaries), which cannot exceed the amount of one fixed part of their monthly salary.

State-owned enterprises bound by the provisions of the Resolution comply with the relevant provisions of the Resolution. There was only one case in which a higher coefficient has been applied for the fixed part of a salary than that provided for in the Resolution.

Implementing the policy on remuneration of SOEs

The coefficients apply only to the fixed part of remunerations of the executives of state enterprises; however, most state-owned limited liability companies also comply with the provisions of the Resolution and determine their remuneration by applying these coefficients. For companies that did not comply with the provisions of the Resolution, the Governance Coordination Centre calculated the category and coefficients based on the information available.

In 2018, the maximum coefficients were set for the executives of most SOEs (except those that are not included in the list of

The data presented further in the report includes the remuneration data for 58 executives of SOEs. The report does not include **VĮ Mūsų amatai**, **UAB Geoterma** and **UAB Klaipėdos žuvininkystės produktų aukcionas** that have not submitted the relevant information. The information presented in the report is based on information collected by the Ministry of Social Security and Labour on the remunerations of executives of SOEs for 2018. The data is provided after deduction of the employer's taxes in accordance with the tax regime of 2018.

Although the remuneration of executives of state-owned limited liability companies is not regulated by law, a significant number of companies follow the provisions of the Resolution; therefore, the report includes the information on the remuneration of executives of state-owned limited liability companies in the same way as it is in the case of state enterprises.

enterprises with strategic importance for national security). The ratios for category I companies were slightly above the maximum due to the largest state-owned limited liability companies whose executives had fixed ratios of up to 54 basic amounts. The fixed part coefficients close to the maximum ratio indicate that it is often aimed to set the maximum admissible salaries for executives. This situation is caused by the low remuneration policy established by the Government for SOEs, which is far behind the salaries of executive of comparable companies in the market.



The remuneration policy for the executives of SOEs regulated by the Resolution is too complicated and does not correspond to market conditions. This is due to the fact that the range determined for the fixed part of a salary is too narrow and its threshold is too low, the category of a company is to be determined by inadequate ratios, and additional clauses are applied, thus leading to higher salaries. The threshold the fixed part of a salary referred to the Resolution is too low and leave little flexibility to the decision-taking body that normally sets the highest allowable remuneration in order to attract a competent executive. The discrepancies between the threshold and the market situation are further discussed in this report by analysing the remuneration data of comparable companies. Likewise, the financial indicators used in the Resolution, which are the basis for determining the category of a company, also shape defective remuneration practices. The established ratios often do not reflect the scale

and complexity of the companies' activities and, in some cases, place large companies in the lowest categories within the scope of the Resolution. As a result, the remuneration of executives of such companies becomes disproportionately low. In view of these challenges, the Resolution contains additional clauses that allow to increase the remuneration of executives if companies concerned perform public administration functions or are listed as the entities of strategic importance for the national security. The additional clauses allow the remuneration of executives of SOEs to be brought closer to market conditions, but do not systematically address the remuneration of executives, complicate the remuneration system and distort the remuneration levels among different SOEs that carry out similar activities, in particular SEs and companies that do not perform public administration functions.

Most medium-sized limited liability companies comply with the provisions of the Resolution, but unlike state enterprises, they fall into the lowest remuneration category IV because they do not perform public administration functions. The SEs are also more actively applying the rule allowing entities of strategic importance for the national security to further increase the fixed part of a salary. As a result, state-owned limited liability companies in the medium-sized category have a significantly lower fixed part of a salary than state enterprises in the relevant category (although the responsibilities of their executives are often not inferior). In the case of a low fixed part of a salary of executives, the low salary is being partly compensated by the higher variable part. This creates the possibility of setting easily achievable goals, which is harmful and may distort the purpose of the variable part of remuneration.

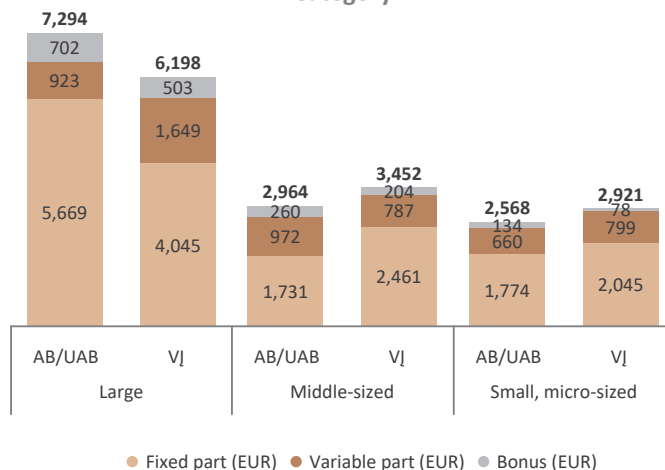
Executives of large state-owned limited liability companies receive higher remuneration, as the three largest companies in the entire SOE portfolio are state-owned limited liability companies: **Lietuvos energija, UAB, AB Lietuvos geležinkeliai** and **UAB EPSO-G**. Likewise, the largest state-owned limited liability companies rely more on market practices and take into account the provisions of the Resolution only partially. Differences in the remuneration structure (in the case of SEs, the variable part (including bonuses) accounted for a significantly larger proportion of remuneration) may be due to factors such as changes in executives (when new executives do not receive the variable part or bonuses at the initial stage of employment) or different remuneration systems applied by some limited liability companies (where variable parts are paid only as an annual bonus).

Pursuant to the Resolution, the variable part of remuneration (excluding bonuses) of up to 50% of the fixed part of a salary may be set for executives of SOEs. State-owned limited liability companies also generally follow this approach. In case of the vast majority (over 2/3) of the executives of SOEs, the established variable part of remuneration amounted (or nearly amounted) to 50% in 2018. In 2018, the average established variable part of remuneration amounted to 45.7%, the median being 50.0%. The average variable part of remuneration actually paid to executives amounted to 40.6%, the median being 41.0%. In three cases analysed, the executives of SOEs received the variable part of remuneration that was higher than 50.0% (**UAB Toksika** – 95.0%, **UAB Lietuvos parodų ir kongresų centras LITEXPO** – 75.0%, **VĮ Ignalinos atominė elektrinė** – 55.0%). Two companies (**AB Lietuvos geležinkeliai** and **AB Klaipėdos nafta**) determine the variable part of remuneration, which is related to the performance of executives, by annual bonuses; therefore, they do not set the variable part of remuneration at all.

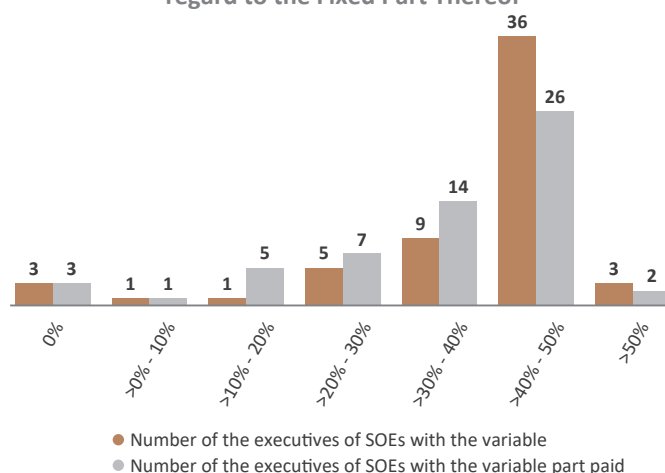
Maximum implementation of the set indicators and a high variable part of remuneration paid out on the basis of these indicators often result in setting limited goals for executives. Among other things, it aims to provide an easily reachable variable part of remuneration, thus compensating for a low fixed part of remuneration compared to market. This practice is detrimental because due to non-ambitious goals, the variable part of remuneration becomes close to the fixed one and thus distorts the very purpose of the variable part of remuneration.

In 2018, bonuses were granted and paid to 24 executives of SOEs (out of 58). Most of the bonuses awarded ranged from 3 to 4 fixed salary parts. There were no cases where the bonus would exceed 4 fixed salary parts. The average annual bonus awarded was EUR 7,589 (EUR 14,915 for large SOEs) and averaged 23.1% of the fixed part of a salary. It is noteworthy that if a company makes profit (especially the large one), executives of SOEs usually share in the distribution of the profit in the form of the maximum allowable bonus. In 2018, the average net profit attributable to an executive of SOE was about 3.5% per bonus (1.5% for large SOEs).

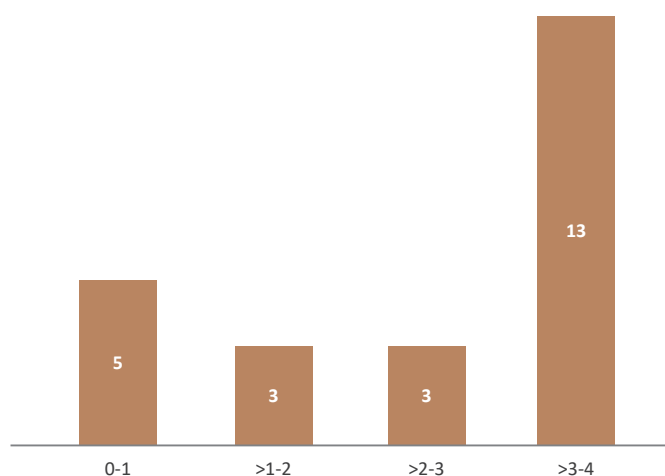
Remuneration Structure for Executives of State-Owned Limited Liability Companies and State Enterprises by Category



Number of the Executives of SOEs by the Share of the Variable Part of Remuneration With regard to the Fixed Part Thereof



Number of the Executives of SOEs by the Amount of Bonus with Regard to the Variable Part of Remuneration



Size and structure of the remuneration of executives of SOEs

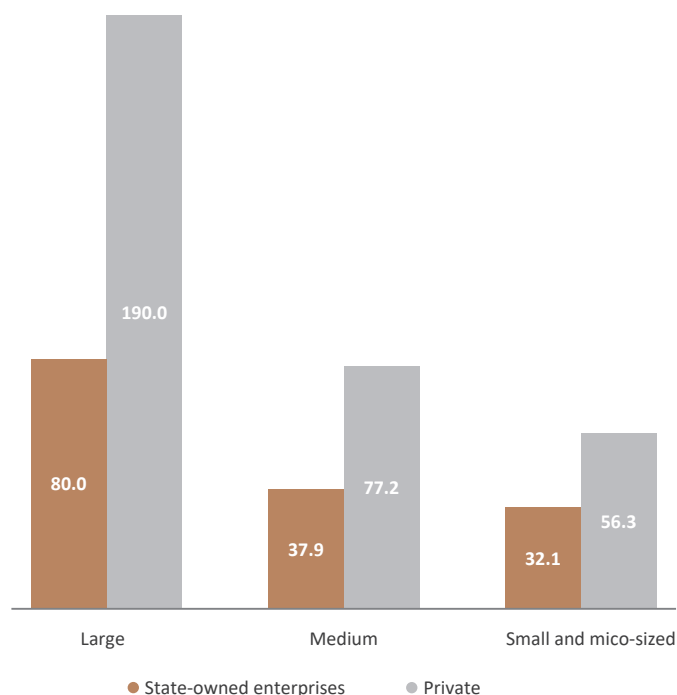
In 2018, the salary, including the variable part and bonus paid, of the executives of SOEs ranged from EUR 1,827 to EUR 8,417. The average fixed part of a salary was EUR 2,597 (69.0% of the total salary), the median being EUR 1,960, and the average variable part (including the bonus) was EUR 1,168 (31.0% of the total salary), the median being EUR 832. The structure of the remuneration of executives differed significantly in individual cases: fixed part constituted from 47.2% (**UAB Teksika**) up to 100.0% of a the total salary (**Lietuvos energija, UAB** – due to change in the executive of the company in 2018, the variable part of a salary was not paid to the new executive).

It should be noted that the different levels of remuneration of executives of companies are determined by both the business volumes of the companies that vary significantly (their turnover ranges from several tens of thousands of euros to more than EUR

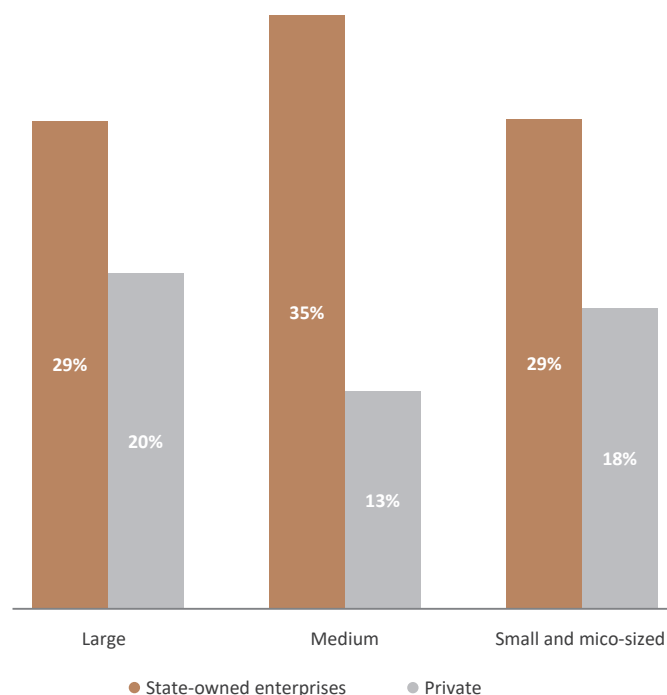
1 billion), the specificity of activities (for example, the company manages significant assets allocated in funds, which are not reflected in the consolidated financial statements) and the actual results (which determine the amount of the variable part of remuneration of an executive). For these reasons, the salaries of executives in this report are not individually assessed if they are consistent with the profile of the company (the complexity of its activities) or the contribution of a particular executive.

To systematically assess the remuneration of the executives of SOEs in the market context for the first time, a comparative analysis of the remuneration of executives of state-owned enterprises and the Lithuanian market has been carried out involving external consultants (SIA Fontes Vadības konsultacijos). The analysis includes the remuneration data for the executives of 43 comparable companies for 2018. The sampling includes

Average Annual Salary of an Executive (EUR '000)



Average Variable Part of Remuneration of an Executive



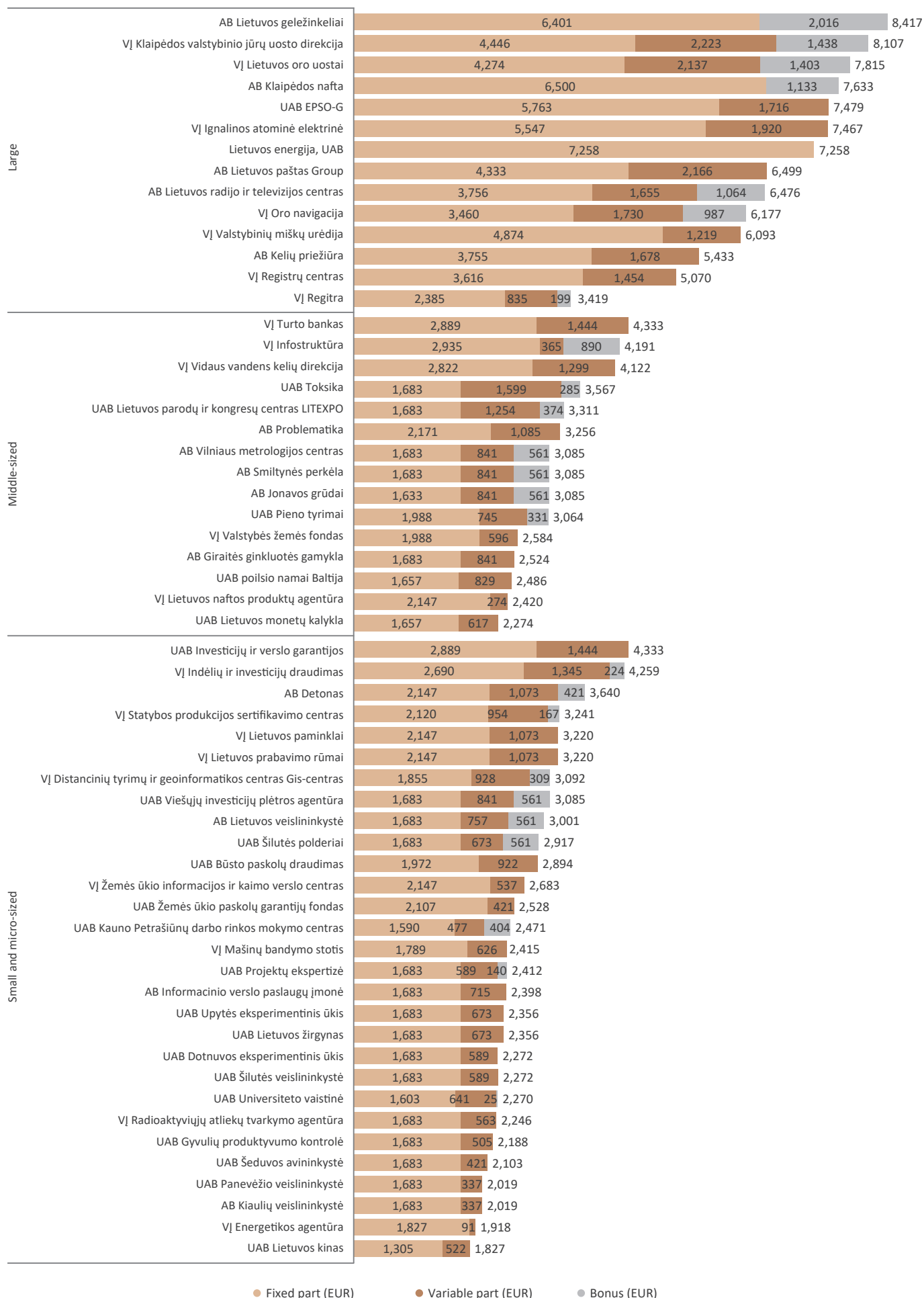
both Lithuanian and foreign capital companies operating in Lithuania. Aggregate remuneration data for comparable company executives is provided after deduction of employer's taxes in accordance with the tax regime of 2018. Companies operating in the market are categorised by the provisions of the Law on Corporate Financial Accountability of the Republic of Lithuania. The categories of small and micro-sized enterprises are grouped into one category due to the limited sample size.

Survey data for 2018 reveals that the annual remuneration (including its variable part) of executives of SOEs was significantly lower than that of comparable market companies. The salaries of executives of large companies on average account for only 42.1% of the salaries of executives of comparable market companies (the median being 48.0%). A slightly smaller, but also significant, difference is observed in the remuneration of executives of medium-sized and small to micro-sized companies: the average remuneration of executives of medium-sized companies account for 49.1% the salaries of executives of comparable market companies (the median being 51.3%), and in case of small and micro-sized companies this number is 57.0% (the median being 56.3%). Existing remuneration differences reveal that at present, the remuneration of executives of SOEs is often extremely uncompetitive and limits the ability to attract top executives to

state-owned enterprises.

Similarly, significant differences are observed when comparing the structure of the remuneration paid to the executives of SOEs vs the executives of comparable market companies. The variable part of remuneration (including annual bonuses) of executives of SOEs amounts to approximately 30-35% of the total remuneration on average. Meanwhile, in the market, the variable part of remuneration accounts for only about 15-20% of the total remuneration on average. Differences in the structure of remuneration are determined by the remuneration regulation of executives SOEs, which sets low limits for the fixed part of remuneration, thus allowing for the variable part of remuneration (including bonus) to account for up to 45.0% of total salary. Due to low limits of the fixed part of a salary, the remuneration of executives of SOEs is often brought closer to market averages by setting up easy-to-implement indicators of the variable part, thus increasing the variable part of remuneration disproportionately. However, it should be noted that the variable part of the remuneration actually paid to both the executives of SOEs and the executives of comparable market enterprises is also determined by the actual performance of the companies, thus resulting in the possible differences in the remuneration structure.

Structure of the Remuneration of Executives of SOEs



Remuneration of Members of The Collegial Supervisory and Management Bodies

The issue of the remuneration of members of the collegial supervisory and management bodies (hereinafter referred to as the boards) is one of the most important areas of the governance of SOEs, as boards play a special role throughout the governance structure of SOEs. Global practice requires that independent members of the boards of SOEs should be adequately remunerated for their work on the boards. The remuneration of board members who represent a shareholder (in Lithuania, these are mostly civil servants) is a bit more complex, but there is a trend that they are also paid for their work on boards. Due to its importance, the remuneration of the members of boards is regulated accordingly by Governmental Resolutions.

The remuneration policy of members of the collegial supervisory and management bodies of SOEs

Depending on the legal form of the company, the remuneration policy of the board members is regulated by two Governmental resolutions: for state-owned limited liability companies Resolution No 665 of the Government of the Republic of Lithuania approving the Description of the Procedure for the Execution of State Property and Non-property Rights in State-Owned Enterprises applies, and for state enterprises - resolution No 1092 approving the Description of the Procedure for Remuneration of Members of the Boards of State Enterprises and Municipal Enterprises and Insurance of the Third-party Liability of the Members of the Boards.

The remuneration policy of the board members at state enterprises stipulates that board members are subject to an hourly pay system; i. e. board members shall fill in activity reports and their working hours are remunerated at the hourly rate set by the bodies implementing the owner's rights and obligations. In addition, the remuneration of a member of the board may not exceed 1/5 of the salary of the chief executive officer and is paid quarterly. The remuneration of the board members who are civil servants is transferred to the State budget, i. e. the company incurs costs but the individual does not receive any remuneration for his/her work on the board. Board members may also get travel expenses reimbursed.

In case of the board members of state-owned limited liability companies, the remuneration of the chairman of the board may not exceed 1/3 and that of other board members - 1/4 of the total remuneration set for the CEO of the company. There is also a possibility to pay tantiemes. The remuneration amount is decided by the general meeting of shareholders.

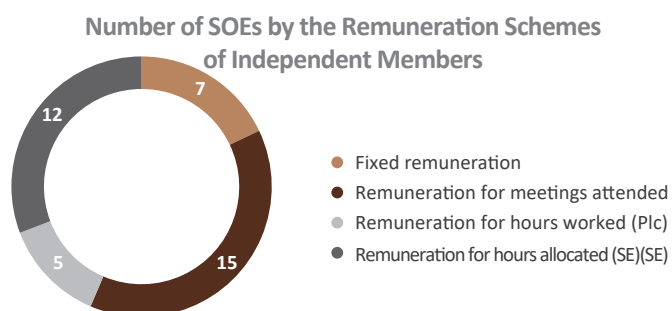
State-owned enterprises have generally followed the policy of remuneration of their board members set by the Government. All SEs applied hourly remuneration schemes and followed the established remuneration limits.

The data presented further in the report only include remuneration information for independent members of collegial bodies elected directly by the representative institution of the State. The survey included 39 SOEs that had independent members in their boards in 2018. Remuneration data of other board members, whether civil servants or other natural persons, are not analysed in detail, because civil servants do not actually receive remuneration (or it is paid to the State budget), while other natural persons (employee representatives, company employees, representatives of other shareholders) were present only in several companies.

The information on the remuneration of independent members is provided including the member's taxes but excluding the company's social security contributions, in accordance with the tax regime of 2018. Due to the specific nature of the remuneration of independent members, when the remuneration is paid less than monthly or depending on working hours, the Governance Coordination Centre indicates the remuneration amount calculated for a member in 2018 divided by the number of months worked by a member, thus revealing the actual average (monthly) remuneration. In some cases, if the actual payment is made in 2019, part of the remuneration is included into the report subject to the tax regime of 2019.

Remuneration systems

In 2018, independent board members were most often rewarded for actual working hours or attendance at meetings. 4 out of 5 SOEs have used such practices. The remuneration practices associated with direct member involvement are most common, as SEs have a statutory remuneration system (all SEs complied with this provision) and the meeting attendance-based remuneration system has been used mainly in the enterprises under the Ministry of Agriculture. The fixed remuneration schemes were applied by the limited liability companies under the Ministry of Transport and Communications and **AB Klaipėdos nafta**.



It shall be noted that state-owned limited liability companies often determine additional remuneration conditions, such as setting a fixed remuneration for independent members, while some companies require a minimum number of hours worked, below which a fixed

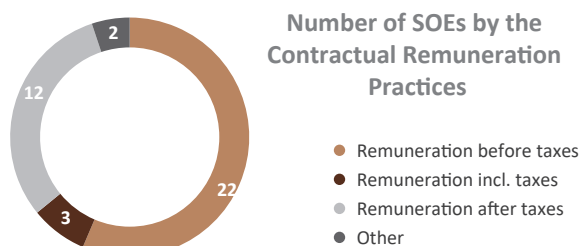
remuneration is reduced. Also, some limited liability companies that have used the meetings attendance-based system have additional limits that allow payment for a maximum of 5 meetings per year.

Civil servants on the boards of SEs follow an hourly remuneration system, but the remuneration is paid directly to the State budget. Civil servants who worked on the boards of state-owned limited liability companies were not paid at all. Remuneration paid to other members of the boards (employee representatives, employees of the company, representatives of other shareholders) followed the same approach as applied for independent members (except for **AB Lietuvos Geležinkeliai**) and, if there are no independent members, the remuneration was not paid at all (except for **VĮ Infostruktūra**). Tantiemes were not paid for the boards of any state-owned enterprises.

Comparing the applicable remuneration principles with Western and Northern European countries, it is noted that in these countries, there are generally no remuneration practices based on hours worked or meetings attended. Typically, a fixed fee is set and sometimes supplemented by a variable amount depending on the number of meetings attended. A fixed remuneration system is considered to be the most appropriate and, therefore, most frequently applied. Hourly pay practices in Lithuania also reveal the complexity of payroll systems for hours worked. Hourly wage practices have been shown to increase the administrative burden and also to create conflict over hours worked, which undermines confidence in both board members and government bodies.

Contractual remuneration levels

In 2018, the terms of contractual remuneration applied to the remuneration of independent members differed significantly. In the majority of SOEs, the remuneration of board members is established including the taxes payable by the board member, but for some companies (mostly under the Ministry of Transport and Communications), the net remuneration of board members was determined, excluding taxes. Also, in some cases, the contracts provide for remuneration including all taxes (including the taxes paid by the company) or partial taxes (for example, the contractual remuneration amount after the deduction of personal income tax). Such divergent practices can be misleading in assessing and comparing remuneration levels and it is important that this information, which should be disclosed to the public, is properly presented and explained.



The contractual remuneration rates for independent members also varied significantly. The hourly rate ranged from EUR 26 to EUR 66 (from EUR 26 to EUR 80 for the chairman). For meeting attendance, the contractual fee ranged between EUR 100 and EUR 263 per meeting (from EUR 100 to EUR 260 per meeting for the chairman). In the case of a fixed remuneration, the remuneration lump sum varies from EUR 8,700 to EUR 17,105 per year (from EUR 11,580 to EUR 26,315 per year for the chairman). The amount of

the remuneration paid for hours worked or meetings attended, the size of a company was not a significant factor. Meanwhile, the size of a company and the volume of its business were taken into account when setting the fixed remuneration.

The level of remuneration of independent board members may vary not only due to the scope of activities of the company but also due to the nature of the company activities and the level of involvement of individual members. Therefore, the adequacy of remuneration of individual independent board members of SOEs is not evaluated in this report.

On the basis of the ratio between the remuneration of the independent chairmen of the board and other independent members, the average remuneration of the independent chairman was 1.4 times higher (excluding companies that applied hourly remuneration). Except for a few cases, the hourly rate of remuneration was the same for the chairman and other members. This practice is acceptable because the chairman should be paid more for his greater contribution and the higher cost of involvement in terms of time. However, the equal remuneration ceiling for the chairman and other members of the boards of state enterprises is provided by the Governmental policy (the remuneration of the board members of state enterprises, including the chairman, may not exceed 1/5 of the remuneration of the CEO of the enterprise), distorting the situation and creating inappropriate practices.

In Western European countries, the chairman of the board is typically paid about two and more times more than a board member. Meanwhile, the practices of SOEs in neighbouring countries are somewhat closer to Lithuania: in Latvia and Poland, this ratio is slightly lower or similar, in Estonia, Sweden and Norway, it is up to two times higher.

| | Contractual remuneration (independent chairman of the board) | Contractual remuneration (independent members of the board) |
|---|---|--|
| Remuneration system for hours worked (EUR per hour) | | |
| Lietuvos energija, UAB (Supervisory Board) | 80.00 | 60.00 |
| UAB EPSO-G (Supervisory Board) | 50.00 | 50.00 |
| UAB EPSO-G | 50.00 | 50.00 |
| UAB Investicijų ir verslo garantijos (Supervisory Board) | - | 50.00 |
| UAB Investicijų ir verslo garantijos | 50.00 | 50.00 |
| UAB Lietuvos monetų kalykla | 75.00 | 50.00 |
| UAB Toksika | 50.00 | 50.00 |
| UAB Viešųjų investicijų plėtros agentūra (Supervisory Board) | 26.00 | 26.00 |
| VĮ Ignalinos atominė elektrinė | 43.89 | 43.89 |
| AB Kelių priežiūra | 50.00 | 50.00 |
| VĮ Klaipėdos valstybinio jūrų uosto direkcija | 65.79 | 65.79 |
| VĮ Lietuvos naftos produktų agentūra | - | 39.90 |
| VĮ Lietuvos oro uostai | 65.79 | 65.79 |
| VĮ Oro navigacija | 67.57 | 65.79 |
| VĮ Registrų centras | 50.00 | 50.00 |
| VĮ Regitra | - | 45.00 |
| VĮ Turto bankas | 47.89 | 47.89 |
| VĮ Valstybinių miškų urėdija | - | 50.00 |
| VĮ Vidaus vandens kelių direkcija | 65.79 | 65.79 |
| Remuneration system for attending meetings (EUR per meeting) | | |
| AB Giraitės ginkluotės gamyba | - | 250.00 |
| AB Jonavos grūdai | - | 263.17 |
| AB Kiaulių veislininkystė | - | 100.00 |
| AB Lietuvos veislininkystė | - | 100.00 |
| AB Vilniaus metrologijos centras | 180.00 | 120.00 |
| UAB Dotnuvos eksperimentinis ūkis | - | 200.00 |
| UAB Gyvulių produktyvumo kontrolė | - | 100.00 |
| UAB Lietuvos parodų ir kongresų centras LITEXPO | 280.00 | 180.00 |
| UAB Lietuvos žirgynas | - | 100.00 |
| UAB Panevėžio veislininkystė | - | 200.00 |
| UAB Šėduvos avininkystė | 100.00 | 100.00 |
| UAB Šilutės polderiai | - | 200.00 |
| UAB Šilutės veislininkystė | 117.65 | 117.65 |
| UAB Upytės eksperimentinis ūkis | - | 200.00 |
| UAB Žemės ūkio paskolų garantijų fondas (Supervisory Board) | - | 263.15 |
| Fixed remuneration system (EUR per year) | | |
| AB Detonas | 15,624.00 | 10,416.00 |
| AB Klaipėdos nafta (Supervisory Board) | 11,580.00 | 8,700.00 |
| AB Klaipėdos nafta | 23,400.00 | 17,400.00 |
| AB Lietuvos geležinkeliai | 23,684.16 | 16,216.20 |
| AB Lietuvos paštas | 26,315.29 | 17,105.26 |
| AB Lietuvos radijo ir televizijos centras | 21,315.79 | 14,210.53 |
| AB Problematika | 17,856.00 | 11,904.00 |
| AB Smiltynės perkėla | 16,578.95 | 11,052.63 |

Calculated remuneration

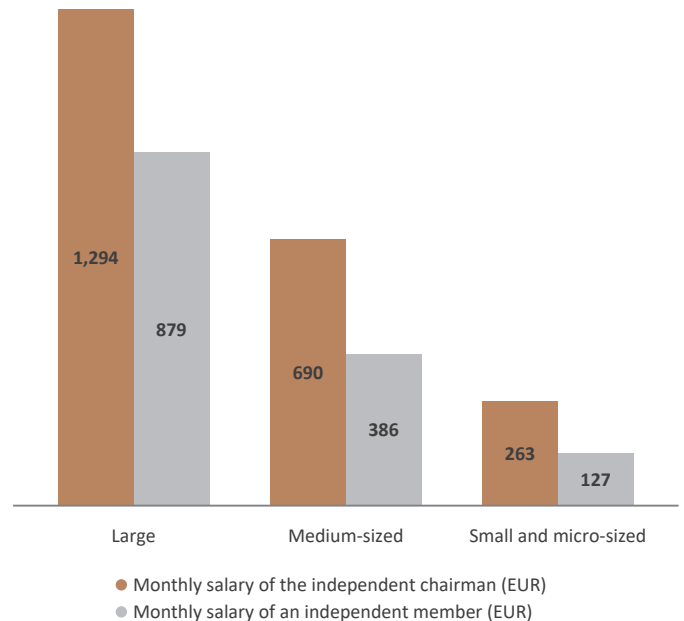
During 2018, the remuneration paid to independent board members varied up to a hundred times in different companies, from an average of EUR 1,462 per month at **AB Lietuvos geležinkeliai** to EUR 18 per month at **UAB Šėduvos avininkystė**. The actual remuneration is particularly low for those SOEs that apply the procedure of remuneration per meetings attended, as meetings attendance is low-rated. It should be noted that the actual remuneration levels also differed significantly between companies of a similar size.

When assessing the actual remuneration of independent members by the size of a company, there is a clear trend revealing the dependence of remuneration on the size of the company. Although this report mentions that there is hardly any link between contractual remuneration (not actual) and company size (except in the case of fixed remuneration), actual remuneration figures show that boards of larger companies are significantly more involved in the supervision of companies (they allocate more time for that), therefore are better compensated. Similarly, the overall results are also significantly influenced by the different remuneration practices of the board members applied by the state institutions.

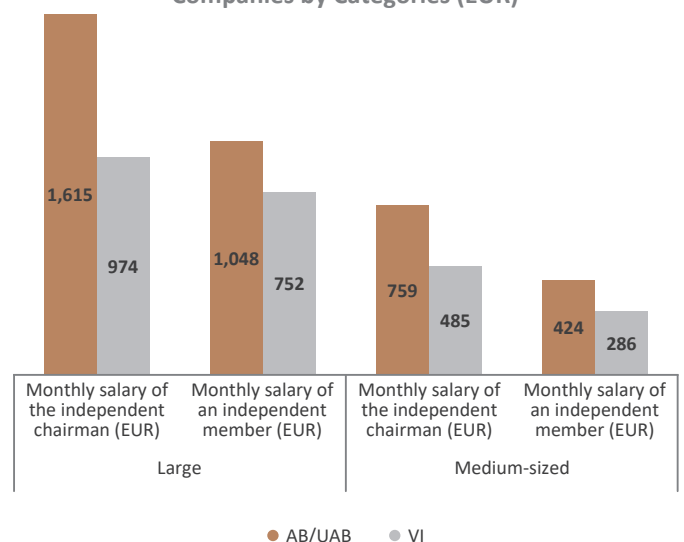
Comparing the actual remuneration of the independent members by the legal forms of the companies, it is noticeable that the remuneration paid to the members of the boards of limited liability companies in 2018 was higher than that of the members of the boards of state enterprises. The existing differences are justified, among other reasons, by the fact that the functions of state enterprise boards are much narrower than those of limited liability company boards and are more in line with the function of a supervisory collegial body. These differences usually require less involvement of the SE board members (less time to be allocated).

The Government regulates the remuneration of all members of the SOE' board through the remuneration of the chief executive officer of the company, therefore the ratio of the remuneration of a member of the board to the CEO of the company is a key indicator. In 2018, the average remuneration of independent chairmen of SOEs accounted for about 18% of the remuneration of the CEO of the company, while that of independent members - about 10%. With the elimination of companies under the Ministry of Agriculture whose board members were paid the lowest salaries, and most of which fall into the category of small and micro enterprises, the ratio increases accordingly to 20% and 13%. It should be noted that the information in the graph includes a comparison with the contractual (non-paid) remuneration of the CEO of the company, including a variable part of the remuneration (variable remuneration and annual bonuses).

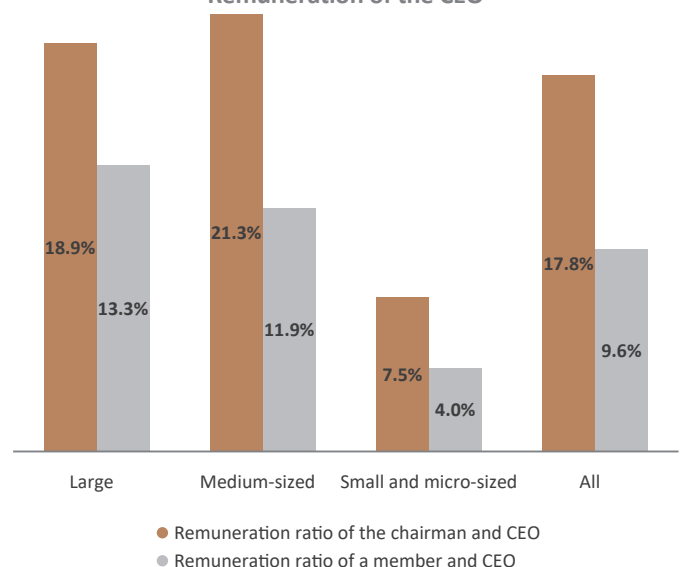
Comparison of the remuneration of independent members and the CEO of the company with the practice of foreign countries has shown that in the case of Lithuania the share of the remuneration paid to members of the Board with regard to the remuneration of the CEO is higher than in foreign countries. For example, the average remuneration paid to the chairman of the board of a Norwegian SOE accounts for about 10% of the CEO's salary, while remunerations of other members account for about 6% thereof. However, the fact that the remuneration of members of the boards of Lithuanian SOEs is relatively higher than the remuneration of the CEO of the company, compared to foreign countries, does not necessarily mean that members of the boards are overcompensated but rather reveals that CEOs are underpaid. With the introduction of more competitive salaries for corporate executives, it is appropriate to review the limits on the remuneration ratio of board members to the executives.



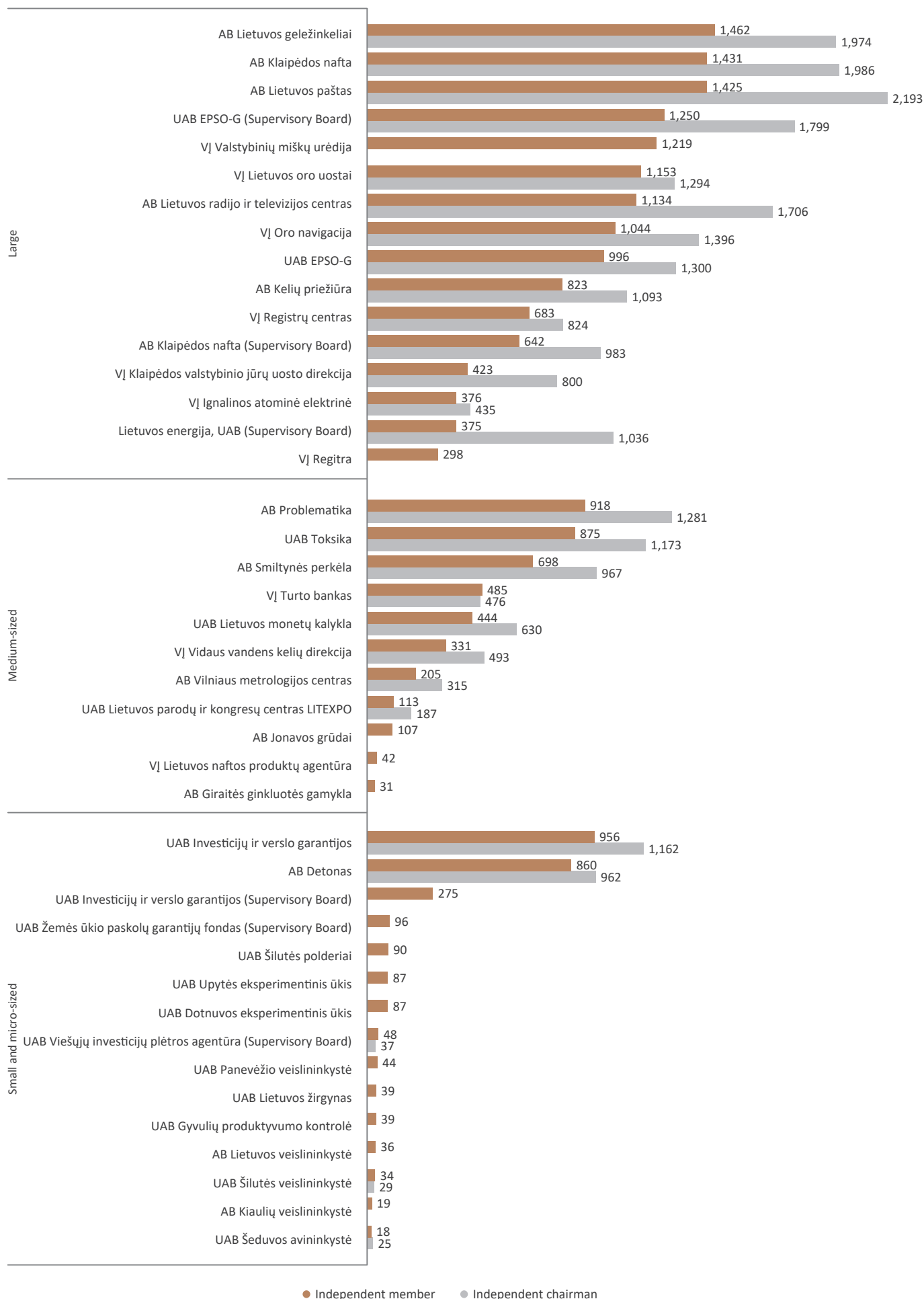
Monthly Remuneration of Members of Collegial Bodies of State Enterprises and State-Owned Limited Liability Companies by Categories (EUR)



Share of Independent Members of SOEs with Regard to the Remuneration of the CEO



Remuneration Granted for Independent Members of SOEs per Month (EUR)



Special Obligations

Summary

- 40.0% of SOEs carried out special obligations in 2018.
- 17.0% of SOEs that carried out special obligations in the accounting period have not submitted to the Governance Coordination Centre (GCC) the recommended separation of the financial statements by significant functions performed.
- Separation of financial statements of SOEs by function is superficial, companies do not reveal the applied methodology.
- A significant part of the expenses incurred in the performance of the special obligations and the assets assigned to the special obligations are not included in the financial statements of SOEs.
- Some SOEs generate significant returns while carrying out their special obligations.
- Some of the functions performed by SOEs could be classified as special obligations by nature of activity, although they do not satisfy the formal criteria of a special obligation on to the legal basis to be classified as special obligations.

Functions of state-owned enterprises

According to the Decree of the Minister of the Economy and Innovation¹ (hereinafter referred to as the Recommendations), the activities (functions) carried out by state-owned enterprises fall into three categories: (i) a special obligation, (ii) a commercial function assigned by the State and (iii) a commercial activity.

Special obligations are the 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 SOEs by decisions of the State. Therefore, the State does not require any financial return from these functions. A function performed by the SOE is considered as special obligation if the obligation to perform a certain clearly defined function is established by laws or by resolutions of the Government of the Republic of Lithuania and at the time of fulfilling this function at least one of the following criteria is satisfied:

1. State budget allocations are granted for the performance of the function;
2. The performance of the function is sponsored by the European Union and (or) other funds;
3. The expenses of the performance of the function is covered by the revenue from other activities performed by the SOE;
4. Pricing related to the performance of the function is regulated by the laws, the Government of the Republic of Lithuania or an institution authorised by it, and the profit margin of the price determined for a product or service is not included or limited in such a way that it does not allow the covering of alternative costs;
5. The activity is considered a public administration function.

It should be noted that the assignment of the function to the special obligations is possible only with the written approval from the VŠĮ Stebėsenos ir prognozių agentūra. In 2019, the GCC, under coordination with VAI, compiled a list of special obligations, which includes a total of 72 special obligations carried out by 23 SOEs. Following the Decree of the Minister of the Economy and Innovation and the *Transparency Guidelines*, an SOE shall separate the accounting for special obligations from its commercial functions. The purpose of this separation is to increase the transparency of SOEs by disclosing the cost of special obligations incurred by companies and the State.

Commercial functions assigned by the State are functions to which an SOE is exclusively entitled under the law or a resolution of the Government of the Republic of Lithuania, which generate revenue directly from service users and service fees are set by an independent

regulator who includes a profit margin that allows the company to cover opportunity cost. These functions generate sufficient returns and are therefore considered commercially attractive. For this reason, the State requires a financial return on these functions, but the required return is limited by the established pricing regulation. In 2018, three SOEs - **Lietuvos energija, UAB, Group, AB Smiltynės perkėla** and **VĮ Oro navigacija** performed State-assigned commercial functions.

Commercial functions include all other activities of an SOE that are not entrusted to the company by law or by a Governmental resolution. As these functions are not assigned to SOEs by the State, the State requires the same return from these activities as would be required from similar private equity commercial ventures.

Financial results of special obligations performed by SOEs

In 2018, 24² out of 61 SOEs carried out special obligations. Nine of them fulfilled only special obligations, while the remainder of the SOEs had significant commercial activities. The expenses incurred by nine companies resulting from the special obligations were not, in whole or in part, recognized in the profit (loss) statement; they were directly reimbursed by the State budget or by other sources of funding, reducing the sales or operational expenses by the amount

of compensation. It is also noteworthy that four SOEs managed assets that were not included in the financial statements of those SOEs: these are mainly SOEs managing investment and other funds, which do not include managed funds in their financial statements (separate financial statements are prepared for them).

¹ Decree No 4-1100 of the Minister for Economy of the Republic of Lithuania of 20 December 2013 approving the Recommendations for the Establishment of Special Obligations and Disclosures of State-Owned Enterprises.

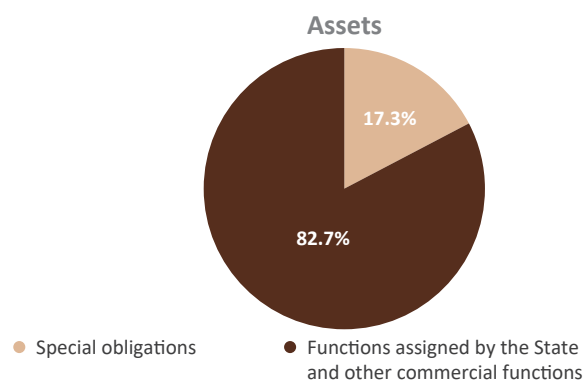
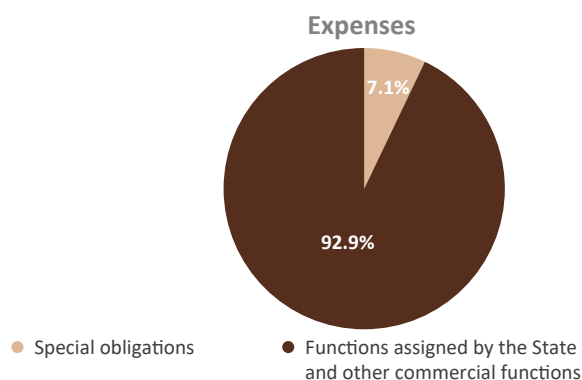
² The functions performed by VĮ Lietuvos naftos produktų agentūra comply with the special obligations criteria and therefore are considered special obligations in the financial statements of 2018. However, given the company's is no longer considered an SOE as of 2019, the functions are not included in the list of special obligations drawn up by the GCC.

The aggregate financial information of the SOEs portfolio, split between the segments of special obligations, commercial functions assigned by the State, commercial functions and undistributed share, is provided below. It should be noted that not all SOEs (4 out of 24) have separated their financial results of special obligations to the extent recommended, i. e. both the company's revenues and expenses, and the assets.

| Profit (Loss) Statement (EUR '000) | Special obligations | Commercial activities assigned by the State | Commercial functions | Non-distributed share | Total |
|-------------------------------------|---------------------|---|----------------------|-----------------------|--------------------------------|
| Sales revenue | 167,832.2 | 109,342.2 | 2,305,758.3 | 170,640.5 | 2,753,393.1 |
| Cost of goods sold | 133,410.8 | 52,764.8 | 1,713,910.1 | -64,842.8 | 1,835,242.3 |
| Gross profit | 20,716.2 | 56,577.4 | 605,553.4 | 235,303.3 | 918,150.3 |
| Cost of sales | 10,845.5 | 11,498.2 | 123,083.6 | 269,725.9 | 415,153.2 |
| General and administrative expenses | 46,194.9 | 8,641.7 | 387,916.9 | -10,570.3 | 432,183.2 |
| Operating profit | -36,324.2 | 36,437.5 | 94,552.9 | -23,852.3 | 70,813.9 |
| Profit (loss) before taxes | -209.8 | 6,150.4 | 108,098.7 | -20,088.9 | 93,950.4 |
| Balance Sheet (EUR '000) | | | | | |
| Total assets | 1,473,252.0 | 575,582.7 | 5,649,233.9 | 807,988.2 | 8,506,056.8³ |

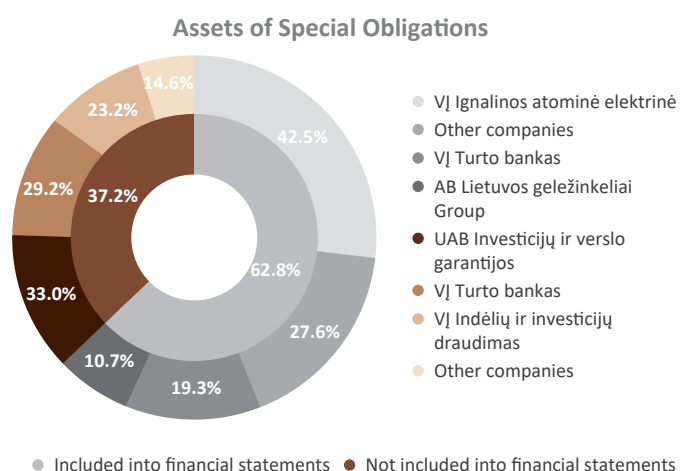
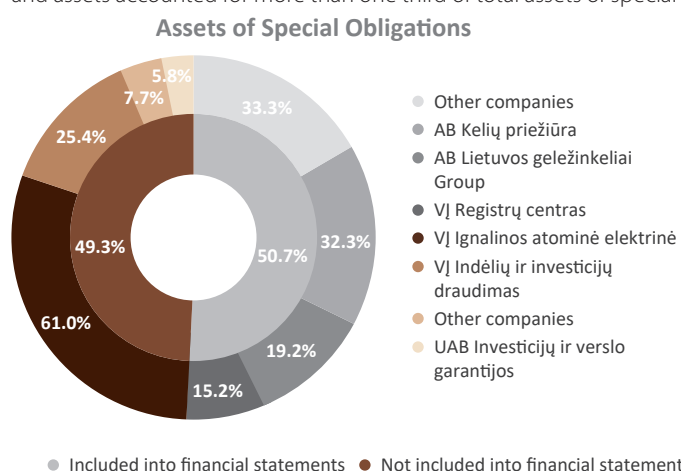
In 2018, the revenue generated by special obligations that is included in the Profit (Loss) Statement of SOEs accounted for only 6.1% of the total operating revenue of the portfolio, and the expenses accounted for 7.1% of the total cost. Profit of special obligations before tax for the reporting period was negative and totalled EUR -209.8 thousand. At the same time, the profit of commercial functions assigned by the State and other commercial functions before tax was EUR 114.2 million. Despite the relatively small impact on the revenue and expenses of the SOEs portfolio, the assets of special obligations accounted for a much larger share of the total value of the SOEs portfolio - as much

as 17.3%. Most of the expenses attributable to special obligations that are included in the financial statements were generated by **AB Kelių priežiūra**, while most of the assets were managed by **VĮ Ignalinos atominė elektrinė**. It is noteworthy that SOEs are much better at separating financial line items in the profit (loss) statement by their functions than the balance sheet items - some companies do not split assets by function at all and allocate them under the undistributed share. For this reason, it is not possible to accurately determine the assets that are attributed to special obligations.



It should be emphasised that the expenses and assets not included in the company's financial statements should also be taken into account when assessing the extent and effect of the special obligations. Revenue not included in the financial statements of SOEs during the reporting period amounted to EUR 23.3 million. Expenses accounted for about half of total cost of special obligations (EUR 185.2 million) and assets accounted for more than one third of total assets of special

obligations (EUR 871.4 million). Most of the referred expenses were subsidised from the State budget, the European Union or other funds. **VĮ Ignalinos atominė elektrinė** incurred most of the expenses not included in the financial statements, while the major share of the assets not included in the financial statements were managed by **UAB Investicijų ir verslo garantijos**.



³ The assets do not include the value of commercial forests managed by VĮ Valstybinių miškų urėdija.

| Company | Revenue of special obligations (EUR '000) | Cost of special obligations (EUR '000) | Profit before taxes of special obligations (EUR '000) | Assets of special obligations (EUR '000) | Key special obligations |
|---|---|--|---|--|---|
| VĮ Ignalinos atominė elektrinė | 256.3 | 3,048.8 112,900.1 | -2,940.2 | 625,483.6 | Decommissioning of Ignalina Nuclear Power Plant |
| AB Kelių priežiūra | 65,447.9 | 66,034.4 | -86.5 | 108,510.0 | Road maintenance services |
| VĮ Indėlių ir investicijų draudimas | 675.5 | 675.5 47,070.4 | 45.4 | 15,987.3 202,059.4 | Administration of the funds |
| AB Lietuvos geležinkeliai Group | 41,352.1 ⁴ | 39,285.1 | 1,839.0 | 15,557.6 | Public passenger transport by rail |
| VĮ Registrų centras | 32,475.6 | 31,144.3 | 1,331.3 | 26,371.4 | -Maintenance of State registers -Information system 'E. sveikata' |
| VĮ Regitra | 26,326.5 | 21,881.7 | 4,611.9 | 22,614.4 | -Registration of road vehicles -Examination of drivers |
| AB Lietuvos paštas Group | 6,914.7 | 9,757.0 6,647.6 | -2,842.3 | 16,280.9 | -Universal postal services -Delivery of periodicals |
| UAB Investicijų ir verslo garantijos | 3,460.5 | 3,167.8 10,800.1 | 351.1 | 11,783.2 287,272.9 | -Provision of guarantees -Functions of the fund manager |
| VĮ Valstybinių miškų urėdija | 0.0 | 8,489.4 | -8,489.4 | 0.0 | Social and ecological activities |
| VĮ Mūsų amatai | 6,076.2 | 6,573.2 | -508.8 | 6,666.3 | Employment and education of convicted persons |
| VĮ Turto bankas | 5,449.2 | 5,341.1 987.1 | 168.1 | 283,675.2 254,807.7 | Administration and share privatisation of state-owned real estate |
| UAB Viešųjų investicijų plėtros agentūra | 1,629.3 | 1,619.2 2,022.9 | 84.8 | 11,854.0 120,571.7 | -Administration of the funds -Promoting energy efficiency |
| VĮ Vidaus vandens kelių direkcija | 0.0 | 757.0 1,987.0 | -739.8 | 27,128.5 | Enabling transportation by waterways |
| VĮ Valstybės žemės fondas | 173.0 | 41.0 1 522 | 132.0 | 2,043.0 | Administration of programme under Lithuanian rural development programme |
| VĮ Lietuvos prabavimo rūmai | 593.6 | 573.1 | 27.3 | 2,629.4 | State supervision of precious metals and gems |
| AB Jonavos grūdai | 523.5 | 521.9 | 1.2 | 437.3 | Storage of the State reserves |
| VĮ Lietuvos paminklai | 438.4 | 494.8 | -56.4 | 543.5 | Organization of implementation of heritage management programs |
| VĮ Žemės ūkio informacijos ir kaimo verslo centras | 609.5 | 371.4 | 238.1 | 1,140.5 | Functions of registrar |
| VĮ Statybos produkcijos sertifikavimo centras | 599.7 | 356.0 | 243.7 | 148.5 | -Functions of registrar -Certification |
| VĮ Klaipėdos valstybinio jūrų uosto direkcija | 0.0 | 230.1 | -230.2 | 3,288.5 | Providing access to infrastructure for the Lithuanian Navy |
| UAB EPSO-G Group | 162.1 | 163.6 | -1.5 | 58,001.5 | Administration of the PSO funds |
| UAB Žemės ūkio paskolų garantijų fondas | 0.0 | 47.8 | 0.0 | 6,682.4 | -Administration of financial measures -Administration of the fund |
| VĮ Distancinių tyrimų ir geoinformatikos centras Gis-centras ⁵ | N/A | N/A | N/A | N/A | -Functions of the manager of LEI portal -Functions of the manager of the Georeferenced Base Cadastre |

*The data in the table presented using tilted font is not included in the financial statements of the SOEs.

VĮ Ignalinos atominė elektrinė

Special obligations:

- Preparation for the decommissioning of Ignalina Nuclear Power Plant and its safe decommissioning;
- Safe management of radioactive waste;
- Operation and decommissioning of Maišiagala radioactive waste storage facility.

The second and third special obligations assigned to **VĮ Ignalinos atominė elektrinė** prior to its reorganisation (2019) were performed by the **VĮ Radioaktyviųjų atliekų tvarkymo agentūra**. It should be noted that, prior to the reorganisation, these functions were not considered as special obligations.

In 2018, **VĮ Ignalinos atominė elektrinė** carried out only one special obligation - decommissioning of Ignalina Nuclear Power Plant. This function was the only activity carried out by the company and the company did not perform any significant commercial functions. The company carries out the decommissioning of the Ignalina Nuclear Power Plant, covering the operations of the systems ensuring nuclear, radiation, fire and physical safety and necessary for the Ignalina Nuclear Power Plant, the unloading of spent nuclear fuel from energy blocks and the transportation of spent

nuclear fuel for temporary storage, decontamination and dismantling of equipment and buildings, and treatment and storage of radioactive waste. The decommissioning of the power plant is expected by 2038. In 2018, the company incurred the highest expenses of special obligations among SOEs - almost EUR 116.0 million. The major part of expenses (EUR 112.9 million) was not included in the company's financial statements and was directly reimbursed by the State budget and funds (the International Ignalina Decommissioning Support Fund, VĮ IAE eksploatavimo nutraukimo fondas, the special program of administration of Ignalina and other funds). During the reporting period, the company also managed the largest assets under special obligations, amounting to more than half a billion euros.

⁴ This amount includes the subsidy of EUR 27 million from the State budget granted for the public passenger transport services by rail.

⁵ VĮ Distancinių tyrimų ir geoinformatikos centras Gis-centras has not provided the financial data separated by functions.

AB Kelių priežiūra

Special obligations:

- Road maintenance services (maintenance of roads of State significance and implementation of road safety measures on such roads).

Most of the activities carried out by **AB Kelių priežiūra** are considered to be a special obligation: in 2018, they accounted for 83.7% of the total revenue of the company. The company's commercial activities include contracting, road design, leasing, machinery and equipment services, investment activities, etc.

Expenses of the special obligations amounted to EUR 66.0 million in the reporting year and were the second largest among all SOEs. Although this activity was loss-making for the company in 2018,

it generated EUR 1.6 million in revenue before tax in 2017. Special obligations of **AB Kelių priežiūra** is financed from the State budget.

It is notable that financial separation of special obligations is carried out superficially by the company: both the expenses and the assets of special obligations are allocated pro rata to the revenue earned by the company. This method of allocation is relatively primitive and does not allow for an objective assessment of either the assets or the costs attributable to special obligations.

VĮ Indėlių ir investicijų draudimas

Special obligations:

- Administration of the Deposit Insurance Fund;
- Administration of the Fund of Liabilities to Investors;
- Administration of the Resolution Fund.

VĮ Indėlių ir investicijų draudimas carried out only special obligations in 2018. As the company manages funds, the accounting of these funds is separate from the accounting of the company itself and is not included in the financial statements of VĮ Indėlių ir investicijų draudimas. Expenses of special obligations of the company during the reporting period amounted to EUR 47.7 million. Assets under management totalled EUR 202.1 million. These assets consisted and the costs were generated by three funds managed by the company:

- Deposit Insurance Fund. It is a cumulative fund that raises funds to pay out deposit insurance claims in accordance with the Law on Deposit and Liabilities to Investors Insurance and to finance resolution measures for financial sector entities. The fund's assets at the end of 2018 amounted to 199.4 million. EUR.
- Fund of Liabilities to Investors. It is a cumulative fund that raises

funds to pay out liabilities to investors insurance claims in accordance with the Law on Deposit and Liabilities to Investors Insurance. The fund's assets at the end of 2018 amounted to 2.7 million. EUR.

- Resolution Fund. It is a cumulative fund that raises funds to restructure problematic participants of the Resolution Fund. The fund's assets at the end of 2018 amounted to EUR 4.0 thousand.

The company's activities are regulated by the Law on Deposit and Liabilities to Investors Insurance and are mainly funded by management fees of fund participants and by the company's own investments in low-risk financial instruments. It should be noted that, when separating the financial data of special obligations, VĮ Indėlių ir investicijų draudimas has not disclosed the information on the share of the company's assets (included in the company's financial statements) by each special obligation.

AB Lietuvos geležinkeliai Group

Special obligations:

- Public passenger transport by rail;
- Minimum access package services;
- Maintenance, modernisation and development of public railway infrastructure.

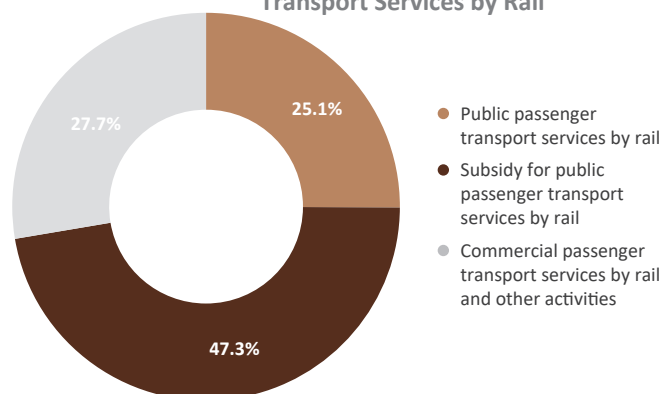
In 2018, **AB Lietuvos geležinkeliai Group** identified carrying out one special obligation - public passenger transport by rail. This function includes the carriage of passengers, eligible for discount, and the carriage of passengers on local routes, which are loss-making for the carriers but necessary for the public. The cost of this special obligation was EUR 39.3 million in the reporting year, EUR 14.1 million of which accounted for internal transactions, for example, charges paid by the Passenger Carriage Directorate to the Railway Infrastructure Directorate for the minimum service package and the overhead electrical network (EUR 2.8 million). A significant share of the company's expenses was compensated in 2018 by granting the subsidy of EUR 27.0 million. As a result, the function had a positive impact on the company's results by increasing its net profit by EUR 1.8 million. Revenue (including the Governmental subsidy) from the special obligation accounted for 72.3% of the total revenue of rail passenger transport, while expenses accounted for 77.2%. It should be noted that part of the special obligation costs (EUR 14.1 million) is internal (paid to the other Directorates of **AB Lietuvos Geležinkeliai**) and has no impact on the consolidated financial results of the company; the cost of the Passenger Carriage Directorate is revenue from freight, railway infrastructure and other departments. In this way the income of other directorates of the Company is indirectly subsidised.

The company has made a clear separation in the profit (loss) statement of the special obligation. Functional separation is also available on the Group's website. However, the company still does not provide information about the assets, equity and liabilities attributable to the special obligation. There is also a lack of public information revealing the performance of the special

obligation, for example, the number of passengers carried, the number of kilometres covered by the special obligation, as well as information on the allocation of assets to these activities, the method to determine the size of the Governmental subsidy, which routes are reimbursed, and so on.

It should be noted that, according to the Recommendations approved in 2018, the list of special obligations of SOEs approved in 2019 includes three special obligations that the company performed in 2018, however, the financial information of these special obligations is not separated.

Revenue Structure of Public Passenger Transport Services by Rail



VĮ Registrų centras

Special obligations:

- Management of real estate register;
- Management of legal entities register;
- Management of address register;
- Management of residents' register;
- Management of legal registers;
- Managing the information systems of e-Health (E. sveikata) services and collaboration infrastructure.

Most of the activity of **VĮ Registrų centras** (about 83.0%) was recognised as special obligations in the reporting period in terms of revenue generated and expenses incurred. As a result of these special obligations, the revenue of EUR 32.5 million was earned and the expenses of EUR 31.1 million were incurred in 2018. The financial result for special obligations was positive at the end of the year. The revenue of special obligations is earned directly from customers and pricing is regulated by Governmental resolutions. The expenses of two special obligations are covered in part or in full by the State budget.

The functions that are considered to be special obligations according to

the Recommendations consisted of the management of various State registers and are entrusted to the company by Laws or Governmental resolutions. It should be noted that part of the functions performed by **VĮ Registrų centras**, namely management of various information systems, was attributed to commercial activities in 2018, which could have actually been considered as special obligations by the nature of activity. However, according to the Recommendations, these functions do not meet the criteria of a special obligation - they are entrusted to the company by Decree of the Minister rather than by Law or Governmental resolutions.

VĮ Regitra

Special obligations:

- Registration of road vehicles transport vehicles;
- Issuance of driving licenses;
- Management of the Register on Road Transport Vehicles of the Republic of Lithuania;
- Examination of persons seeking to acquire a right to drive road vehicles;
- Management of the Driver Registry of Road Vehicles of the Republic of Lithuania.

During the reporting period, all activities carried out by **VĮ Regitra** were treated as special obligations. The revenue from these special obligations amounted to EUR 26.3 million, while the expenses amounted to EUR 21.9 million in 2018. It is noteworthy that the company earned EUR 4.6 million in profit before tax, ROE was 18.6% (comparatively, the ROE of the total SOEs portfolio amounted to 2.7%). The income earned by the company consisted of fees from the clients of **VĮ Regitra** for the company's services. The pricing of services under three functions - registration of road vehicles transport vehicles, examination of persons seeking to acquire a right to drive road vehicles, and issuance of driving licenses is determined by Decrees of the Minister of the Interior. Pricing for the processing of two registers is based on Governmental resolutions.

It should be noted that **VĮ Regitra** has not submitted to the GCC the balance sheet containing the separates financial information by the significant functions performed. For this reason, it is not clear what proportion of the assets is allocated to each of the special obligations of the company. The separation provided by the company in the profit (loss) statement was also incomplete - two out of five functions (processing of two registers) were not assigned any revenue or expense. For this reason, it is not clear how much revenue or expenses were generated by these two functions during the reporting period.

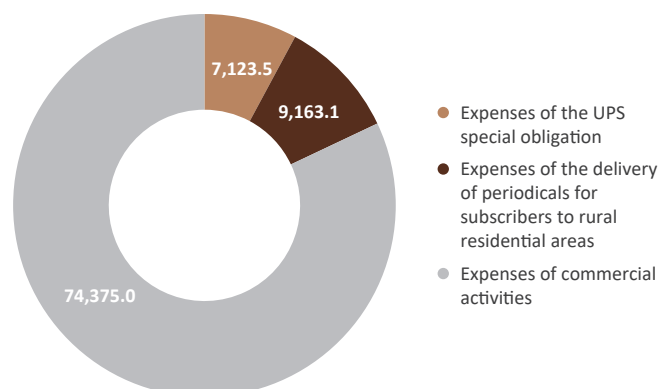
AB Lietuvos paštas Group

Special obligations:

- Provision of universal postal services throughout the territory of the Republic of Lithuania for at least 5 business days per week;
- Delivery of periodicals for subscribers to rural residential areas.

In 2018, the company carried out two special obligations. The operation of the first special obligation, the universal postal services (UPS), is licensed and assigned to the company by the Governmental resolution. Pricing for this special obligation is regulated by the Communications Regulatory Authority (CRA); the loss incurred by performing the function, i. e. the difference between the rates set by the CRA and the costs of providing the UPS must be compensated by the State budget. In 2018, **AB Lietuvos paštas Group** incurred the loss of EUR 2.8 million in performing this function, which was covered by the company's commercial activities because the last time the budget compensation was made to cover losses only for 2015. The activities of the second special obligation - delivery of periodicals for subscribers to rural residential areas, are not attributable to the UPS operations; however, the UPS supplier is obliged by the Government to provide this service. The expenses of the function are partially reimbursed from the State budget - during the reporting year these reimbursable expenses amounted to EUR 6.5 million. The rest of the expenses is covered by the revenue generated by the function - in 2018 this revenue was EUR 2.6 million.

Expenses of AB Lietuvos Paštas Group by Functions Performed (EUR '000)



UAB Investicijų ir verslo garantijos

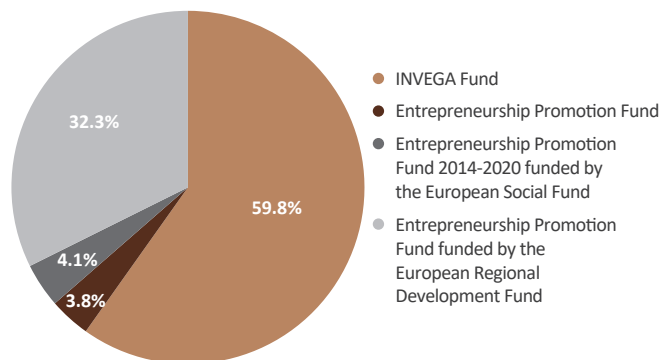
Special obligations:

- Guarantee activities of a State-established guarantee institution;
- Functions of the implementing authority and (or) the global subsidies manager;
- Functions of the holding fund, the fund of funds and (or) the manager of segregated financial engineering and financial instruments.

In 2018, all activities carried out by **UAB Investicijų ir verslo garantijos** were considered special obligations. The company's mission - to promote the growth and competitiveness of Lithuanian businesses by being an active partner in business financing. During the reporting period, the company managed the largest amount of assets (EUR 287.3 million) of all SOEs, which was not included in the financial statements (the total assets of SOEs attributable to special obligations, which was not included in the financial statements for the year 2018 amounted to EUR 744.1 million). These assets consisted of funds managed by the company and other financial instruments. Funds managed by the company:

- INVEGA Fund. The assets of the fund amounted to EUR 171.9 million during the accounting period;
- Entrepreneurship Promotion Fund. The fund's assets amounted to EUR 10.8 million at the end of 2018;
- Entrepreneurship Promotion Fund 2014-2020 funded by the European Social Fund. The assets of the fund amounted to EUR 11.7 million during the accounting period;
- Entrepreneurship Promotion Fund funded by the European Regional Development Fund. The fund's assets amounted to EUR 92.9 million at the end of 2018;

Funds Administered by UAB Investicijų ir Verslo Garantijos



In 2018, the expenses of special obligations performed by **UAB Investicijų ir verslo garantijos** were mainly compensated by the budget and EU funds - the positive financial results of the company (profit before tax amounted to EUR 351.1 thousand in the reporting period) were mainly determined by positive changes in provisions.

VĮ Turto bankas

Special obligations:

- Recovery of debts to the State;
- Privatisation of the state-owned shares;
- Organisation and coordination of renovation of the state-owned real estate;
- Transfer of the state-owned assets by the right of trust to manage, use and dispose of it free of charge;
- Sale of real estate;
- Other special obligations (use of state-owned real estate for administrative purposes; lease of state-owned non-current tangible assets

including administration of vacant space; performance of functions of manager of the state-owned property information search system; administration of ownerless property; liquidation of unlawfully incorporated legal entities; liquidation of assets; representation of the State in courts; other special obligations assigned by the laws).

In 2018, the special obligations of **VĮ Turto bankas** mainly included centralised management of the State-owned real estate, privatisation of the State-owned and municipal-owned shares, and recovery of debts to the State. During the reporting period, the company incurred the expenses of special obligations of EUR 6.3 million, EUR 1.0 million of which was not included in the company's financial statements. In 2018, **VĮ Turto bankas** managed the assets worth

EUR 283.7 million, which were included in the financial statements of the company and the assets of EUR 254.8 million, which were excluded. Assets not included in the financial statements were attributed to the debt collection function consisting of loans administered by the company, State guarantees and other property liabilities.

UAB Viešųjų investicijų plėtros agentūra

Special obligations:

- Implementation of financial engineering instruments and (or) financial instruments, instruments funded by other financial sources, participation in the implementation thereof as a holding fund manager and (or) a manager of the fund of funds, a financial intermediary and (or) otherwise;
- Promoting energy efficiency and renewable energy production and use.

The special obligations undertaken by **UAB Viešųjų investicijų plėtros agentūra** are mainly related to the management of various funds and financial instruments. In 2018, the company managed four funds, the assets of which were not included in the company's financial statements:

- Modernisation Fund for Apartment Buildings. At the end of 2018, the fund's assets totalled EUR 96.4 million. The fund is financed from the State budget, the EU, foreign countries and international organisations;
- Energy Efficiency Fund. At the end of 2018, the fund's assets amounted to EUR 18.7 million. The fund is financed by the EU, foreign countries and international organisations;
- Cultural Heritage Fund. At the end of 2018, the fund's assets amounted to EUR 1.3 million. The fund is financed by the EU, foreign

countries and international organisations;

- Municipal Buildings Fund. At the end of 2018, the fund's assets amounted to EUR 4.2 million. The fund is financed by the EU, foreign countries and international organisations.

During the reporting period, the company's expenses included in the financial statements amounted to EUR 1.6 million. The excluded expenses (attributable to managed funds) amounted to EUR 2.0 million. The company also acts as a financial intermediary for the JESSICA holding fund managed by the European Investment Bank. The fund is not included in the financial statements of the company. The assets of the fund (EUR 27.0 million in 2018) is also not reflected in the total assets of the SOEs portfolio, as **UAB Viešųjų investicijų plėtros agentūra** is not a manager of the fund.

Sponsorship Provided by SOEs

Following the Resolution, No 533 of the Government of the Republic of Lithuania of 28 June 2017 approving the Description of the Procedure for Granting Sponsorship by State-owned Enterprises, which was in force until 6 March 2019, the sponsoring company must follow the rules for the sponsorship management approved by the general meeting of shareholders. If the company provides sponsorship through sponsorship funds specially created for this purpose, the company may follow the rules provided in the Law on Charity and Sponsorship Funds of the Republic of Lithuania, which correspond to the management rules of the sponsorship funds established for that purpose by a certain company. The company can allocate no more than 3.0% of the reported financial year net profit for sponsorship, and the amount granted for sponsorship should not exceed EUR 500.0 thousand. The amount assigned to one recipient per year cannot exceed EUR 300.0 thousand.

Companies cannot provide sponsorship if they incur loss in the reporting financial year. Companies are obliged to publish information on the sponsorship granted on their website. This information must contain the rules for managing the company's sponsorship or the rules of sponsorship fund for sponsorship management, the information on the sponsorship granted during the last three financial years, and the reports on the sponsorship granted and received, its use, and activities in pursuit of public interest objectives, as specified in the Law on Charity and Sponsorship, which are submitted by sponsorship providers and recipients to the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania.

According to the Law No I-172 on Charity and Sponsorship of the Republic of Lithuania, state enterprises cannot provide sponsorship.

Sponsorship granted by SOEs in 2018

| Company name | Sponsorship granted (EUR '000) | Net profit (EUR '000) | Share of net profit granted as sponsorship |
|-----------------------------------|--------------------------------|-----------------------|--|
| AB Klaipėdos nafta | 137.3 | 11,577.0 | 1.2% |
| AB Smiltynės perkėla ¹ | 14.4 | 527.3 | 2.7% |
| AB Jonavos grūdai | 0.7 | 458.6 | 0.2% |
| UAB Šilutės polderiai | 1.7 | 51.8 | 3.3% |

¹ - The company did not provide sponsorship in the form of cash funds; it was provided in the form of services (ferry services for passengers and vehicles).

According to the data provided by state-owned enterprises, 4 out of 37 state-owned enterprises included in the portfolio provided sponsorship in 2018. In 2018, most of the sponsorship was provided by **AB Klaipėdos nafta** granting EUR 137.3 thousand for sponsorship purposes, or 1.2% of net profit for the reporting period. **AB Smiltynės perkėla** granted 2.7% of its net profit for sponsorship, which amounted to EUR 14.4 thousand. **UAB Šilutės polderiai allocated EUR 1.7 thousand for sponsorship and thus violated the provisions of the resolution exceeding the admissible share of 3.0% to be allocated for sponsorship** - the company granted

3.3% of its net profit for sponsorship. The sponsorship provided by **AB Jonavos grūdai** amounted to EUR 0.7 thousand. During 2018, the sponsorship provided by companies totalled EUR 154.1 thousand and was granted to 104 recipients. The average amount of sponsorship was EUR 1.5 thousand per recipient, while the average share of net profit allocated for sponsorship was 1.8% per company. It is worth noting that **AB Klaipėdos nafta** provided all sponsorship to 21 beneficiaries, thus allocating an average of EUR 6.5 thousand per legal entity. The sponsorship provided by **AB Smiltynės perkėla** was not granted in cash but through ferry services provided to 78 recipients.

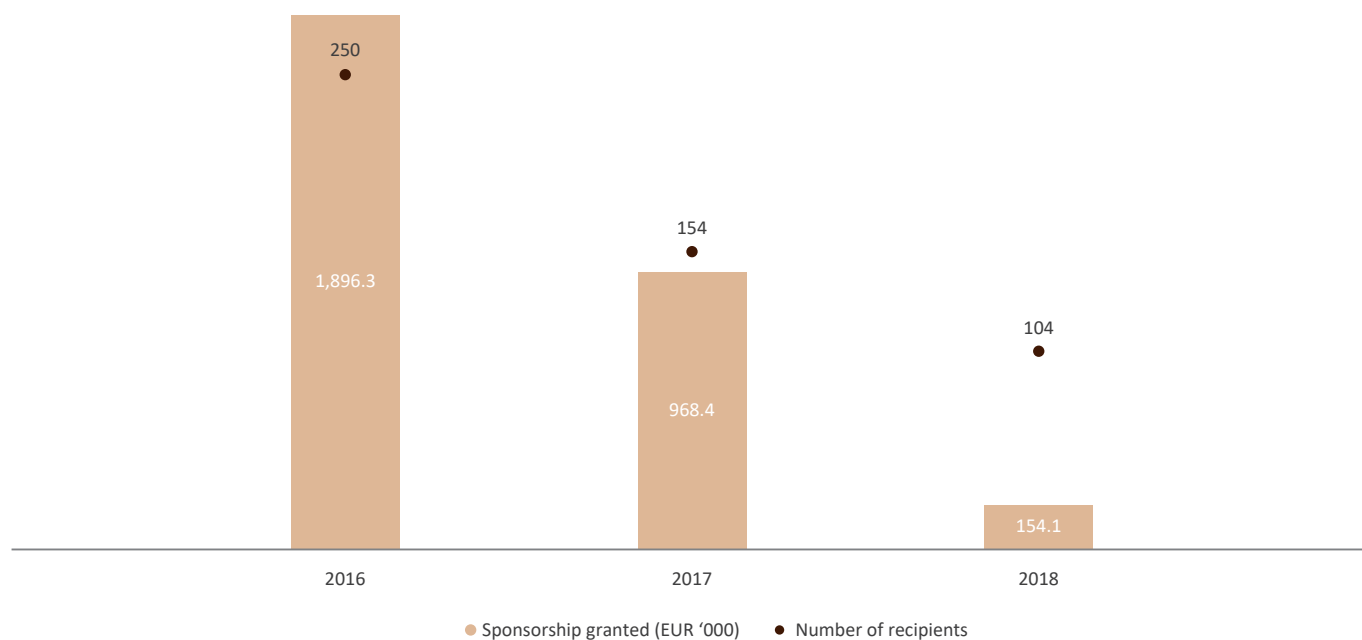
| Company name | 2016 | | 2017 | | 2018 | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| | Sponsorship granted (EUR '000) | Number of recipients | Sponsorship granted (EUR '000) | Number of recipients | Sponsorship granted (EUR '000) | Number of recipients |
| Lietuvos energija, UAB, Group | 629.9 | 30 | 800.4 | 41 | | |
| AB Klaipėdos nafta | 130.4 | 25 | 134.9 | 21 | 137.3 | 21 |
| AB Lietuvos geležinkeliai Group | 853.0 | 110 | | | | |
| AB Lietuvos paštas Group | 180.1 | 20 | 8.7 | 3 | | |
| AB Lietuvos radijo ir televizijos centras | 36.1 | 26 | 2.4 | 13 | | |
| AB Smiltynės perkėla | 29.1 | 5 | 13.1 | 53 | 14.4 | 78 |
| UAB Projektų ekspertizė | 0.7 | 2 | | | | |
| UAB Viešųjų investicijų plėtros agentūra | 1.0 | 1 | 1.0 | 2 | | |
| UAB Lietuvos monetų kalykla | 0.3 | 1 | | | | |
| AB Informacinio verslo paslaugų įmonė | 0.5 | 1 | | | | |
| AB Jonavos grūdai | 2.2 | 10 | 2.6 | 9 | 0.7 | 3 |
| UAB Gyvulių produktyvumo kontrolė | 0.2 | 1 | 0.3 | 1 | | |
| UAB Šilutės polderiai | 5.6 | 14 | 4.6 | 9 | 1.7 | 2 |
| UAB Šilutės veislininkystė | 0.3 | 2 | 0.3 | 2 | | |
| UAB Upytės eksperimentinis ūkis | 0.6 | 2 | | | | |
| Total: | 1,869.8 | 250 | 968.4 | 154 | 154.1 | 104 |

In 2016, 15 state-owned enterprises included in the portfolio provided sponsorship. During 2016, the sponsorship provided by companies totalled EUR 1,869.8 thousand and was granted to 250 recipients. The average amount of sponsorship was EUR 7.5 thousand per recipient, while the average share of net profit allocated for sponsorship was 66.3% per company. Most of the sponsorship was provided by the **AB Lietuvos geležinkeliai Group**, granting EUR 853.0 thousand for sponsorship purposes (although it suffered a net loss during the reporting period), **Lietuvos energija, UAB, Group**, granting EUR 629.9 thousand or 0.5% of net profit for the reporting period for sponsorship, and **AB Klaipėdos nafta**, granting EUR 130.4 thousand or 0.9% of its net profit for sponsorship. **AB Lietuvos paštas Group** allocated EUR 180.1 thousand for sponsorship despite the fact that the company's net profit amounted to EUR 18.9 thousand, thus the amount granted for sponsorship accounted for 953.5% of the net profit. It is also worth noting that **Lietuvos energija, UAB, Group** supported 30 beneficiaries, i. e. on average, EUR 21.0 thousand was granted per recipient, the major part of the sponsorship – even EUR 300.0 thousand was awarded to Kaunas men's basketball club 'Žalgiris'.

In 2017, 10 out of 38 state-owned enterprises included in the SOEs portfolio provided sponsorship, amounting to EUR 968.4 thousand to 154 recipients. The average amount of sponsorship was EUR 6.3 thousand per recipient, while the average share of net profit allocated for sponsorship was 1.9% per company. In 2017, most

of the sponsorship was provided by the **Lietuvos energija UAB, Group**, granting EUR 800.4 thousand for sponsorship purposes, or 0.9% of net profit for the reporting period, and **AB Klaipėdos nafta**, granting 0.8% of its net profit, or EUR 134.9 thousand to support 21 projects.

In 2018, state-owned enterprises provided the least sponsorship in the last 3 years – EUR 154.1 thousand. It was largely influenced by the decision of the management board of **Lietuvos energija, UAB, Group** not to allocate sponsorship and initiate the termination of the sponsorship fund of Lietuvos energija from the year 2018, which was not objected either by the company's supervisory board or the shareholder, the Ministry of Finance. The companies' support was granted to improve sports, social care, culture and education. The information provided by the companies reveals that, prior to the entry into force of the Resolution No 533 approving the Description of the Procedure for Granting Sponsorship by State-owned Enterprises, the companies mainly sponsored and made the largest payments to sports-related institutions, celebrations or events. There were also significant pay-outs for social activities (e. g., in 2017, **Lietuvos energija, UAB, Group** allocated EUR 119.1 thousand for the establishment of family houses and EUR 85.0 thousand to public organisation, children's charity fund 'Gelbėkit vaikus'). Support for sports has declined since the resolution came into effect, but support for education and culture has increased.



Target profitability ratios

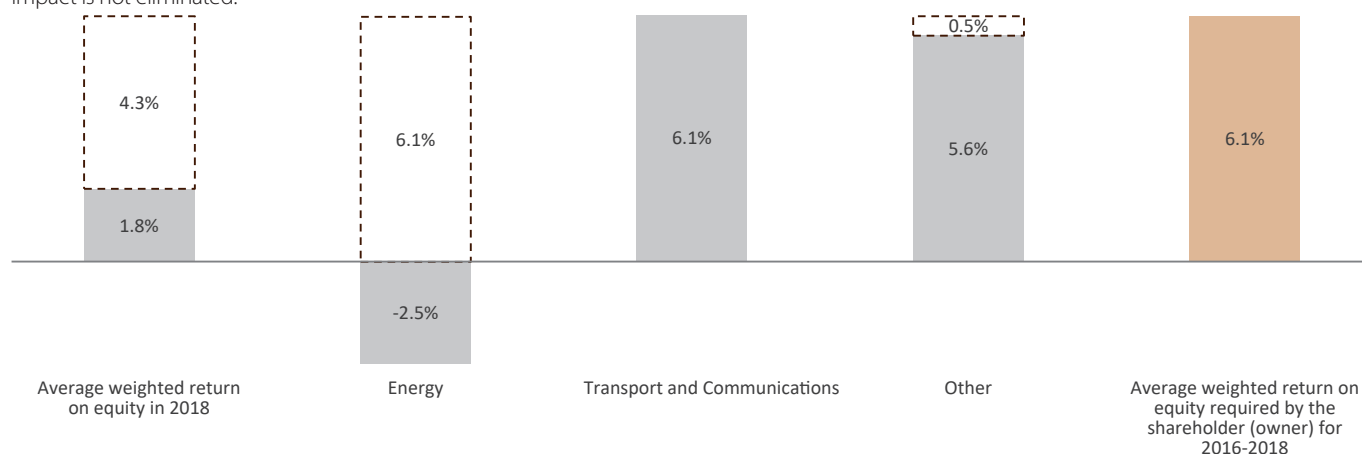
For the period of 2016-2018, the Government of the Republic of Lithuania has set a target return on equity for the SOEs engaging in commercial activities (subject to legal regulation applicable at that time to Group 1A and Group 1B companies). During the same period, the commercial net profit target of EUR 40,0 million per year was set for state forest enterprises (from 2018 – **VĮ Valstybinių miškų urėdija**).

In order to show the results of commercial activities of SOEs, this section provides the following adjustments to the actual return on equity and net profit achieved by SOEs:

- the amount of tax payable in the accounting year on the use of State assets in trust, less the share of corporation tax, is excluded from the operating expenses of state enterprises;
- the amount of compulsory deductions to the State budget for general forestry purposes and general State budget needs, to be paid from the sales of raw wood and uncut timber, less the share of corporation tax, is excluded from the expenses of **VĮ Valstybinių miškų urėdija**;
- the impact of the special obligations carried out by the following SOEs is excluded:
 - AB Lietuvos geležinkeliai Group;
 - AB Lietuvos paštas Group;
 - VĮ Klaipėdos valstybinio jūrų uosto direkcija;
 - AB Jonavos grūdai;
 - VĮ Valstybinių miškų urėdija.

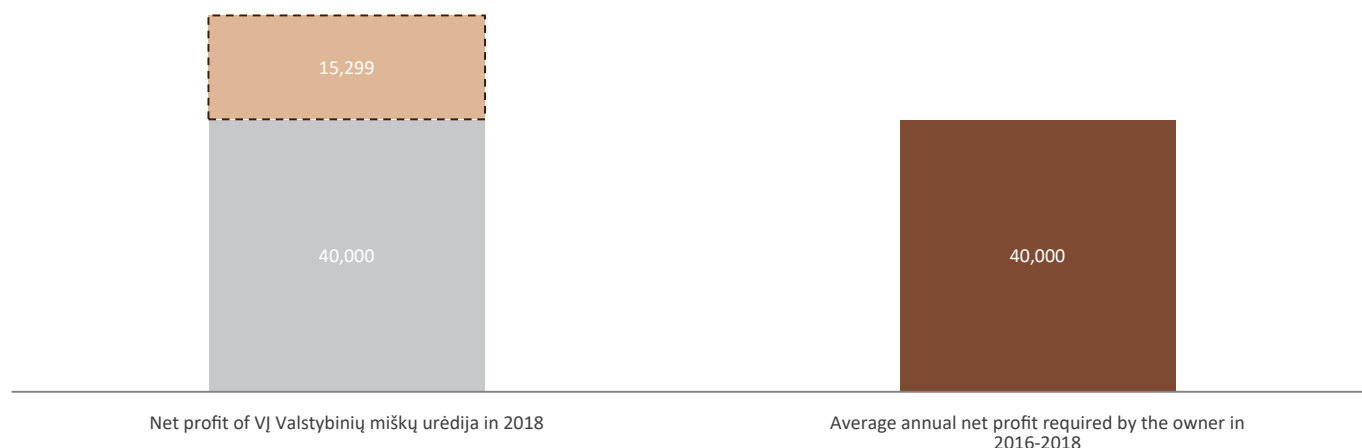
It should be noted that these five functions were considered to be special obligations under the existing legal framework for the attribution of special obligations that was valid until 9 May 2018. Other special obligations will be eliminated for the period 2019-2021 under the existing legal framework for the attribution of special obligations applicable as of 9 May 2018.

One-off events, such as the revaluation of assets, are not taken into account in the calculation of the return on equity and net profit for SOEs, and their impact is not eliminated.



In 2018, the average weighted return on equity for companies with a target return on equity set by the Government was 1.8%, which is 4.3% less than required by the Government. During the reporting period, the target ROE set by the Government was reached by 14 out of 29 SOEs; the target net profit was also achieved by **VĮ Valstybinių miškų urėdija**. In 2018, the best ROE was achieved by companies in the Transport and Communications sector – their actual ROE was in line with the target set by the Government. Meanwhile, the Energy sector posted a negative result of -2.5%. The result was mainly influenced by

the negative result of 2018 of two major sector companies - **Lietuvos energija, UAB Group** and **UAB EPSO-G Group**. The sector of Other Enterprises almost reached the target set by the Government: during the reporting period, the commercial ROE of the sector companies reached 5.6% (0.5% below target). In 2018, the only company in the Forestry sector - **VĮ Valstybinių miškų urėdija**, reached the target for net profit set by the Government and even exceeded it by 38.2%.



For the period of 2016-2018, 12 out of 29 SOEs reached the average annual return on equity set by the Government over a three-year period. The target of net profit within three years was also achieved by **VĮ Valstybinių miškų urėdija**. However, more than half of SOEs did not reach the target set by the Government and did not meet the expectations of the State within the given period. It is noteworthy that 6 out of 9 large SOEs, which had a profitability target set for 2016-2018, also failed to meet these expectations.

For the new period of 2019-2021, the Government has set a target ROE for all significant commercial functions carried out by SOEs, currently amounting to 40 SOEs. The target for net profit is set for **VĮ Valstybinių miškų urėdija** as well. Profitability ratios for 2019-2021 are not set only to the SOEs that do not engage in significant commercial activities (all their activities are treated as special obligations). With the approval of the list of special obligations to be compiled by the GCC in 2019, more special obligations performed by SOEs will also be evaluated and eliminated in the new period.

| Company name | Commercial ROE in 2016, % | Commercial ROE in 2017, % | Commercial ROE in 2018, % | Average commercial ROE in 2016-2018, % | Target return on equity in 2016-2018, % |
|---|---------------------------|---------------------------|---------------------------|--|---|
| Lietuvos energija, UAB, Group | 9.0 | 7.0 | -0.6 | 5.1 | 5.7 |
| UAB EPSO-G Group | 15.8 | -1.2 | -22.7 | -2.7 | 8.8 |
| AB Klaipėdos nafta | 7.1 | 8.7 | 5.8 | 7.2 | 5.9 |
| AB Lietuvos geležinkeliai Group | 0.9 | 5.6 | 5.3 | 3.9 | 5.5 |
| AB Lietuvos paštas Group | 7.6 | 17.5 | 29.8 | 18.3 | 7.3 |
| AB Smiltynės perkėla | 6.5 | 9.9 | 7.5 | 8.0 | 6.0 |
| VĮ Klaipėdos valstybinio jūrų uosto direkcija | 6.2 | 8.5 | 6.7 | 7.1 | 7.5 |
| VĮ Lietuvos oro uostai | 3.3 | 2.4 | 7.2 | 4.3 | 5.7 |
| AB Lietuvos radijo ir televizijos centras | 0.8 | 0.4 | 2.9 | 1.4 | 5.9 |
| AB Detonas | 8.6 | 15.4 | 16.1 | 13.4 | 5.6 |
| AB Problematika | 13.2 | 19.5 | 8.4 | 13.7 | 5.6 |
| UAB Toksika | -5.4 | 1.0 | 7.6 | 1.1 | 6.3 |
| UAB Lietuvos parodų ir kongresų centras LITEXPO | 7.5 | 5.7 | 7.9 | 7.0 | 5.7 |
| AB Vilniaus metrologijos centras | 7.1 | 8.3 | 3.3 | 6.2 | 6.6 |
| UAB Projektų ekspertizė | 7.8 | 10.4 | 10.6 | 9.6 | 5.6 |
| VĮ Statybos produkcijos sertifikavimo centras | 7.2 | 12.4 | 27.6 | 15.7 | 6.6 |
| AB Jonavos grūdai | 9.8 | 13.5 | 7.3 | 10.2 | 7.0 |
| UAB Panevėžio veislininkystė | 21.1 | -76.8 | 28.1 | -9.2 | 4.6 |
| UAB Šilutės polderiai | 5.0 | 5.6 | 6.3 | 5.6 | 5.9 |
| UAB Dotnuvos eksperimentinis ūkis | 0.2 | 3.5 | -6.3 | -0.9 | 5.1 |
| UAB Upytės eksperimentinis ūkis | 3.9 | 8.5 | -5.5 | 2.3 | 4.3 |
| AB Giraitės ginkluotės gamyba | 2.6 | 5.7 | 14.8 | 7.7 | 6.6 |
| UAB poilsio namai Baltija | -15.8 | -10.4 | -7.6 | -11.3 | 6.4 |
| VĮ Infostruktūra | -5.4 | 4.1 | 7.5 | 2.1 | 6.6 |
| UAB Lietuvos kinas | 6.2 | 30.4 | 3.2 | 13.3 | 5.9 |
| UAB Lietuvos monetų kalykla | -7.1 | 5.8 | -0.8 | -0.7 | 5.5 |
| AB Informacinio verslo paslaugų įmonė | 15.7 | 89.7 | -3.7 | 33.9 | 6.6 |
| Mūsų amatai, VĮ | -16.6 | 2.1 | -10.4 | -8.3 | 6.2 |
| UAB Universiteto vaistinė | 2.1 | 2.6 | 6.7 | 3.8 | 7.4 |

| Company name | Commercial net profit in 2016 (EUR '000) | Commercial net profit in 2017 (EUR '000) | Commercial net profit in 2018 (EUR '000) | Average commercial net profit in 2016-2018 (EUR '000) | Average net profit required by the owner in 2016-2018 (EUR '000) |
|------------------------------|--|--|--|---|--|
| VĮ Valstybinių miškų urėdija | 34,173 | 33,156 | 55,299 | 40,876 | 40,000 |

Return to the State

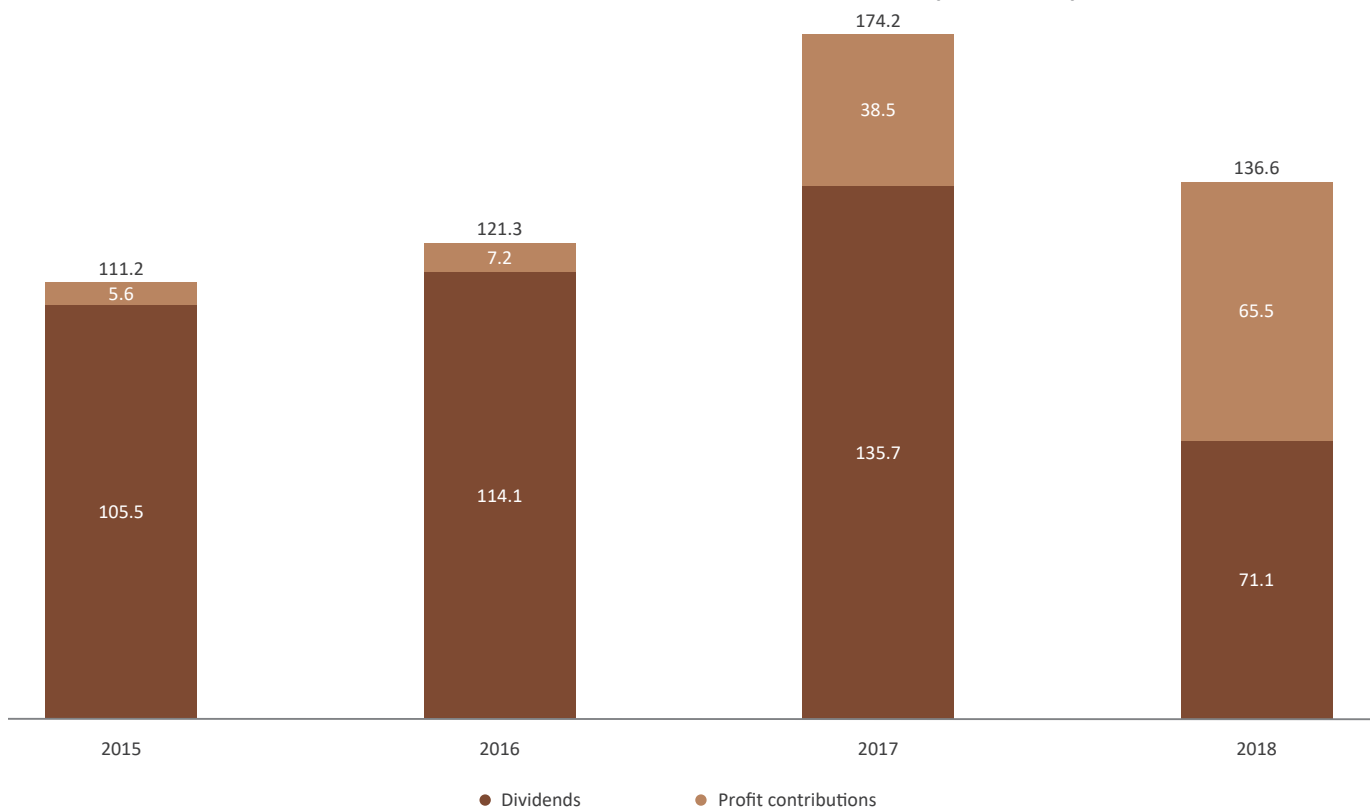
The procedure for the payment of dividends by state-owned enterprises and profit contributions by state enterprises is governed by the Law on State and Municipal Enterprises of the Republic of Lithuania and Resolution of the Government Concerning Dividends for Shares of State-Owned Companies and Profit Contributions by State Enterprises (hereinafter referred to as the Governmental Resolution). SOEs pay dividends or profit contributions from the distributable profit for the accounting year. The amount of the dividends or profit contributions depends on the ROE of SOEs for the accounting year:

| Amount of distributable profit for the accounting year to be allocated as dividends or profit contributions | ROE for the accounting year |
|---|--------------------------------|
| 85% | Not exceeding 1% |
| 80% | Over 1% but not exceeding 3% |
| 75% | Over 3% but not exceeding 5% |
| 70% | Over 5% but not exceeding 10% |
| 65% | Over 10% but not exceeding 15% |
| 60% | Over 15% |

In 2018, SOEs' dividends and profit contributions allocated to the State budget amounted to EUR 136.6 million, which was 21.6% less than last year when the amount of EUR 174.2 million was allocated. In 2018, 12 of the 37 state-owned limited liability companies allocated more dividends than in 2017, and 14 companies allocated less. Meanwhile, as many as 10 of the 21 state enterprises allocated higher profit contributions during the reporting period than last year, and only 4

companies allocated lower contributions. The number of dividends or profit contributions allocated by 11 state-owned limited liability companies and 6 state enterprises remained unchanged for the year. It is noteworthy that in 2018 the profit contributions paid by state enterprises, which increased by 70.1% compared to 2017, partially offset the decrease in dividends of state-owned limited liability companies, which decreased by 47.6%.

Dividends and Profit Contributions of SOEs (EUR million)



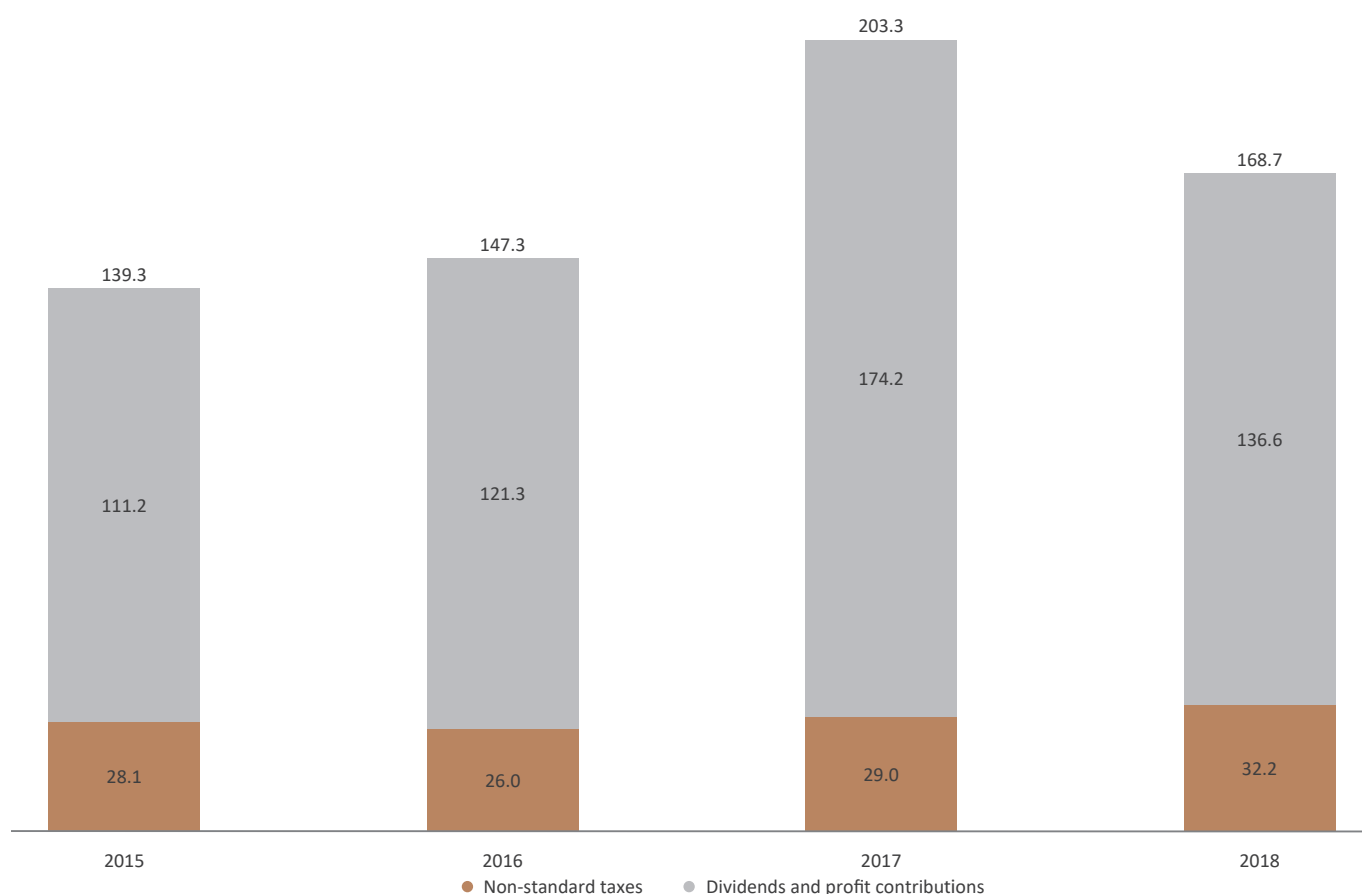
AB Lietuvos geležinkeliai allocated the largest number of dividends to the State budget in 2018, which amounted to EUR 43.0 million. It is noteworthy that the Company allocated as much as EUR 8.7 million more in dividends for the accounting year than it should distribute according to the Governmental Resolution (ROE for the reporting year was 4.8%, thus the Company had to allocate at least 75.0% of distributable profit or EUR 34.3 million). **Lietuvos energija, UAB, Group** that allocated EUR 78.3

million in dividends in 2017, in 2018, returned merely EUR 13.0 million to the State, although, according to the Governmental Resolution, as much as EUR 58.7 million was to be allocated in dividends. The Company allocated smaller dividends than required because it transferred most of the distributable profit for the reporting year to the legal reserve. It should also be emphasized that the company's distributable profit that serves as a basis for calculating the dividend allocation according to the

Governmental Resolution is reduced by the amount allocated to the legal reserve. This reduces the base for calculating of the pay-out. For example, in 2017, the distributable profit of **Lietuvos energija, UAB**, amounted to EUR 117.1 million and was reduced by EUR 5.3 million to be allocated to the legal reserve; therefore, the 70.0% for the dividend allocation was calculated using a smaller amount of EUR 111.8 million as a basis. In 2018, the Company's distributable profit amounted to EUR 78.2 million and was reduced by EUR 60.9 million to be allocated to the legal reserve; therefore, the 75.0% for the dividend allocation was calculated using a smaller amount of EUR 17.3 million as a basis. Smaller dividends than expected according to the Governmental Resolution were allocated for 2018 by **AB Giraitės ginkluotės gamykla** as well (EUR 405.8 thousand less).

In 2018, **VĮ Klaipėdos valstybinio jūrų uosto direkcija** allocated the highest profit contributions to the State budget. The Company's profit contribution amounted to EUR 28.0 million and was EUR 6.3 million higher than required under the Governmental Resolution. A significant profit contribution for the reporting period was also allocated by **VĮ Valstybinių miškų urėdija**: its contribution amounted to EUR 22.1 million, which was almost five times higher than in 2017. The amount of profit contributions granted by **VĮ Lietuvos oro uostai** for the reporting year was EUR 2.2 million higher than expected under the Governmental Resolution and amounted to EUR 8.5 million (more than twice as much as in the previous period).

Return from SOEs to the State (EUR million)



Atypical taxes paid by the SOEs to the State budget in the year 2018, were 10.8% higher than in 2017 and amounted to EUR 32.2 million. These taxes, which are payable only by state enterprises, consisted of:

- Tax paid for the use of entrusted state property (property tax);
- Compulsory deductions paid to the State budget for general forestry purposes and general state budget needs from income from raw wood and non-cut wood sales (raw material tax).

In 2018, the largest part of non-standard taxes was paid to the State budget by **VĮ Valstybinių miškų urėdija**: EUR 2.6 million of property tax and EUR 25.3 million of raw material tax.

Taking into account both dividends and profit contributions as well as non-standard taxes, in 2018, the return from SOEs to the State amounted to EUR 168.7 million and was 17.0% lower than in 2017. The decrease was mainly influenced by the decrease in dividends, especially those allocated by **Lietuvos energija, UAB**, which in 2017 accounted for more than half of the total dividends of SOEs.

The below table shows dividends or profit contribution allocated by individual SOEs to the State. It should be noted that some SOEs are subject to statutory reductions or exemptions from dividends

or profit contributions. The following exceptions apply:

- **UAB EPSO-G.** Pursuant to the exception referred to in paragraph 4.3 of Resolution No 786 of the Government of the Republic of Lithuania 'On Dividends for State-Owned Shares and Profit Contributions of State-Owned Enterprises', the amount of the dividends shall be determined by Resolution No 1116 of the Government of the Republic of Lithuania 'On Dividends Paid by EPSO-G UAB for the State-Owned Shares'. According to this resolution, the dividends paid by the Company for the years 2016-2021 shall be 0.5% of the Company's distributable profits.
- **VĮ Lietuvos naftos produktų agentūra.** VĮ Lietuvos naftos produktų agentūra was exempt from paying profit contributions according to Article 15(10) of the Law on State and Municipal Enterprises valid until 1 January 2019.
- **VĮ Oro navigacija.** The Company is exempt from paying profit contributions according to Article 15(5), item 4 of the Law on State and Municipal Enterprises; however, the Company voluntarily allocates profit contributions (at a lower rate than established under Article 15(6) of the Law on State and Municipal Enterprises).
- **VĮ Indėlių ir investicijų draudimas.** Pursuant to Article 43(3) of the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania, all profit of the Company is allocated to the legal reserve.

| Company | Dividends and profit contributions allocated for the year (EUR '000) | | Dividends and profit contributions for 2018 as a share of | |
|--|---|----------|--|----------------------|
| | 2017 | 2018 | Net profit | Distributable profit |
| Lietuvos energija, UAB | 78,265.4 | 13,000.0 | 29.1% | 16.6% |
| UAB EPSO-G | 682.2 | 750.1 | 5.2% | 0.5% |
| AB Klaipėdos nafta | 12,316.7 | 8,375.7 | 100.0% | 97.6% |
| VĮ Ignalinos atominė elektrinė | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Radioaktyviųjų atliekų tvarkymo agentūra | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Lietuvos naftos produktų agentūra | 0.0 | 0.0 | 0.0% | 0.0% |
| AB Lietuvos geležinkeliai | 34,000.0 | 43,000.0 | 96.1% | 94.1% |
| AB Lietuvos paštas | 0.0 | 0.0 | 0.0% | 0.0% |
| AB Lietuvos radijo ir televizijos centras | 330.7 | 955.2 | 82.8% | 80.0% |
| AB Smiltynės perkėla | 517.7 | 393.1 | 75.3% | 70.3% |
| AB Kelių priežiūra | 4,543.8 | 0.0 | 0.0% | 0.0% |
| VĮ Oro navigacija | 500.0 | 1,100.0 | 25.4% | 13.7% |
| VĮ Klaipėdos valstybinio jūrų uosto direkcija | 22,331.6 | 28,000.0 | 90.4% | 90.4% |
| VĮ Lietuvos oro uostai | 3,429.0 | 8,524.1 | 102.0% | 94.7% |
| VĮ Vidaus vandens kelių direkcija | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Valstybinių miškų urėdija | 4,508.2 | 22,142.6 | 87.6% | 70.0% |
| UAB Projektų ekspertizė | 103.5 | 77.2 | 134.5% | 65.0% |
| VĮ Statybos produkcijos sertifikavimo centras | 115.4 | 210.3 | 74.7% | 60.0% |
| UAB Būsto paskolų draudimas | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Indėlių ir investicijų draudimas | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Lietuvos prabavimo rūmai | 929.4 | 203.7 | 1,034.0% | 80.0% |
| VĮ Turto bankas | 440.8 | 128.6 | 85.0% | 85.0% |
| UAB Viešųjų investicijų plėtros agentūra | 572.1 | 266.5 | 267.3% | 80.0% |
| VĮ Mūsų amatai | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Lietuvos kinas | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Lietuvos paminklai | 0.0 | 131.8 | 583.2% | 70.0% |
| UAB Lietuvos monetų kalykla | 0.0 | 0.0 | 0.0% | 0.0% |
| AB Informacinio verslo paslaugų įmonė | 464.5 | 92.9 | - | 81.0% |
| VĮ Distancinių tyrimų ir geoinformatikos centras Gis-centras | 265.2 | 212.5 | 119.9 | 60.0% |
| AB Detonas | 413.1 | 550.4 | 88.2 | 60.0% |
| AB Problematika | 1,244.2 | 1,336.5 | 216.2% | 91.5% |
| UAB Universiteto vaistinė | 27.9 | 57.0 | 75.1% | 70.0% |
| UAB Kauno Petrašiūnų darbo rinkos mokymo centras | 106.9 | 0.0 | 0.0% | N/A. |
| VĮ Registrų centras | 1,111.0 | 1,461.7 | 76.0% | 71.7% |
| AB Giraitės ginkluotės gamyba | 0.0 | 266.5 | 22.3% | 25.8% |
| UAB Investicijų ir verslo garantijos | 312.0 | 204.4 | 68.5% | 80.0% |
| UAB Toksika | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Lietuvos parodų ir kongresų centras LITEXPO | 492.6 | 719.6 | 94.6% | 70.0% |
| UAB poilsio namai Baltija | 0.0 | 0.0 | 0.0% | 0.0% |
| AB Vilniaus metrologijos centras | 336.0 | 310.5 | 153.9% | 75.0% |
| VĮ Infostruktūra | 92.5 | 244.7 | 74.3% | 70.0% |
| VĮ Regitra | 4,761.2 | 3,071.4 | 78.5% | 60.0% |
| AB Jonavos grūdai | 517.3 | 296.2 | 92.1% | 70.0% |
| AB Lietuvos veislininkystė | 78.4 | 81.0 | 74.3% | 70.0% |
| AB Kiaulių veislininkystė | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Gyvulių produktyvumo kontrolė | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Lietuvos žirgynas | 18.6 | 4.7 | 185.7% | 85.2% |
| UAB Panevėžio veislininkystė | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Šeduvos avininkystė | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Šilutės polderiai | 29.6 | 36.9 | 87.5% | 69.9% |
| UAB Šilutės veislininkystė | 5.4 | 0.0 | 0.0% | 0.0% |
| UAB Dotnuvos eksperimentinis ūkis | 0.0 | 0.0 | 0.0% | 0.0% |
| UAB Upytės eksperimentinis ūkis | 140.6 | 0.0 | 0.0% | 0.0% |
| UAB Žemės ūkio paskolų garantijų fondas | 90.4 | 139.2 | 76.1% | 70.0% |
| UAB Pieno tyrimai | 138.2 | 192.7 | 80.0% | 80.0% |
| VĮ Valstybės žemės fondas | 0.0 | 29.4 | 74.8% | 74.8% |
| VĮ Žemės ūkio informacijos ir kaimo verslo centras | 0.0 | 0.0 | 0.0% | 0.0% |
| VĮ Mašinų bandymo stotis | 0.0 | 1.4 | 4.7% | 60.9% |

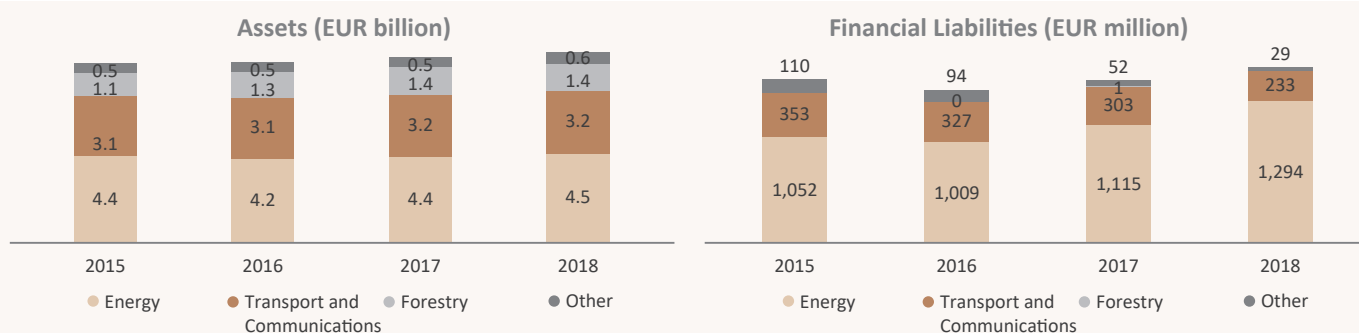
Asset management

During 2018, the asset value of SOEs increased by 2.7%

At the end of 2018, the book value of assets of SOEs amounted to EUR 9.7 billion - 2.7% more than at the end of 2017. The assets of the Energy sector increased by 4.1%, up to EUR 4.5 billion and comprised almost half (47.0%) of the entire portfolio of SOEs asset value. The assets of the Transport and Communications sector enterprises decreased slightly - by 0.4%; the assets of the Forestry sector remained almost unchanged and amounted to EUR 1.4 billion. The book value of assets of Other Enterprises sector increased by 17.5% and amounted to EUR 0.6 billion at the end of 2018.

In 2018, the financial liabilities of the SOEs portfolio grew by 5.9% up to EUR 1,556.9 million. The increase was caused by the growth of the financial liabilities of the Energy sector's enterprises of 16.1%. At the end of the accounting period, they amounted to EUR 1,294.3 million and accounted for 83.1% of the value of financial liabilities of the entire portfolio. The biggest share of financial liabilities in the Energy sector was attributed to **Lietuvos energija, UAB, Group** whose financial liabilities increased by solid 40.8% or EUR 250.4 million in 2018 and amounted to EUR 864.5 million. During the reporting period, the

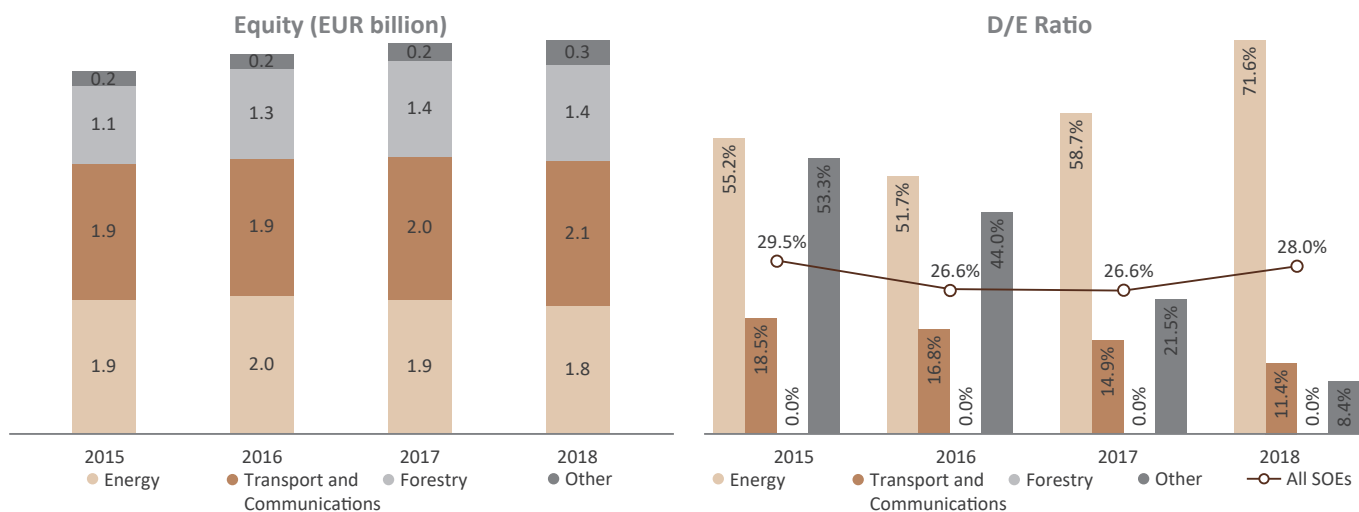
financial liabilities of the Transport and Communications sector and Other Enterprises sector decreased respectively by 22.9% and 44.2%. The decrease of financial liabilities of the Transport and Communication sector was mainly influenced by the decrease of financial liabilities of **AB Lietuvos geležinkeliai Group** by 21.5% or EUR 57.6 million; the Company's financial liabilities accounted for 90.4% of the value of liabilities of the entire sector. The Other Enterprises sector was most affected by the repayment of financial liabilities of **VĮ Turto bankas**, where 99.2% of the financial debts or EUR 19.9 million were repaid



during the year. It is also worth noting that the **VĮ Valstybinių miškų urėdija** belonging to the Forestry sector paid out all financial liabilities in 2018, which amounted to EUR 0.6 million at the beginning of the accounting year.

The book value of equity of the SOEs' portfolio increased by 0.7% in 2018, up to EUR 5.6 billion. During the accounting period, the value of equity of Other Enterprises sector increased the most, by 42.4% or EUR 0.1 billion. The equity value of the Transport and Communications sector increased more moderately - by 1.4%, amounting to EUR 2.1

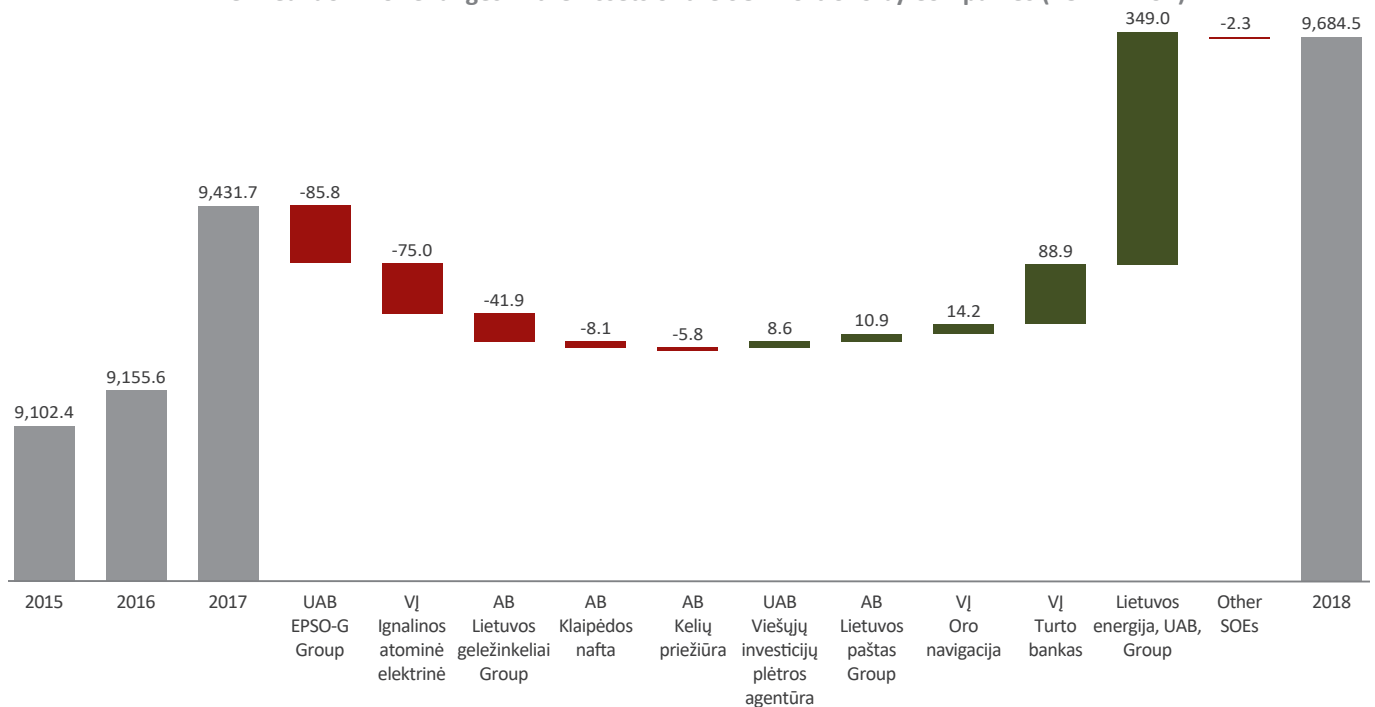
billion. The equity value of the Energy sector declined by 4.7% i. e. EUR 0.1 billion and amounted to EUR 1.8 billion at the end of the year. The decline in the value of equity in the Forestry sector was insignificant, amounting to 0.4%. The amount of grants and subsidies of the SOEs' portfolio decreased by 2.6% in 2018 to EUR 1.4 billion. More than half, i. e. 51.4% or EUR 0.7 billion of all grants and subsidies of the SOEs' portfolio was attributable to the Energy sector in the accounting period, whose grants decreased by 7.3%. This decrease was due to the value of grants to **VĮ Ignalinos atominė elektrinė**, which decreased by 11.4% down to EUR 0.5 billion.



At the end of 2018, the debt to assets ratio of SOEs was 25.2% and increased by 1.6 p. p. compared to 2017. The D/E ratio has been growing since 2016. At the end of 2018, the highest D/E ratio was recorded in the energy and transport and communications sectors, reaching 62.9% and 11.4% respectively. The D/E ratio of the forestry

sector (including the estimated commercial value of the forest that increases the equity capital) was 0%, after all financial liabilities were repaid. At the end of the year, the D/E ratio of other enterprises sector was 8.4%, i. e. by 13.1 p. p. lower than in 2017.

The Breakdown of Changes in the Assets of the SOE Portfolio by Companies (EUR million)



The information on changes in the book value of the SOE portfolio, broken down by companies that have had the greatest impact on the performance of the portfolio as a whole, is provided below.

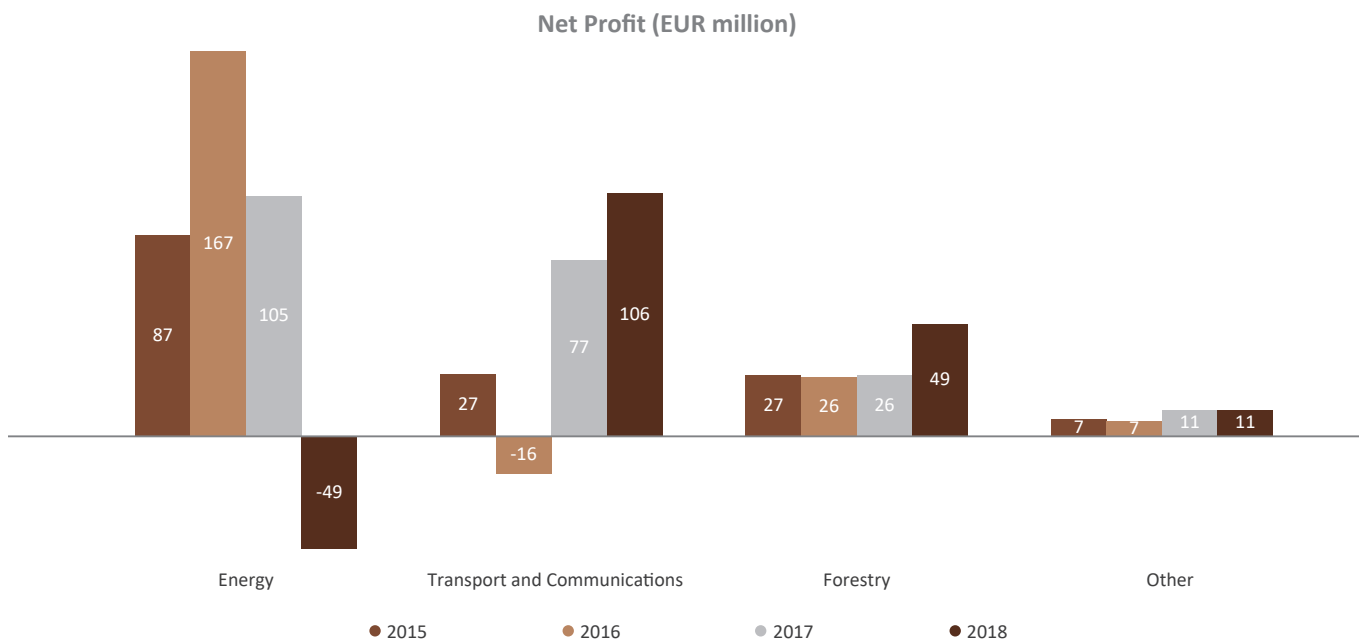
- ↓ The book value of **EPSO-G, UAB Group** assets decreased by EUR 85.8 million during the reference period and amounted to EUR 684.7 million at the end of 2018. The decrease of the Group's assets was mainly caused by the impairment of the assets of group companies LITGRID AB Group and AB Amber Grid.
- ↓ The assets of **VĮ Ignalinos atominė elektrinė** amounted to EUR 625.5 million at the end of 2018, which was 10.7% or EUR 75.0 million less than in 2017. The decrease in assets was mainly affected by the sale of unused assets.
- ↓ The assets of **AB Lietuvos geležinkeliai Group** decreased by 2.0% or EUR 41.9 million and amounted to EUR 2,025.7 million at the end of 2018. The decrease was mainly caused by the decrease in the value of non-current assets by 3.3% or EUR 63 million, mainly due to depreciation. The Group's acquisition cost of fully depreciated but still used real property, plant and equipment amounted to EUR 43.4 million (EUR 34.4 million in 2017), consisting mainly of vehicles.
- ↓ The assets of **AB Klaipėdos nafta** amounted to EUR 293.1 million at the end of 2018, having decreased by 2.7% or EUR 8.1 million during the accounting year: non-current assets decreased by 1.1% due to depreciation, while non-current assets value decreased by 6.4%.
- ↓ The assets of **AB Kelių priežiūra** decreased by 4.3% or EUR 5.8 million during the accounting period and amounted to EUR 129.6 million at the end of the year. The decrease was mainly due to the return of surplus assets: EUR 138 thousand to the Lithuanian Road Administration under the Ministry of Transport and Communications, EUR 2,774 thousand to VĮ Turto bankas and EUR 71 thousand to Palanga municipality. Based on the notes of receipt and delivery, EUR 134 thousand was transferred to VĮ Turto bankas.
- ↑ During the reporting period the assets of **UAB Viešųjų investicijų plėtros agentūra** were 3.7 times higher than the last year and amounted to EUR 11.9 million at the end of the year. The main reason for the asset growth was EUR 9.0 million received during the reporting period for increasing the authorised capital.
- ↑ The book value of the assets of **AB Lietuvos paštas Group** increased by 15.1% or EUR 10.9 million during the accounting period and amounted to EUR 83.0 million at the end of 2018. The growth was driven by the Group's current assets, which increased by 22.8% during the reporting period up to EUR 25.9 million. The growth is related to the accounted contract assets, i. e. the accrued income from international settlements with the book value of EUR 22.1 million at the end of the year.
- ↑ The assets of **VĮ Oro navigacija** amounted to EUR 69.4 million at the end of 2018, which was 25.8% or EUR 14.2 million more than in 2017. The growth of non-current assets, which accounted for 24.2%, was driven by the increase in the carrying amount of real property, plant and equipment by EUR 8.1 million. This was mainly due to significant investments in the construction of the Company's new administrative building and regional air traffic control centre and the acquisition of equipment for air navigation services. Current assets increased by 33.3% because of an increase in cash and cash equivalents from EUR 6.6 million. to EUR 14.6 million due to larger grants and subsidies received as well as better results for the financial year.
- ↑ The assets of **VĮ Turto bankas** amounted to EUR 283.7 million at the end of 2018. The increase of 45.6% or EUR 88.9 million was caused by an increase in the controlled investment assets that grew 2.8 times.
- ↑ **Lietuvos energija, UAB, Group** controlled the assets worth EUR 2,854.1 million as of 31 December 2018, which was 13.9% or EUR 349 million higher compared to 2017. The increase of the assets was mainly caused by the increase of the Company's non-current tangible assets of 18.8% or EUR 330.5 million, amounting to 73.3% or EUR 2,091.6 million of the entire Group's assets because of investments in progress. Also, the revaluation of non-current tangible assets of AB Energijos skirstymo operatorius resulted in the value increase of EUR 76.0 million.
- ↓ The book value of assets of the **remaining SOEs** decreased by EUR 2.3 million over the year, which contributed to the overall decrease of the SOEs' portfolio assets. Out of 48 enterprises, the assets changes of which were not detailed, the assets of 28 enterprises decreased and that of 20 increased during the accounting period.

Net Profit

During 2018, net profit of SOEs decreased by 46.5%

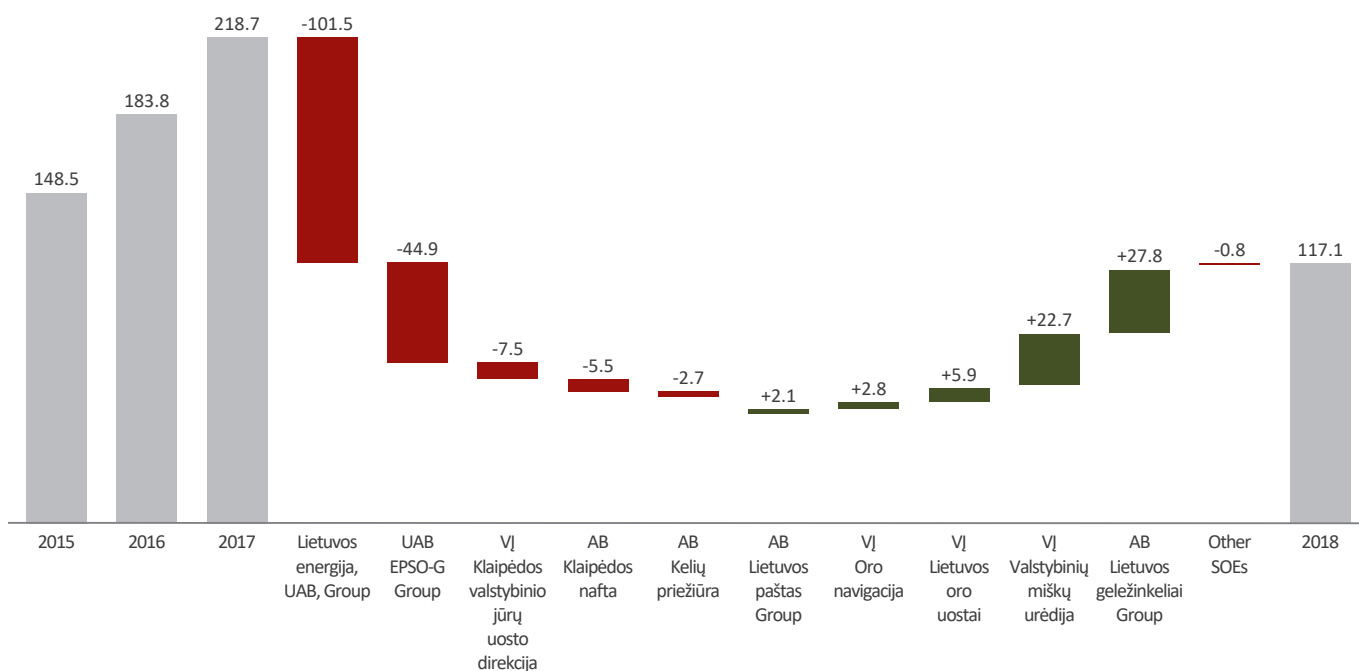
State-owned enterprises earned EUR 117.1 million in net profit in 2018, which was 46.5% or EUR 101.6 million less than in 2017. The decrease in the portfolio's net profit was mainly influenced by the decrease in net profit (from EUR 104.7 million to EUR 49.0 million) of the Energy sector companies, particularly Lietuvos energija, UAB Group and UAB EPSO-G Group. The net profit of the Transport and Communications sector companies increased by 37.9% and amounted to EUR 105.7 million at the end of the year. The growth was mainly influenced by the doubled

net profit of AB Lietuvos geležinkeliai Group amounting to 51.9% or EUR 54.8 million of the entire profit earned in the Transport and Communications sector. The results of the Forestry sector increased significantly by 86.4% amounting to EUR 49.0 million at the end of the year. The net profit of the Other Enterprises sector increased by 2.9% up to EUR 11.4 million.



The information on changes in the net profit of the SOE portfolio, broken down by companies that have had the greatest impact on the performance of the portfolio as a whole, is provided below.

The Breakdown of Changes in the Net Profit of the SOE Portfolio by Companies (EUR million)



- ↓ The net result earned by **Lietuvos energija, UAB, Group** in 2018 decreased by EUR 101.5 million from the profit of EUR 93.5 million in 2017 to the loss of EUR 7.9 million in 2018. Despite a 13.9% increase in sales revenue, the Group's negative results were mainly driven by higher market acquisition cost of gas and electricity, with an effect of EUR 104.7 million. The result was also significantly influenced by AB Energijos skirstymo operatorius, the profit (loss) statement of which included the impairment of the electricity assets and the reversal of impairment of the gas assets after the non-current assets revaluation, which had an aggregate negative impact of EUR 49.0 million on the consolidated net profit of the Group.
- ↓ The net loss of **UAB EPSO-G Group** increased by EUR 44.9 million in 2018. The increased amount of transmitted electricity and natural gas to the domestic and foreign customers of the system positively affected the sales revenue of the Group, which grew by 9.1% and reached EUR 245.8 million. Nevertheless, in 2018, the Group incurred a loss of EUR 47.7 million. This was influenced by the impairment of non-current tangible assets of Litgrid and Amber Grid as a result of the changed regulatory environment, which resulted in an increase in costs of EUR 88.7 million.
- ↓ **VĮ Klaipėdos valstybinio jūrų uosto direkcija** earned EUR 31.4 million in net profit in 2018. Although the growth of activity volume in 2018 (loading volume increased by 7.9% and the number of ships entering the port of Klaipėda grew by 7.8%) resulted in a growth of 6.6% in sales revenue, due to deferred income tax expenses of EUR 6.6 million, which increased net profit for the previous year (amounting to EUR 38.4 million in 2017), net profit decreased by EUR 7.5 million.
- ↓ **AB Klaipėdos nafta** earned EUR 11.6 million in net profit in 2018, which was EUR 5.4 million less than in 2017, when the Company's net profit amounted to EUR 17.0 million. The decrease was mainly influenced by the decrease in volume of processing of LNG as well as a decrease in the volume of oil products handling by 6.7% (mainly due to lower flow of light oil products by the main customer AB ORLEN Lietuva).
- ↓ **AB Kelių priežiūra** earned EUR 1.5 million in net profit in 2018, which was EUR 2.7 million less than last year. The decline was driven by a 2.4 percent drop in sales revenue due to reduced funding (by 42.0%) for the restoration of worn-out gravel roads and sidewalks. In addition, the loss of income accounting for more than EUR 200.0 thousand resulting from the educational activities being transferred to Lithuanian Road Administration and a 66.1% drop in the volumes of road, road construction and their land inventory works had a significant impact. The negative change in net profit was also influenced by increase in general and administrative expenses of 55.2% due to higher staff costs and one-off costs, namely reorganisation expenses (EUR 775.1 thousand), provisions formed (EUR 283.5 thousand) and expenses related to changing the legal form of the company (EUR 148.6 thousand).
- ↑ The net profit of **AB Lietuvos paštas Group** increased by 133.9% and amounted to EUR 3.7 million in 2018. It was driven by the revenue from postal services, consisting of information dispatch and delivery and receipt of merchandise, which increased by EUR 10.2 million: in 2018, this segment earned EUR 62.2 million in revenue, accounting for 70.4% of the operational income. The main reason for the growth is, due to increased income from small e-commerce shipments from China, increased revenue from delivery of merchandise, which grew by EUR 9.1 million. The volume of delivery of merchandise grew by 14.0% despite the overall decline in the number of services provided by the Group by 14.8%. Revenue from information sending services increased by 5.6% due to a 10.0% increase in earnings from business customers.
- ↑ The net profit of **VĮ Oro navigacija** increased 1.5 times and amounted to EUR 4.6 million, while in 2017, it was EUR 1.9 million. This result was due to the increased sales revenue by 2.6% because of the increase in the number of flights (by 9.4%) in the airspace of the Republic of Lithuania, which was one of the largest one in the common European sky space. The higher net result was also driven by the decrease in general and administrative expenses by 17.8% or EUR 1.3 million caused by the decreased maintenance costs (by EUR 0.8 million) due to revised procedures on communications, navigation, maintenance and repair, as well as the lower cost of insurance services (decreased by EUR 0.3 million).
- ↑ The net profit earned by **VĮ Lietuvos oro uostai** in 2018 exceeded that of the last year by EUR 5.9 million and amounted to EUR 8.7 million at the end of the accounting period. The growth was driven by the higher sales revenue earned by the company in 2018, the increase of which accounted for 32.8% or EUR 44.00 million. The increase of 34.4% or EUR 7.5 million was mainly driven by the growth in aviation revenue, which accounted for 66.9% of the total revenue structure. This is related to an increase in the number of passengers served (by 19.2%, up to 6.3 million passengers), as well as an increase in the number of seats available on board and an increase in the number of travel destinations. Non-aviation revenue, which was nearly half that of the aviation revenue, increased by 29.7%.
- ↑ **VĮ Valstybinių miškų urėdija** earned EUR 49.0 million in net profit in 2018, which was 86.4% more than in 2017. Although sales of round timber fell by 9.9%, the average price for timber of EUR 10 per cubic meter increased by 13.2%, compared to 2017, which had boosted the sales of round timber up to EUR 168.5 million. Profit increase was also influenced by, due to the decrease in sales of core production, decreased cost of sales (by 7.6%) and the reorganisation of 42 forest enterprises carried out from 8 January 2018 which reduced general and administrative costs by 1.5%.
- ↑ The net profit of **AB Lietuvos geležinkeliai Group** increased more than two times in 2018 and amounted to EUR 54.8 million at the end of the year, while a year ago the net profit was EUR 27.0 million. The most significant influence for the growth was the increase in the revenue of other operations from EUR 1.1 in 2017 to EUR 27.9 million in 2018, which was caused by the subsidy of EUR 27.0 million from the State for losses incurred in the transport of passengers via local routes; in 2017, the amount allocated to the public passenger transport operations amounted to EUR 0.2 million. The growth was also positively influenced by sales growth of 4.4% due to the increased activity volume.
- ↓ The net profit earned by **other SOEs** in 2018 was EUR 844.7 thousand less than in 2017 and this amount reduced the overall net profit of the SOE portfolio. Out of 48 enterprises, the changes of which were not detailed, the net profit increased in 24 cases and decreased in the rest 24 cases.

An aerial photograph showing a two-lane asphalt road with white lane markings, curving through a dense green forest. The road is on the right side of the frame, and the forest fills the rest of the image.

Transport and Communications

A convenient geographical location, access to the Baltic Sea, developed road and rail infrastructure determines the influence of the Transport and Communications sector on the national economy. SOEs operating in this sector, as infrastructure managers, are one of the essential elements for the further development of the Transport and Communications sector.

In 2018, the State managed 9 enterprises in the Transport and Communications sector: road maintenance, railway, water transport, airport, postal and telecommunication service companies. These companies together managed 32.7% of the total assets of SOEs

and earned 28.9% of the total SOEs revenue in 2018. The Ministry of Transport and Communications of the Republic of Lithuania is the authority representing the State for all enterprises of the Transport and Communications sector.

Financial results

The companies of the Transport and Communications sector earned EUR 796.9 million in revenue in 2018, which is 6.0% or EUR 45.2 million more than in 2017. The biggest impact on the overall revenue growth in the Transport and Communications sector was made by the 4.4% increase in sales revenue of **AB Lietuvos geležinkeliai Group**, up to EUR 468.0 million, which increased the sales revenue of the sector by EUR 19.9 million. This was significantly influenced by the increase of 6.1% or EUR 24.2 million in cargo transportation turnover, which accounted for 89.4% of the total revenue of the Group. The sales revenue of other companies in the sector was also significantly increasing the sales revenue of the sector: the growth of the sales revenue of **AB Lietuvos paštas Group** of 14.8% increased the total sector result by EUR 11.4

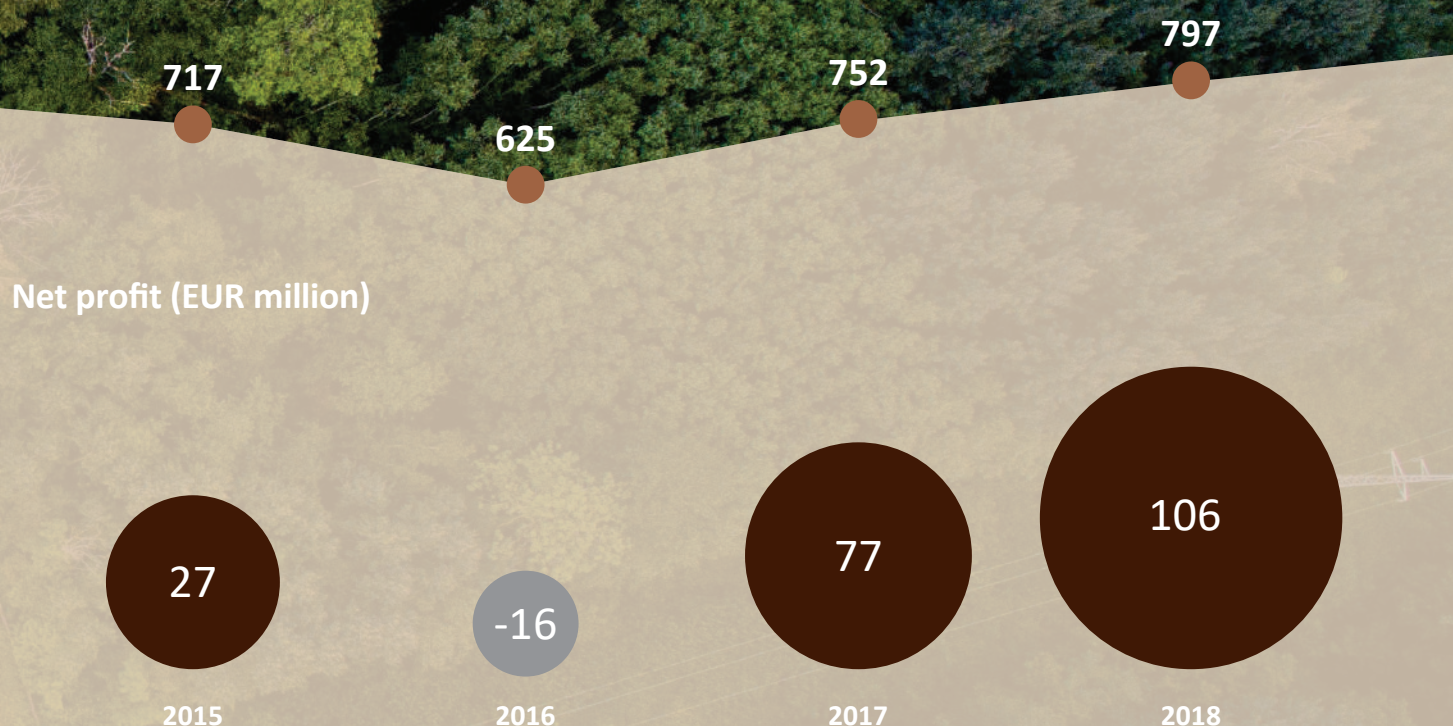
million, that of **VĮ Lietuvos oro uostai** – by EUR 10.9 million, and that of **VĮ Klaipėdos valstybinio jūrų uosto direkcija** – by EUR 3.9 million. All the sales revenue of the companies in the sector increased, except for **AB Kelių priežiūra**, the sales revenue of which decreased by 2.4%, reducing the sales result of the sector by EUR 1.9 million. The decline in sales revenue of the company was significantly influenced by 42.0% decrease in funding for the restoration of worn-out gravel roads and sidewalks; loss of income due to the transfer of educational activities; and reduced volume of the inventory operations of roads, road structures and their land plots by 66.1%.

In 2018, the Transport and Communications sector earned EUR 105.7 million in net profit

The net profit of the Transport and Communications sector companies increased by 37.9% and amounted to EUR 105.7 million at the end of the year 2018. This accounted for 90.3% of the profit of the entire SOEs portfolio. During the accounting period, the largest net profit in the Transport and Communications sector was earned by **AB Lietuvos geležinkeliai Group** and amounted to EUR 54.8 million. The company's result increased the net profit of the sector by EUR 27.8 million. A significant increase in the revenue of other operations from EUR 1.1 million in 2017 to EUR 27.9 million in 2018 was caused by the subsidy of EUR 27.0 million from the State for losses incurred in the transport of passengers via local routes; in 2017, the amount allocated

to the public passenger transport operations amounted to EUR 0.2 million. The growth was also positively influenced by sales growth of 4.4% due to the increased activity volume. Compared to 2017, the profit of the sector was increased by EUR 5.9 million due to the growth of net profit of **VĮ Lietuvos oro uostai**, by EUR 2.8 million - the growth of net profit of **VĮ Oro navigacijos** and the growth of net profit of EUR 2.1 million of **AB Lietuvos paštas Group**. The biggest impact on the net result of the Transport and Communications sector was made by the decrease in net profit of **VĮ Klaipėdos valstybinio jūrų uosto direkcija** by 19.2% or EUR 7.5 million. In 2018, the book value of assets under management in the Transport and Communications sector was

Sales revenue (EUR million)



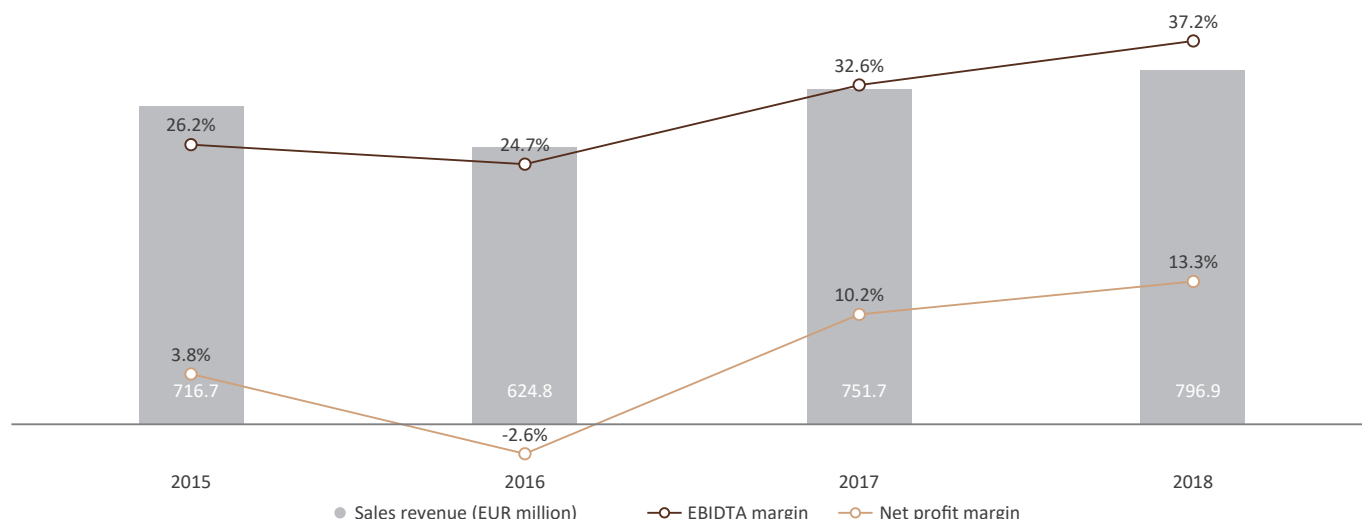
ROE for the Transport and Communications sector accounted for 5.2% in 2018 because of the growth both in net profit (37.9%) and equity (1.4%), amounting to the annual growth of 1.3 p. p.; it was the highest rate of ROE among all the SOEs sectors. The D/E ratio was 11.4% in 2018, which was 3.6 p. p. less than a year ago. The change in this ratio was mainly determined by the decrease of the financial liabilities of **AB Lietuvos geležinkeliai Group** by EUR 57.6

million because of repaid loans. In the overall structure of the sector, the financial liabilities of this Group accounted for 90.4%. Positive changes in the equity of the sector were driven by positive changes in the equity of **AB Lietuvos geležinkeliai Group**, **VĮ Klaipėdos valstybinio jūrų uosto direkcija** and **VĮ Lietuvos oro uostai**, which reached EUR 12.7 million, EUR 8.8 million and EUR 4.9 million respectively.

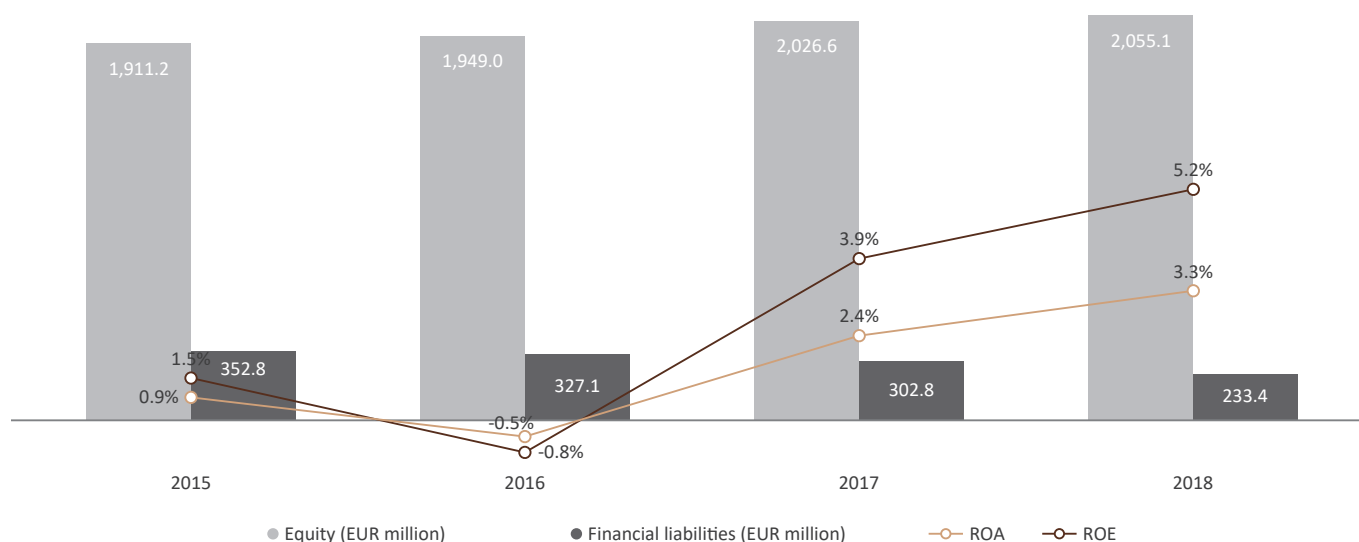
ROE of the sector amounting to 5.2%: the highest among all SOEs sectors

EUR 3.2 billion. The assets of the sector were mainly increased by the increase of the book value of **VĮ Oro navigacija** by EUR 14.2 million due to significant investments in the construction of the company's new administrative building and regional air traffic control centre and the provision of equipment for air navigation services. The value increase of the assets of **AB Lietuvos paštas Group** increased the

assets of the sector by EUR 10.9 million. The book value of the assets of **AB Lietuvos geležinkeliai Group** of EUR 2 billion decreased by EUR 41.9 million. The value of the assets of the Group accounted for 64% of the total sector assets. The negative change was also influenced by a 4.3% or EUR 5.8 million decrease in the assets of **AB Kelių priežiūra** for the repayment of excess assets.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|------------------|------------------|---------------|
| Sales revenue | 751,674 | 796,922 | +6.0% |
| Cost of goods sold | 462,023 | 462,734 | +0.2% |
| Gross profit (loss) | 289,650 | 334,187 | +15.4% |
| Cost of sales | 107,674 | 119,177 | +10.7% |
| General and administrative expenses | 105,673 | 113,652 | +7.6% |
| Profit (loss) from other activities | 2,240 | 28,108 | +1,155.0% |
| Net financial items | -5,918 | -3,853 | +34.9% |
| Profit (loss) before taxes | 72,625 | 125,613 | +73.0% |
| Corporate profit tax | -946 | 22,984 | - |
| Net profit (loss) | 73,571 | 102,629 | +39.5% |
| Adjusted net profit (loss) | 76,618 | 105,687 | +37.9% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 2,823,884 | 2,769,528 | -1.9% |
| Current assets | 333,356 | 366,856 | +10.0% |
| Cash and cash equivalents | 197,262 | 230,691 | +16.9% |
| Deferred charges and accrued income | 18,111 | 27,185 | +50.1% |
| Total assets | 3,175,351 | 3,163,569 | -0.4% |
| Equity | 2,026,575 | 2,055,131 | +1.4% |
| Grants and subsidies | 626,016 | 648,004 | +3.5% |
| Provisions | 30,733 | 33,698 | +9.6% |
| Accounts payable and other liabilities | 467,156 | 405,046 | -13.3% |
| Accounts payable after one year and other non-current liabilities | 276,468 | 218,792 | -20.9% |
| <i>Financial liabilities</i> | 262,163 | 202,797 | -22.6% |
| Accounts payable within one year and other current liabilities | 190,688 | 186,254 | -2.3% |
| <i>Financial liabilities</i> | 40,628 | 30,623 | -24.6% |
| Accrued expenses and deferred income | 24,872 | 21,690 | -12.8% |
| Total equity and liabilities | 3,175,351 | 3,163,569 | -0.4% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.4% | 3.3% | +0.9 p. p. |
| ROE | 3.9% | 5.2% | +1.3 p. p. |
| D/E | 14.9% | 11.4% | -3.6 p. p. |
| EBITDA | 244,893 | 296,501 | +21.1% |
| EBITDA margin | 32.6% | 37.2% | +4.6 p. p. |
| Net profit margin | 10.2% | 13.3% | +3.1 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 34,848 | 44,348 | +27.3% |
| Assigned profit contributions | 30,804 | 37,624 | +22.1% |
| Dividends and profit contributions to the State | 65,653 | 81,972 | +24.9% |
| Property tax | 3,448 | 3,461 | +0.4% |
| Total: | 69,100 | 85,433 | +23.6% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 19,655 | 18,981 | -3.4% |
| Number of executives | 39 | 36 | -7.7% |

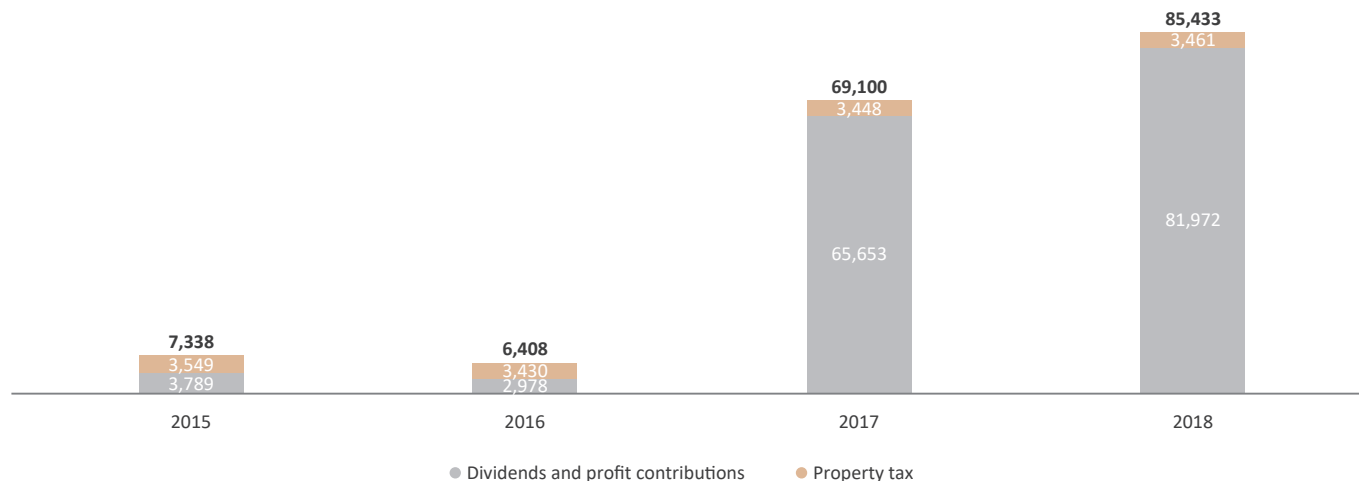


Enterprises of the Transport and Communications sector assigned 24.9% more dividends and profit contributions

In 2018, the book value of assets under management in the Transport and Communications sector was EUR 3.2 billion. The assets of the sector were mainly influenced by the increase of the book value of **VĮ Oro navigacija** by EUR 14.2 million due to significant investments in the construction of the company's new administrative building and regional air traffic control centre and the provision of equipment for air navigation services. The value increase of the assets of **AB Lietuvos paštas Group** increased the

assets of the sector by EUR 10.9 million. The book value of the assets of **AB Lietuvos geležinkeliai Group** of EUR 2.0 billion decreased by EUR 41.9 million. The value of the assets of the Group accounted for 64.0% of the total sector assets. The negative change was also influenced by a 4.3% or EUR 5.8 million decrease in the assets of **AB Kelių priežiūra** for the repayment of excess assets.

Return To the State (EUR '000)





Energy

The energy sector SOEs generate, transmit, distribute and supply power and heating to consumers across the country, manage the power and gas transmission and distribution grids, and carry out other related activities.

AB Klaipėdos nafta, which falls under the sector, renders oil and oil product transshipment services and is responsible for operating the liquefied natural gas (LNG) terminal in Lithuania. The liberalisation of electricity and gas markets was followed by the separation of generation, transmission and distribution activities and creation of the free electricity market. The implemented projects related to the LNG terminal and cross-border power links with Sweden and Poland ensure international integration of energy systems, promote efficiency in the sector, transparency, security and energy independence. The companies in this sector guarantee the implementation of energy projects of strategic importance.

In 2018, the energy sector had eight operating SOEs, but the performance of UAB Geoterma and VĮ Energetikos agentūra was not included in the SOE portfolio results due to a lack of available data. It is also worth noting that State Enterprise Visagino energija was converted into Municipal Enterprise Visagino energija on 19 December 2018.

The implications of the performance in the energy sector companies on the SOE portfolio results is obvious as at the end of 2018 the companies in the sector managed 47.0% of the SOE portfolio assets and earned 58.2% of the portfolio revenue.

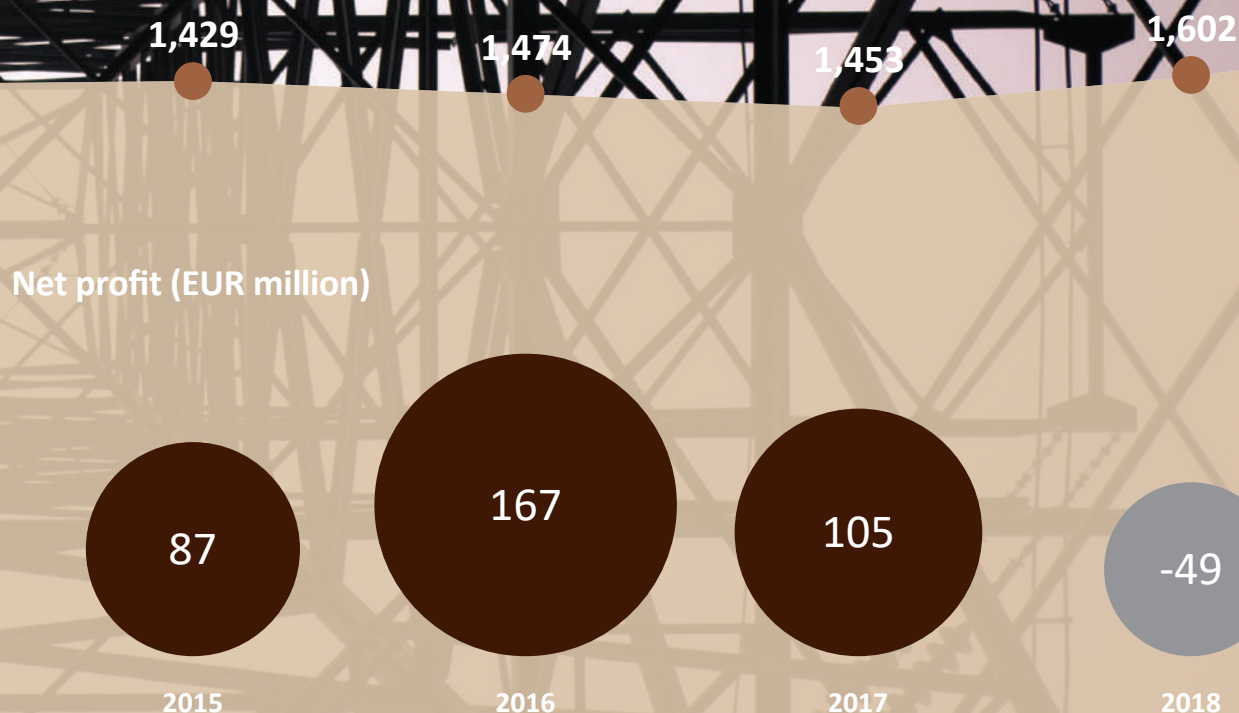
Financial performance

Energy sector revenue rose by 10.3%

In 2018, the sales revenue of the energy companies amounted to EUR 1,602.4 million and, compared to the performance in 2017, saw a EUR 149.8 million rise. This increase was mainly attributable to a 13.9% or EUR 153.4 million increase of the revenue of **Lietuvos energija, UAB Group** during the reference period with the revenue representing as much as 78.3% of the total sales revenue earned by the companies in the sector. There were a few reasons behind the growth of the Company's sales revenue: there was an EUR 87.3 million rise in the revenue from electricity trading and a EUR 46.3 million increase in the revenue from gas trading. In

addition, the reference year saw a EUR 20.6 million increase in the earnings generated by **UAB EPSO-G Group**, which represented 15.3%, i.e. EUR 245.8 million, of the total revenue from the energy sector. The largest adverse impact on the performance of the sector's revenue came from a drop of the sales revenue from **VĮ Lietuvos naftos produktų agentūra** down by 89.5% or EUR 17.8 million. This change was attributable to a 96.9% hit in the sales revenue (replacement) of the public inventories, i.e. from EUR 18.7 million to EUR 0.6 million. The results of **AB Klaipėdos nafta** took the sales revenue of the sector down by EUR 6.5 million.

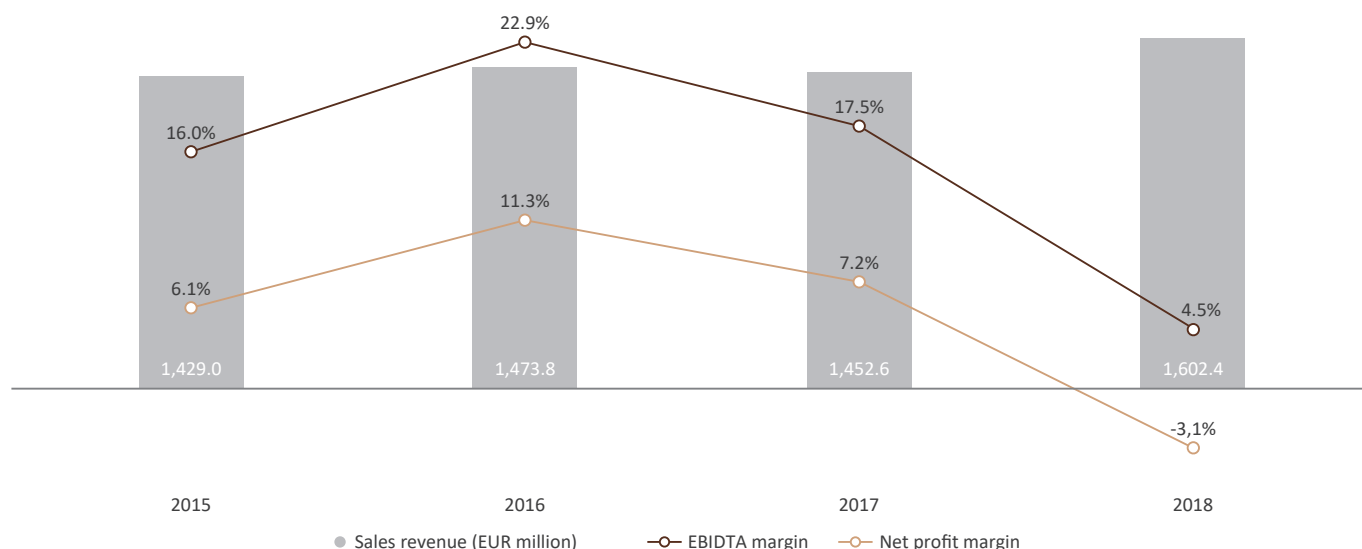
Sales revenue (EUR million)



During the year, net profit fell by EUR 153.7 million

In 2018, the energy sector was the only one among all sectors to suffer a loss worth EUR 49 million. The largest negative result among the companies in the sector was sustained by **UAB EPSO-G Group**, whose loss amounted to EUR 47.7 million and was about 16 times higher than last year. This was affected by the recorded impairment of the fixed tangible assets of the **LITGRID AB Group** and **AB Amber Grid**, which resulted in the growth of the Group's costs by EUR 94.0 million. The net loss of the **Lietuvos energija, UAB Group** was EUR 7.9 million, which, compared with the profits earned in 2017, reduced the results of the sector by EUR 101.5 million. The squeeze of the net result was attributable to the rising cost of goods sold in relation to the acquisition

of electricity and gas with its overall effect equalling EUR 104.7 million, and the asset revaluation result, i.e. the recorded impairment of the assets owned by **AB Energijos skirstymo operatorius** had a negative effect worth EUR 49 million on the consolidated net profit of the Group. All companies in the energy sector, with the exception of **AB Klaipėdos nafta**, whose net profit amounted to EUR 11.6 million, were operating at a loss in 2018. Despite this, the net result of **AB Klaipėdos nafta**, just like that of other companies in this sector, experienced a negative change, which reduced the result of the portfolio by EUR 5.5 million. The corresponding results are also reflected in the sector's net profitability ratio, which dropped from 7.2% to -3.1% over the year.



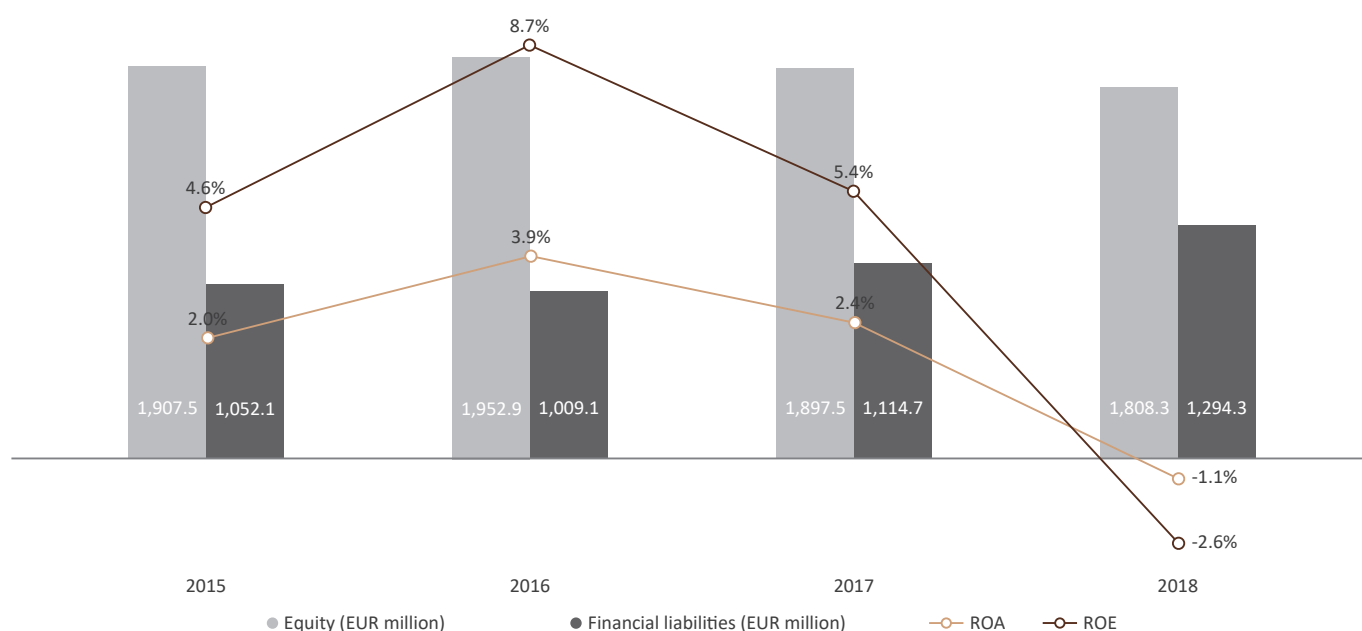
| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|------------------|------------------|---------------|
| Sales revenue | 1,452,627 | 1,602,432 | +10.3% |
| Cost of goods sold | 930,687 | 1,188,444 | +27.7% |
| Gross profit (loss) | 521,940 | 413,987 | -20.7% |
| Cost of sales | 269,424 | 290,613 | +7.9% |
| General and administrative expenses | 140,439 | 194,104 | +38.2% |
| Profit (loss) from other activities | -221 | 414 | - |
| Net financial items | -10,006 | -3,487 | +65.2% |
| Profit (loss) before taxes | 101,850 | -73,802 | - |
| Corporate profit tax | -2,812 | -24,783 | -781.3% |
| Net profit (loss) | 104,662 | -49,019 | - |
| Minority share in profit (loss) | 4 377 | -397 | - |
| Adjusted net profit (loss) | 104 662 | -49 019 | - |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 3,152,509 | 3,458,153 | +9.7% |
| Current assets | 1,218,210 | 1,090,319 | -10.5% |
| Cash and cash equivalents | 261,691 | 263,851 | +0.8% |
| Deferred charges and accrued income | 69 | 77 | +11.9% |
| Total assets | 4,370,788 | 4,548,548 | +4.1% |
| Equity | 1,897,532 | 1,808,277 | -4.7% |
| Grants and subsidies | 792,712 | 734,890 | -7.3% |
| Provisions | 79,274 | 105,681 | +33.3% |
| Accounts payable and other liabilities | 1,526,891 | 1,768,666 | +15.8% |
| Accounts payable after one year and other non-current liabilities | 963,194 | 1,199,075 | +24.5% |
| <i>Financial liabilities</i> | <i>732,546</i> | <i>978,422</i> | <i>+33.6%</i> |
| Accounts payable within one year and other current liabilities | 563,697 | 569,591 | +1.0% |
| <i>Financial liabilities</i> | <i>212,261</i> | <i>159,315</i> | <i>-24.9%</i> |
| Accrued expenses and deferred income | 74,379 | 131,034 | +76.2% |
| Total equity and liabilities | 4,370,788 | 4,548,548 | +4.1% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.4% | -1.1% | -3.5 p. p. |
| ROE | 5.4% | -2.6% | -8.1 p. p. |
| D/E | 58.7% | 71.6% | +13.1 p. p. |
| EBITDA | 254,693 | 71,670 | -71.9% |
| EBITDA margin | 17.5% | 4.5% | -13.1 p. p. |
| Net profit margin | 7.2% | -3.1% | -10.3 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 91,264 | 22,125 | -75.8% |
| Assigned profit contributions | 0 | 0 | - |
| Dividends and profit contributions to the State | 91,264 | 22,125 | -75.8% |
| Property tax | 0 | 0 | - |
| Total: | 91,264 | 22,125 | -75.8% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 7,927 | 7,149 | -9.8% |
| Number of executives | 134 | 129 | -3.7% |

Return on equity equalled -2.6% in the sector

The return ratios of the companies part of the energy sector decreased significantly against 2017 and became negative. The sector's return on assets, which had stood at 2.4% in 2017, became negative -1.1% in 2018, while the decline of the return on equity, with the ratio standing at -2.6%, was measured at 8.1 percentage points over the year. With a significant drop in the net result of the energy sector **groups (Lietuvos energija, UAB and UAB EPSO-G)**, the return on equity saw a respective decline by 7.6 percentage points and 21.5 percentage points with the ratios equalling -0.6% and -22.7%. The ratios of return of **AB Klaipėdos nafta** also slumped (as did the ratios of the remaining companies in the energy sector) with its return on equity decreasing from 8.7% to 5.8%, and the return on

assets from 6.3% down to 3.9%.

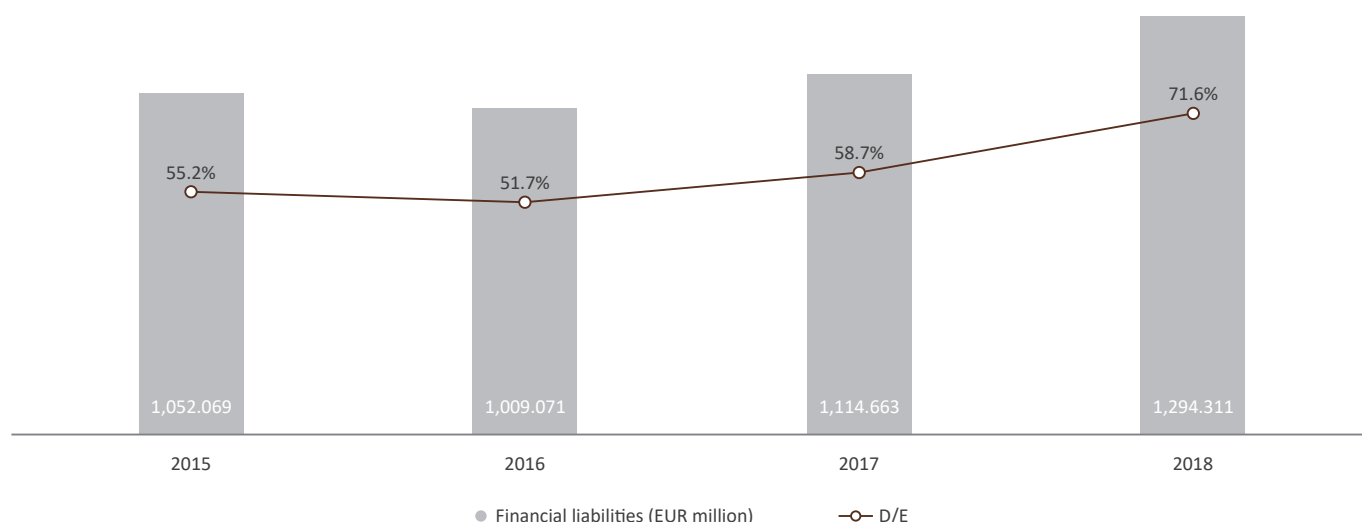
The value of dividends and profit contributions awarded by the energy sector companies for the performance in 2018, which would make additions to the State budget, was down by 75.8% against 2017 dropping from EUR 91.3 million to EUR 22.1 million. The largest part (EUR 13.0 million) consisted of the dividends awarded by **Lietuvos energija, UAB**, which slumped by 83.4% if compared to 2017. **AB Klaipėdos nafta** and **UAB EPSO-G** awarded EUR 8.4 million and EUR 0.8 million in dividends respectively. Other companies in the sector did not contribute to the revenue of the State budget in the form of dividends or profit contributions.



D/E ratio reached 71.6%

The sector's debt-to-equity ratio grew by 12.8 percentage points and equalled 62.9% at the end of the year. The value of the D/E ratio for all state-owned enterprises was 28.0%. The highest values of the debt-to-equity ratios were observed in the **UAB Lietuvos energija** and

UAB EPSO-G Groups. These D/E ratios of the above Groups were measured at 65.7% and 192.3% accordingly. The latter ratio shows that the book value of the Company's financial liabilities exceeded its equity by 92.3%.





Forestry

Since 8 January 2018, when 42 forestry enterprises were merged by absorption into VĮ Valstybinis miškotvarkos institutas incorporating VĮ Valstybinių miškų urėdija, the forestry sector consists of a single company, whose activities include forest management, afforestation, reforestation and maintenance, forest planting cultivation, logging and timber trade, sanitary forest protection and fire protection, forest road maintenance, recreational facility building and maintenance, professional hunting area maintenance and hunting arrangements, and implementation of nature management measures in forests as well as species and habitat protection.

The assets held by **VĮ Valstybinių miškų urėdija** represented 14.4% of the total assets of the companies, which are part of the SOE portfolio, while the number of workers in this sector accounted for 8.4% of the employees count in the entire portfolio. The sole owner of the forestry

sector company is the State with the Ministry of Environment of the Republic of Lithuania representing the State.

Financial performance

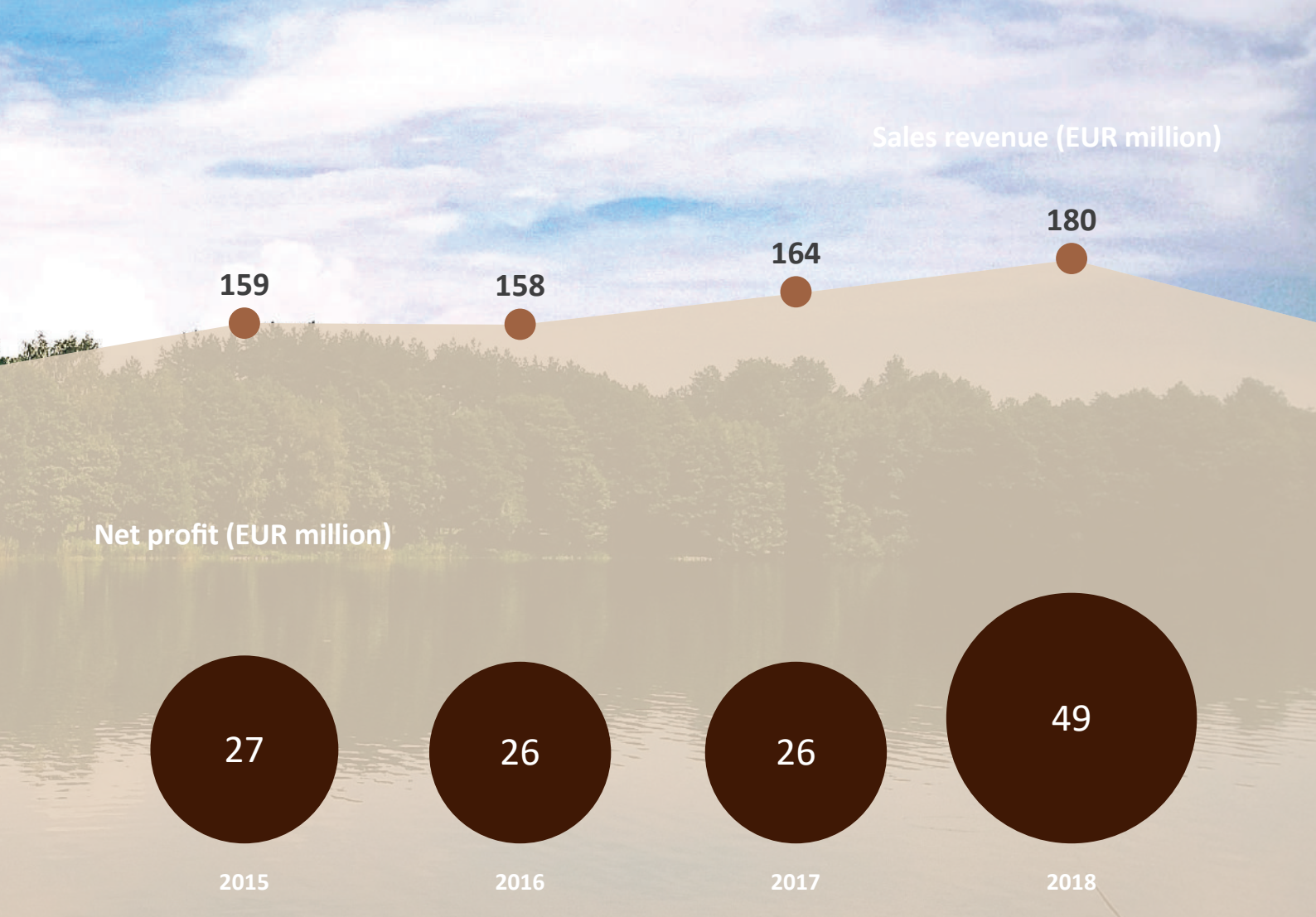
VĮ Valstybinių miškų urėdija, which represents the forestry sector, earned 9.9% more revenue in 2018, i.e. EUR 180.4 million, while the earnings had stood at EUR 164 million at the end of 2017. Sales growth was mainly influenced by an increase of the round wood price which saw a EUR 10 rise per cubic metre on average with the price reaching EUR 50 per cubic metre. With the increasing price, the volume of round wood sold fell by 9.9%. In total, there were 3.3 million cubic metres of round wood sold in 2018. The Company's revenue represented 6.6% of the sales revenue in the SOE portfolio.

In 2018, the cost of goods sold was down by EUR 5.0 million (7.6%) because of the declining sales volumes of the main production. The general and administrative expenses were down by EUR 1.3 million (1.5%), while the decrease of the cost of sales was estimated at EUR 0.4 million (8.4%). This had significant impact on the net profit growth, which reached 86.4% and amounted to EUR 49.0 million. During the reference period, the net profit margin equalled 27.2% as against 16.0% in 2017. EBITDA grew by 117.0% up to EUR 40.1 million. The EBITDA margin experienced a corresponding rise with the ratio equalling 22.3%. The return on equity went up to 3.6%

In its accounting, which is based on the business accounting standards, **VĮ Valstybinių miškų urėdija** enjoys an exemption applicable to

the **forestry enterprise** and does not record the value of the forest (biological assets). For the purposes of comparability with keepers of private forests and keepers of foreign state-owned forests that record the value of biological assets, the GCC readjusts the value of biological assets of the **forests** on a yearly basis using the discounted cash flow method. Based on the GCC calculations, as at 31 December 2018, **VĮ Valstybinių miškų urėdija** held biological assets worth EUR 1,178.4 million, which was 1.9% less than a year ago. Biological assets represented 84.7% of the total value of assets at the disposal of the Company, which had remained almost the same since the beginning of 2018 and totalled EUR 1.4 billion.

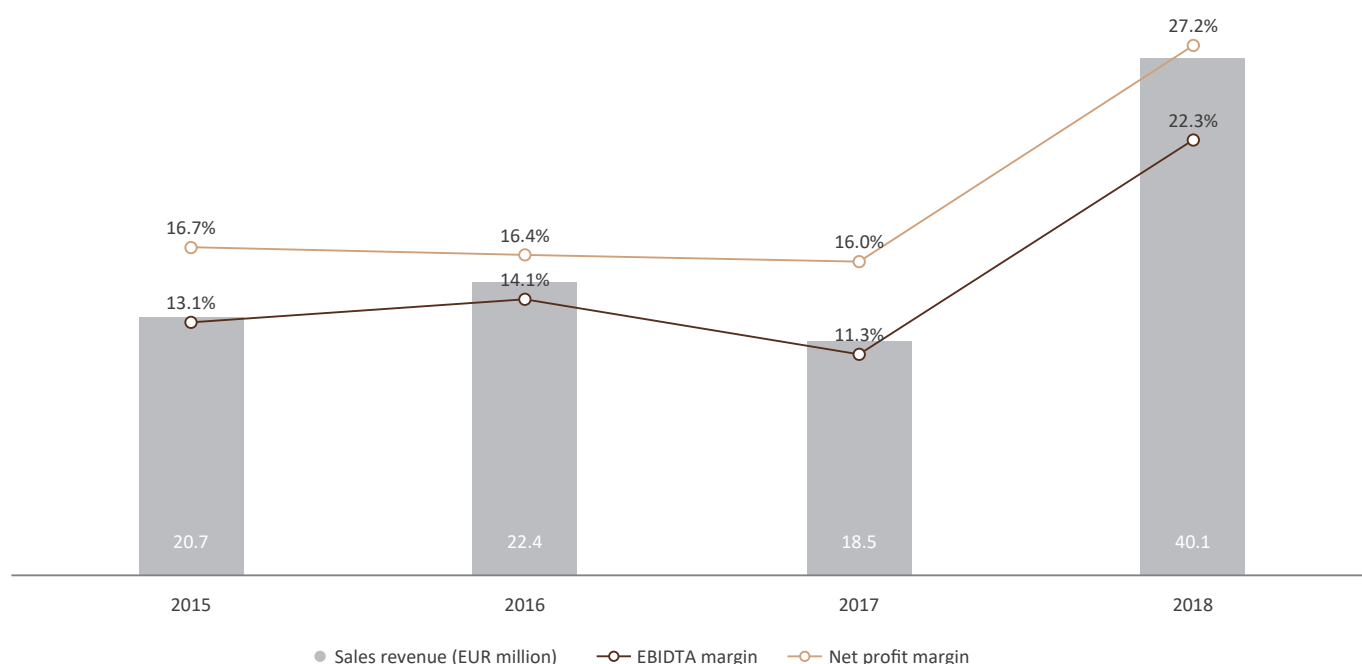
2018 saw a 4.4% or EUR 1.2 million drop in the Company's inventories. The growth of cash and cash equivalents was measured at 87.4% with the item soaring to EUR 73.3 million. As the Company is planning to make EUR 34.0 million worth of investments in 2019, of which EUR 28 million will be financed using own funds, and pay the assigned profit contribution, i.e. EUR 22.1 million, to the State budget, its cash value should get closer to the level of 2017. To sum up the above changes, the current assets of **VĮ Valstybinių miškų urėdija** soared by 50.4% with the value of assets totalling EUR 109.7 million. Considerable current assets help ensure high liquidity ratios of the forestry enterprises, and these ratios remain significantly higher than in the



private sector. Critical liquidity, which reflects the Company's ability to repay the Company's current liabilities with quickly realisable assets, had been estimated at the coefficient of 1.08 in the Lithuanian forestry and wood processing sector (data of the Statistics Lithuania for 2017), while the critical liquidity of the **VĮ Valstybinių miškų urėdija** was 4.5 at the end of 2018, significantly exceeding the national liquidity ratio (which had equalled 3.6 in 2017). Meanwhile, the absolute liquidity of the state enterprise, which falls under the forestry sector (the ratio of cash to short-term liabilities) was 4.5 as at 31 December 2018. In practice, the value of cash and cash equivalents exceeding short-term

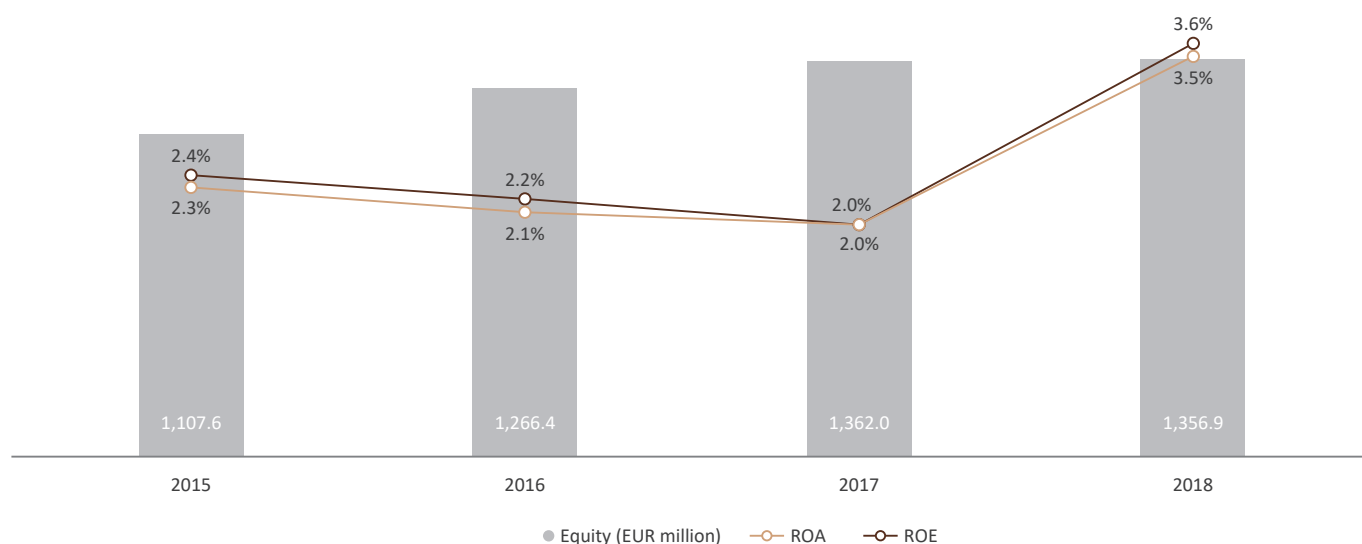
liabilities is regarded as an untapped potential to increase the value of the enterprise.

The equity of the forestry sector saw slight changes – was down by 0.4% with the equity equalling EUR 1,356.9 million. This was affected by the impairment of biological assets by EUR 22.6 million. The value of the Company's equity represented 24.4% of the total value of equity of the SOE portfolio in 2018. During the reference period, the Company did not have any long-term liabilities; however, its short-term liabilities rocketed by 51.2% totalling EUR 16.1 million.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|------------------|------------------|----------------|
| Sales revenue | 164,039 | 180,353 | +9.9% |
| Cost of goods sold | 65,814 | 60,793 | -7.6% |
| Gross profit (loss) | 98,225 | 119,560 | +21.7% |
| Cost of sales | 4,251 | 3,894 | -8.4% |
| General and administrative expenses | 88,035 | 86,692 | -1.5% |
| Profit (loss) from other activities | 592 | 230 | -61.1% |
| Net financial items | 161 | 87 | -45.7% |
| Profit (loss) before taxes | 6,692 | 29,292 | +337.7% |
| Corporate profit tax | 1,499 | 4,030 | +168.9% |
| Net profit (loss) | 5,194 | 25,262 | +386.4% |
| Adjusted net profit (loss) | 26,276 | 48 972 | +86.4% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets* | 1,314,293 | 1,278,454 | -2.7% |
| Current assets | 72,935 | 109,704 | +50.4% |
| Cash and cash equivalents | 39,091 | 73,263 | +87.4% |
| Deferred charges and accrued income | 3,610 | 2,897 | -19.8% |
| Total assets | 1,390,838 | 1,391,054 | +0.0% |
| Equity* | 1,362,015 | 1,356,926 | -0.4% |
| Grants and subsidies | 15,264 | 15,559 | +1.9% |
| Provisions | 2,185 | 2,442 | +11.8% |
| Accounts payable and other liabilities | 11,267 | 16,121 | +43.1% |
| Accounts payable after one year and other non-current liabilities | 608 | 0 | - |
| <i>Financial liabilities</i> | 599 | 0 | - |
| Accounts payable within one year and other current liabilities | 10,659 | 16,121 | +51.2% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 107 | 7 | -93.7% |
| Total equity and liabilities | 1,390,838 | 1,391,054 | +0.0% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.0% | 3.5% | +1.6 p. p. |
| ROE | 2.0% | 3.6% | +1.6 p. p. |
| D/E | 0.0% | 0.0% | -0.0 p. p. |
| EBITDA | 18,502 | 40,142 | +117.0% |
| EBITDA margin | 11.3% | 22.3% | +11.0 p. p. |
| Net profit margin | 16.0% | 27.2% | +11.1 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 4,508 | 22,142 | +391.1% |
| Property and raw material tax | 24,803 | 27,895 | +12.5% |
| Total: | 29,311 | 50,036 | +70.7% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 2,992 | 2,824 | -5.6% |
| Number of executives | 3 | 5 | +66.7% |

*The consolidated book values of fixed assets and equity of forestry enterprises have been increased by the value of forest (biological assets) calculated on the basis of the discounted cash flow method, with the value, based on the evaluation, standing at EUR 1,778.4 million at the end of 2018 and EUR 1,201.1 million at the end of 2017. The ratios were calculated based on the increased values of fixed assets and equity.



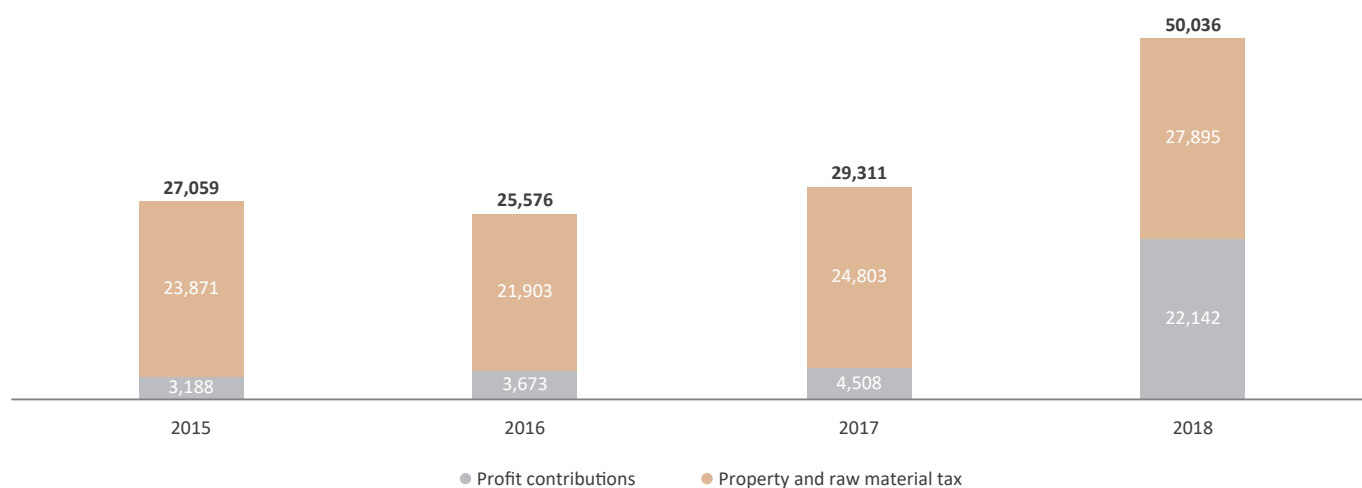
Contributions by the Forestry Sector Companies to the State Budget

The contribution of **VĮ Valstybinių miškų urėdija** to the State budget consists of profit contributions and non-standard taxes. Non-standard taxes are included in the calculations of the **Company's** contributions to the State budget because such taxes are not applicable to keepers of private forests. For the performance in 2018, it awarded EUR 50 million to the State budget, which was 70.7% or EUR 20.7 million more than a year ago.

The value of the profit contribution awarded in relation to the business carried out in 2018 disposing of the State property reached

EUR 22.1 million, compared with EUR 4.5 million in 2017. A significant increase of the assigned profit contribution resulted from the net profit growth. 2018 saw EUR 27.9 million worth of non-standard taxes recorded (against EUR 24.8 million in 2017). In relation to the use of entrusted assets, the Company paid 2.0%, i.e. EUR 2.6 million more in property tax, while the compulsory deductions (15.0%) on raw wood and non-cut timber sales revenue (the raw materials tax) equalled EUR 25.3 million. In 2017, these non-standard taxes had stood at EUR 2.3 million and EUR 22.5 million accordingly.

Return To the State (EUR '000)





Other enterprises

State-owned enterprises, which are engaged in various activities, from financial services to agricultural activities are considered as other enterprises. Despite a large number of enterprises in this sector, its contribution to overall SOEs portfolio results is the smallest of all sectors.

State-owned enterprises not attributed to the sectors discussed separately are engaged in various activities significant for the State: minting coins, providing hallmark and calibration services, evaluating construction projects, taking care of cultural heritage objects, carrying out activities in the agricultural sector, etc. A number of companies in this sector are the

only ones in Lithuania engaged in such activities and have no competitors in the private sector. Five of the companies of the sector, namely **AB Detonas**, **VĮ Infostruktūra**, **VĮ Registrų centras**, **AB Jonavos grūdai** and **AB Giraitės ginkluotės gamykla** – are designated by the law as being of strategic importance to or significant to national security.

In 2018, four companies in the other SOE sector were liquidated.

The portfolio of other enterprises sector includes as many as 43 SOEs, however, the assessment does not include the financial results of **UAB Klaipėdos žuvininkystės produktų aukcionas**. **UAB Respublikinė mokomoji sportinė bazė** was liquidated in 2018; **VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra** is in liquidation following the Decree of the Minister for Agriculture of the Republic of Lithuania of 28 September 2018, and the bankruptcy proceedings was launched in May 2019; **UAB Valstybinė projektų ir sąmatų ekspertizė** was merged by absorption into **UAB Projektų ekspertizė** as of 14 November 2018; the holding **UAB Aerogeodezijos**

institutas, amounting to 99.82% of the shares previously owned by the State, was sold by **VĮ Turto bankas** on November 29.

Among the remaining companies in the other enterprises sector there are 8 public limited companies, 22 private limited companies and 13 state enterprises. The largest enterprise in the sector by turnover and number of employees is **VĮ Registrų centras**, which at the end of 2018 employed 34.6% of the entire staff in the sector, while its turnover amounted to 22.5% of the total turnover in the sector. During the reporting period, 1,645 employees of the Company provided services for EUR 39.1 million.

Financial results

The sector's sales revenue grew by 2.5%

The sales revenue of the other enterprises sector grew by 2.5% in 2018 and amounted to EUR 173.7 million which accounted for 6.3% of the total revenue portfolio of the SOEs. During the accounting period, **VĮ Registrų centras** earned the most revenue - EUR 39.1 million, which have remained stable since the previous period, the decrease being slightly under 0.1%. The increase in sales revenue of the sector was significantly influenced by the increase of sales revenue of **AB Giraitės ginkluotės gamykla**

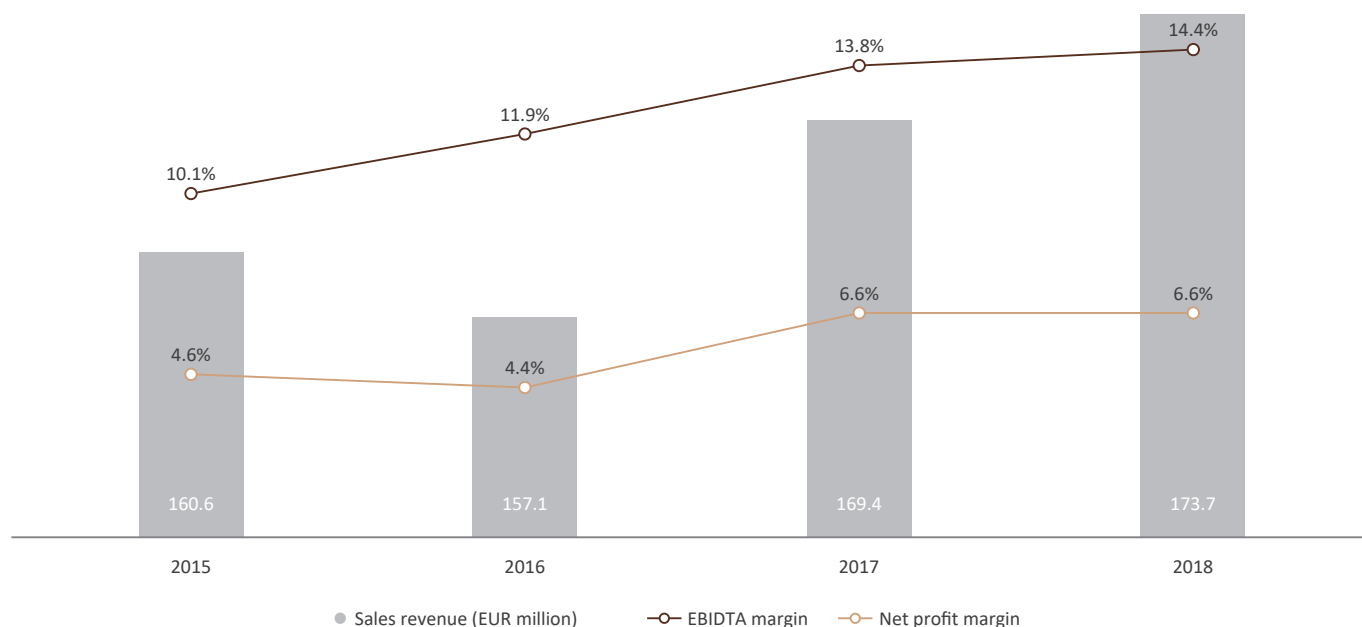
by EUR 2.5 million (36.4%) and sales revenue of **VĮ Turto bankas** by EUR 2.0 million (56.1%). The sales revenue of these companies accounted for 5.4% and 3.1% of the sales revenue for the entire sector, respectively. The main negative impact on the sector's sales revenue was the decrease in revenue of **UAB Lietuvos monetų kalykla** (24.1% or EUR 1.9 million) and **AB Problematika** (25.9% or EUR 1.8 million), accounting respectively for 3.4% and 3.0% of the sales revenue of the entire sector.



The growth in net profit amounted to 2.9%

The sector's net profit was EUR 11.4 million, which increased by 2.9%. The most significant impact on the growth of the sector's net profit was made by the increase in the net profit of **VĮ Registrų centras**, which amounted to EUR 1.2 million (up to EUR 2.2 million) and accounted for 18.9% of the net result of the other enterprises sector, due to significantly lower costs, higher operating income and positive financial result. The net profit of **VĮ Regitra** increased by 36.7% or EUR 1.1 million reaching EUR 4.0 million. The net profit earned by

this company accounted for a significant share (35.3%) of the overall profit of the sector. The loss incurred by **AB Informacinio verslo paslaugų įmonė** decreased the net profit of the sector by EUR 1.0 million, compared to the results of 2017. The result of the sector was also reduced (EUR 1.0 million) by **AB Problematika**, whose net profit decreased by 60.6%. Despite the growth of net profit, net profit margin remains unchanged in the end of the period and was 6.6%.

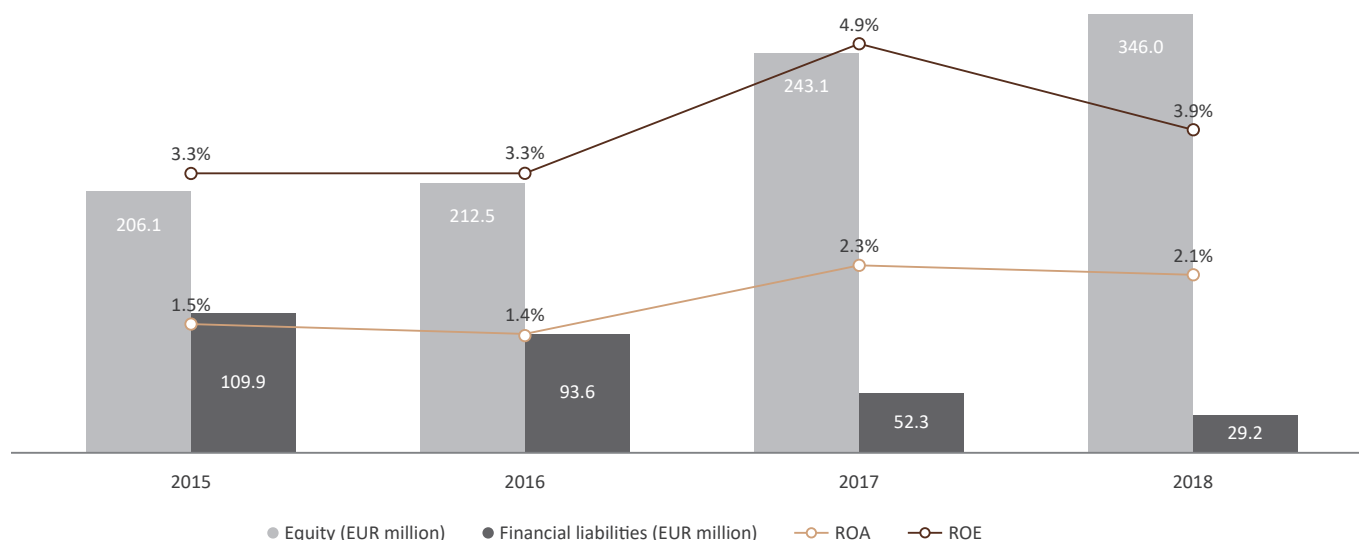


| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------------|----------------|---------------|
| Sales revenue | 169,387 | 173,687 | +2.5% |
| Cost of goods sold | 120,807 | 122,993 | +1.8% |
| Gross profit (loss) | 48,581 | 50,694 | +4.4% |
| Cost of sales | 1,461 | 1,469 | +0.5% |
| General and administrative expenses | 37,360 | 38,016 | +1.8% |
| Results of other activities | 2,139 | 1,315 | -38.5% |
| Financing and investing activities | 407 | 324 | -20.2% |
| Profit (loss) before taxes | 12,305 | 12,848 | +4.4% |
| Corporation tax | 1,868 | 2,100 | +12.4% |
| Net profit (loss) | 10,437 | 10,747 | +3.0% |
| Adjusted net profit (loss) | 11,117 | 11,444 | +2.9% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 263,225 | 371,296 | +41.1% |
| Current assets | 229,426 | 207,120 | -9.7% |
| Cash and cash equivalents | 79,069 | 90,773 | +14.8% |
| Deferred charges and accrued income | 2,112 | 2,890 | +36.9% |
| TOTAL ASSETS | 494,763 | 581,306 | +17.5% |
| Equity | 243,069 | 346,047 | +42.4% |
| Grants and subsidies | 33,227 | 30,893 | -7.0% |
| Provisions | 31,773 | 32,384 | +1.9% |
| Amounts payable and other liabilities | 186,411 | 171,740 | -7.9% |
| Amounts payable after one year and other non-current liabilities | 69,585 | 51,263 | -26.3% |
| <i>Financial liabilities</i> | 26,887 | 19,092 | -29.0% |
| Amounts payable within one year and other current liabilities | 116,826 | 120,477 | +3.1% |
| <i>Financial liabilities</i> | 25,437 | 10,103 | -60.3% |
| Accrued expenses and deferred income | 283 | 242 | -14.3% |
| Total equity and liabilities | 494,763 | 581,306 | +17.5% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.3% | 2.1% | -0.1 p. p. |
| ROE | 4.9% | 3.9% | -1.0 p. p. |
| D/E | 21.5% | 8.4% | -13.1 p. p. |
| EBITDA | 23,455 | 24,997 | +6.6% |
| EBITDA margin | 13.8% | 14.4% | +0.5 p. p. |
| Net Profit Margin | 6.6% | 6.6% | +0.0 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 4,953 | 4,632 | -6.5% |
| Assigned profit contributions | 7,854 | 5,695 | -27.5% |
| Dividends and profit contributions to the State | 12,806 | 10,327 | -19.4% |
| Property tax | 798 | 818 | +2.4% |
| Total: | 13,605 | 11,145 | -18.1% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 4,865 | 4,753 | -2.3% |
| Number of executives | 91 | 86 | -5.5% |

The assets and equity of the sector increased by 17.5% and 42.4% accordingly

The change in the value of assets and equity of the other enterprises sector was significantly influenced by the results of **VĮ Turto bankas**. The book value of the Company's assets increased by 45.6% and amounted to EUR 283.7 million, thus accounting for 48.8% of the total assets value of the sector. The growth was driven by a 4.5-fold increase in the area of centrally managed administrative real estate owned by the State. The growth in the value of the sector's equity by EUR 103.0 million mainly resulted from the increase of the equity capital of **VĮ Turto bankas** by EUR 107.5 million. This was mostly influenced by a 1.8-fold increase in centrally managed capital

equivalent to the State assets, which accounted for 96.7% of the total equity of the Company. The increase in the value of assets of the sector was also influenced by the increase of assets of **UAB Viešųjų investicijų plėtros agentūra** from EUR 3.2 million up to EUR 11.9 million because of EUR 9.0 million received during the reporting period for increasing the authorised capital that was increased in April 2019. Significant growth of assets and equity had an effect on returns ratios: return-on-equity shrank by 1.0 percentage points and reached 3.9%, while return-on-assets decreased by 0.1 percentage points and was 2.1%.

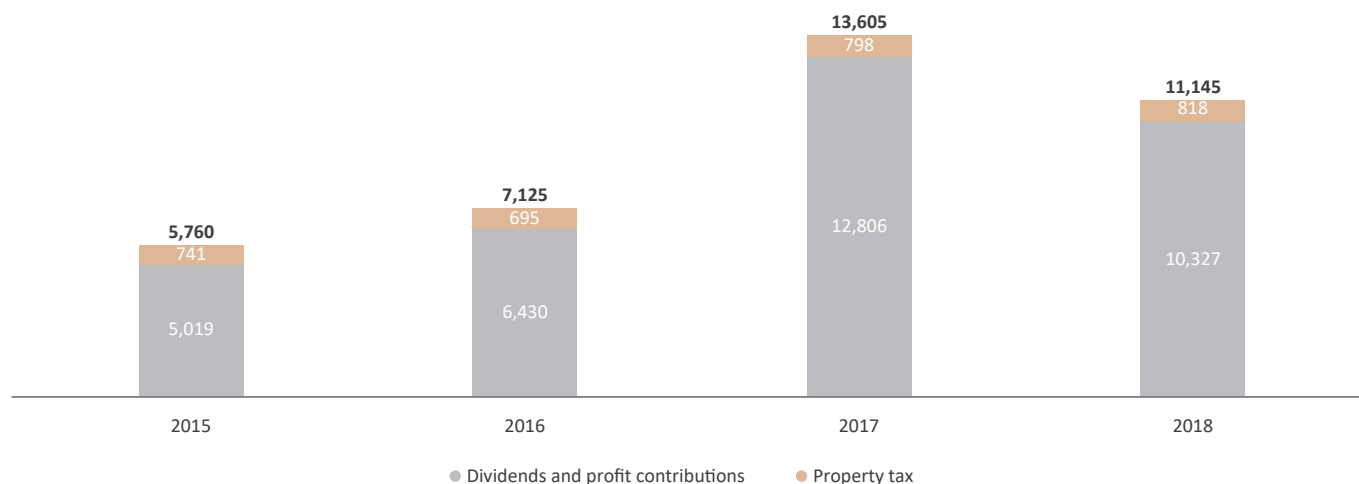


Companies of the sector allocated 19.4% less dividends and profit contributions to the State budget

Other enterprises sector generated EUR 11.1 million return to the Government in the 2018 (18.1% or EUR 2.5 million less than in 2017), from which EUR 5.7 million was assigned as profit contributions, while EUR 4.6 million as dividends. Non-standard taxes to the State was EUR 0.8 million. 19.4% reduction of dividends and profit contribution in 2018 was influenced by 35.3% lower **VĮ Regitra** profit contribution which reduced sector results by EUR 1.7 million compared to 2017.

Despite that **VĮ Regitra** assigned profit contribution represented 29,7% of total other enterprises sector dividends and profit contributions. Most significant EUR 0.4 million growth of profit contributions in other enterprises sector was due to **VĮ Registrų centras** assigned profit contributions of EUR 1.5 million. **AB Problematika** assigned dividends reached EUR 1.3 million and represented a 12.9% share of other enterprises sector.

Return To the State (EUR '000)



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| Enterprise | Sales revenue | | Normalised net profit | | Dividends/Profit contributions (share of the State) | | Assets | | Equity | |
|---|---------------|-------------|-----------------------|-------------|---|-------------|-------------|-------------|-------------|-------------|
| | (EUR '000) | Portfolio % | (EUR '000) | Portfolio % | (EUR '000) | Portfolio % | (EUR '000) | Portfolio % | (EUR '000) | Portfolio % |
|  Lietuvos energija, UAB, Group | ↑ 1,254,226 | 46.6% | ↓ -7,942 | -6.8% | ↓ 13,000 | 9.5% | ↑ 2,854,095 | 29.5% | ↓ 1,316,551 | 23.7% |
|  Lietuvos energijos gamyba, AB | ↓ 130,651 | - | ↑ 29,644 | - | ↑ 23,795* | - | ↑ 656,714 | - | ↑ 386,636 | - |
|  AB Energijos skirstymo operatorius | ↑ 624,044 | - | ↓ 15,665 | - | ↓ 12,525* | - | ↑ 1,591,642 | - | ↑ 640,034 | - |
|  UAB EPSO—G Group | ↑ 245,833 | 8.9% | ↓ -47,720 | -40.8% | ↑ 750 | 0.5% | ↓ 684,663 | 7.1% | ↓ 183,873 | 3.3% |
|  LITGRID AB Group | ↑ 190,641 | - | ↓ -39,361 | - | ↓ 2,623* | - | ↓ 366,257 | - | ↓ 195,025 | - |
|  AB Amber Grid | ↓ 54,290 | - | ↓ -21,592 | - | ↓ 5,227* | - | ↓ 235,416 | - | ↓ 131,596 | - |
|  AB Klaipėdos nafta | ↓ 99,998 | 3.6% | ↓ 11,577 | 9.9% | ↓ 8,375 | 6.1% | ↓ 293,127 | 3.0% | ↓ 195,490 | 3.5% |
|  VĮ Ignalinos atominė elektrinė | ↑ 256 | 0.0% | ↓ -2,940 | -2.5% | 0 | 0.0% | ↓ 625,484 | 6.5% | ↓ 21,421 | 0.4% |
|  AB Lietuvos geležinkeliai Group | ↑ 467,952 | 17.0% | ↑ 54,806 | 46.8% | ↑ 43,000 | 31.5% | ↓ 2,025,657 | 20.9% | ↑ 1,151,386 | 20.7% |
|  AB Lietuvos paštas Group | ↑ 88,307 | 3.2% | ↑ 3,680 | 3.1% | 0 | 0.0% | ↑ 82,958 | 0.9% | ↑ 27,030 | 0.5% |
|  AB Lietuvos radijo ir televizijos centras | ↑ 20,080 | 0.7% | ↑ 933 | 0.8% | ↑ 955 | 0.7% | ↑ 40,455 | 0.4% | ↑ 32,413 | 0.6% |
|  AB Kelių priežiūra | ↓ 78,147 | 2.8% | ↓ 1,475 | 1.3% | 0 | 0.0% | ↓ 129,564 | 1.3% | ↓ 116,709 | 2.1% |
|  VĮ Oro navigacija | ↑ 29,519 | 1.1% | ↑ 4,627 | 4.0% | ↑ 1,100 | 0.8% | ↑ 69,376 | 0.7% | ↑ 49,595 | 0.9% |
|  VĮ Klaipėdos valstybinio jūrų uosto direkcija | ↑ 63,736 | 2.3% | ↓ 31,449 | 26.9% | ↑ 28,000 | 20.5% | ↑ 588,762 | 6.1% | ↑ 527,449 | 9.5% |
|  VĮ Lietuvos oro uostai | ↑ 43,997 | 1.6% | ↑ 8,715 | 7.4% | ↑ 8,524 | 6.2% | ↑ 189,991 | 2.0% | ↑ 123,861 | 2.2% |
|  VĮ Valstybinių miškų urėdija | ↑ 180,353 | 6.6% | ↑ 48,972 | 41.8% | ↑ 22,142 | 16.2% | ↑ 1,391,054 | 14.4% | ↓ 1,356,926 | 24.4% |
|  VĮ Registrų centras | ↓ 39,079 | 1.4% | ↑ 2,167 | 1.9% | ↑ 1,462 | 1.1% | ↑ 30,652 | 0.3% | ↑ 19,892 | 0.4% |
|  VĮ Regitra | ↓ 26,326 | 1.0% | ↑ 4,045 | 3.5% | ↓ 3,071 | 2.2% | ↓ 22,614 | 0.2% | ↓ 21,335 | 0.4% |

* Total amount of dividends assigned

↑ Represents a positive change

↓ Represents a negative change

The changes in the data presented in the table are measured by reference to the results fixed at the end of the previous reporting period, i.e. the data for 31 December 2018 are compared to the data on 31 December 2017.

| Enterprise | | Employees | | | Collegial bodies structure | | | | | | ROE % | |
|--|---|-----------|-------------|---------------------|----------------------------|----------------------|---------------------|-------|----------------------|-------|-------|--------|
| | | Unit | Portfolio % | Board of Directors | | Share in the company | Supervisory Board | | Share in the company | | | |
| | | | | Independent Members | Total | | Independent Members | Total | | | | |
|  | Lietuvos energija, UAB, Group | ↓ | 3,836 | 11.4% | 0 | 5 | 0.0% | 3 | 5 | 60.0% | ↓ | −0.6% |
|  | Lietuvos energijos gamyba, AB | ↓ | 372 | - | 0 | 3 | 0.0% | 0 | 2 | 0.0% | ↑ | 8.0% |
|  | AB Energijos skirstymo operatorius | ↓ | 2,387 | - | 0 | 5 | 0.0% | 1 | 3 | 33.3% | ↓ | 2.5% |
|  | UAB EPSO—G Group | ↓ | 1,005 | 3.0% | 2 | 4 | 50.0% | - | - | - | ↓ | −22.7% |
|  | LITGRID AB Group | ↑ | 638 | - | 2 | 5 | 40.0% | - | - | - | ↓ | −17.8% |
|  | AB Amber Grid | ↓ | 329 | - | 2 | 5 | 40.0% | - | - | - | ↓ | −14.2% |
|  | AB Klaipėdos nafta | ↓ | 388 | 1.2% | 3 | 5 | 60.0% | 2 | 3 | 66.7% | ↓ | 5.8% |
|  | VĮ Ignalinos atominė elektrinė | ↓ | 1,901 | 5.6% | 3 | 4 | 75.0% | - | - | - | ↓ | −12.9% |
|  | AB Lietuvos geležinkeliai Group | ↓ | 9,624 | 28.6% | 5 | 7 | 71.4% | - | - | - | ↑ | 4.8% |
|  | AB Lietuvos paštas Group | ↓ | 5,250 | 15.6% | 3 | 4 | 75.0% | - | - | - | ↑ | 14.6% |
|  | AB Lietuvos radijo ir televizijos centras | ↓ | 314 | 0.9% | 1 | 3 | 33.3% | - | - | - | ↑ | 2.9% |
|  | AB Kelių priežiūra | ↓ | 2,452 | 7.3% | 4 | 5 | 80.0% | - | - | - | ↓ | 1.2% |
|  | VĮ Oro navigacija | ↓ | 285 | 0.8% | 3 | 5 | 60.0% | - | - | - | ↑ | 9.7% |
|  | VĮ Klaipėdos valstybinio jūrų uosto direkcija | ↓ | 241 | 0.7% | 3 | 5 | 60.0% | - | - | - | ↓ | 6.0% |
|  | VĮ Lietuvos oro uostai | ↑ | 660 | 2.0% | 4 | 5 | 80.0% | - | - | - | ↑ | 7.2% |
|  | VĮ Valstybinių miškų urėdija | ↓ | 2,824 | 8.4% | 4 | 7 | 57.1% | - | - | - | ↑ | 3.6% |
|  | VĮ Registru centras | ↑ | 1,645 | 4.9% | 3 | 5 | 60.0% | - | - | - | ↑ | 11.1% |
|  | VĮ Regitra | ↓ | 555 | 1.6% | 5 | 10 | 50.0% | - | - | - | ↑ | 18.6% |

Lietuvos energija, UAB Group

www.le.lt



Electricity and thermal energy production, supply, import and export of electricity, trade and distribution of electricity and natural gas, as well as maintenance and development of power economy

The Group consists of the following companies: Lietuvos energijos gamyba, AB (share of interest - 96.82%), AB Energijos skirstymo operatorius (94.98%), UAB EURAKRAS (100%), UAB Lietuvos dujų tiekimas (100%), NT Valdos, UAB (100%), UAB Technologijų ir inovacijų centras (100%), UAB Energetikos paslaugų ir rangos organizacija (100%), Tuuleenerglia OU (100%), Energijos tiekimas UAB (100%), UAB LITGAS (100%), UAB Elektroninių mokėjimų agentūra (100%), UAB Verslo aptarnavimo centras (98.4%), 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%), via Energijos tiekimas UAB - Geton Energy OU (100%), Geton Energy SIA (100%), Geton Energy sp. z. o. o. (100%).

- ↑ Company's sales revenue grew by 13.9% in 2018
- ↑ Investments in 2018 totalled to EUR 411.3 million, i. e. 62.3% more than a year ago
- ↓ Allocated dividends decreased by 83.4% and amounted to EUR 13 million

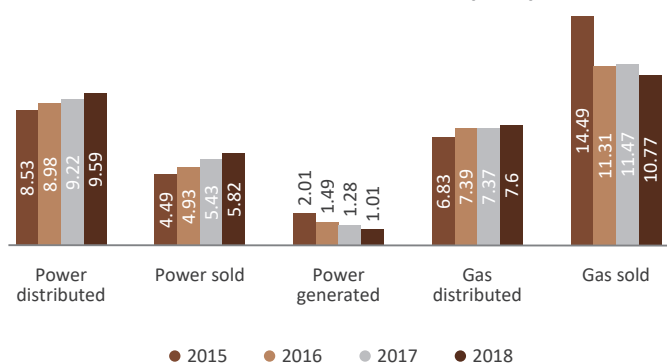
Major events:

- On **February 12**, the construction of Vilnius cogeneration power plant was started;
- On **May 23**, the strategy of the Group was approved, with the plan to pay out EUR 1.6 billion in dividends over 12 years, by 2030;
- On **May 30**, S&P Global Ratings confirmed a valid BBB+ credit rating with a stable outlook for Lietuvos energija, UAB, Group;
- On **July 3**, Lietuvos energija distributed EUR 300 million issue of green bonds with the annual interest of 1.875%.
- On **December 27**, Lietuvos energija acquired the holding of 100% of UAB VVP Investment from natural persons and legal entities, which is developing a fleet of 60 MW and 20 wind farms in northwest Lithuania.

In line with the expectations set forth in the Letter of Expectation to achieve the consistent improvement of network reliability indicators - the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI) of gas and electricity per customer, the Group reduced the SAIDI of electricity under force majeure from 137.83 minutes in 2017 to 81.37 minutes in 2018, due to a significantly reduced (from 3.5 hours to 1.3 hours) troubleshooting time, while the SAIFI indicator decreased from 1.32 times to 1.14 times due to investments in the power grid that is more resistant to natural disasters. The SAIDI of gas distribution under force majeure was also significantly reduced and amounted to 0.61 minutes (1.16 minutes in 2017), while the SAIFI amounted to approximately 0.006 units (~0.007 units in 2017).

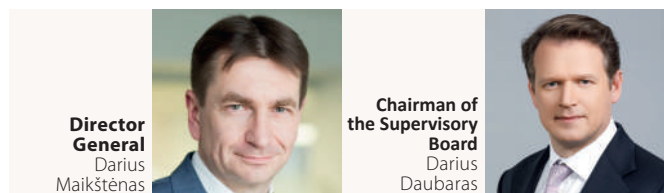
The amount of power distributed to independent customers increased by 4.0% or 9.59 TWh in 2018. Distribution of electricity to customers of independent suppliers increased by 0.17 TWh to 6.17 TWh, public and guaranteed supply grew by 6% and reached 3.42 TWh. The share of energy produced from renewable sources accounted for 47% of the entire Group's electricity production in 2018. The wind farms operating in Estonia and Lithuania generated 0.13 TWh of electricity, which was 2.2% less than in 2017. In 2018, the distributed amount of natural gas increased by 3.2% and amounted to 7.60 TWh, while the volume of gas sold in the retail market decreased by 6.1% and amounted to 10.77 TWh. This was mainly due to the decrease in gas sales to non-household customers due to lower consumption.

Volume of Services Provided (TWh)



The Group's main sources of revenue are revenue from electricity supply and distribution as well as gas distribution, which in 2018 amounted to EUR 582.7 million and accounted for 46% of the total revenue in the income structure of the Group, while EUR 527.8 million earned from sale of electricity and gas accounted for 42% of the total revenue of the Group, and the share of electricity generation revenue was merely 10% of the total income. In comparison with the results of 2017, the Company's sales revenue increased by 13.9% and amounted to EUR 1,254.2 million. The growth was mainly driven by the following reasons:

- The increase of income of EUR 87.3 million from electricity trade. This segment's revenue growth was driven by a higher price of electricity on the Nord Pool Exchange in Lithuanian bidding area, which reached 50.00 EUR/MWh (35.13 EUR/MWh in 2017). The growth was also affected by the increase in the electricity sales volume of 8.6% due to higher number of customers in Lithuania and unusually warm weather. Also, in 2018, EUR 36.5 million was received from the Polish subsidiary of **Energijos tiekimas**, which started operations at the end of 2017.
- Higher gas trading revenue, which grew by EUR 46.3 million, was due to the higher gas sales price to non-household customers.



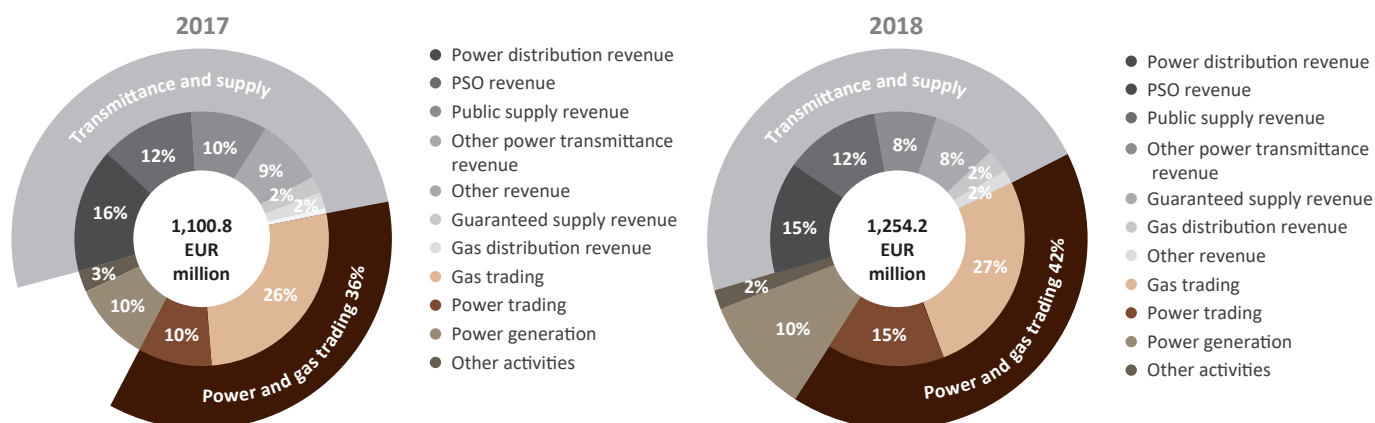
| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|--------------------|----------------|
| Sales revenue | 1,100,831 | 1,254,226 | +13.9% |
| Cost of goods sold | 740,491 | 974,534 | +31.6% |
| Gross profit (loss) | 360,340 | 279,692 | -22.4% |
| Cost of sales | 263,207 | 284,886 | +8.2% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 0 | 0 | - |
| Net financial items | -6,935 | -13,851 | -99.7% |
| Profit (loss) before taxes | 90,198 | -19,045 | - |
| Corporation tax | -3,327 | -11,103 | -233.7% |
| Net profit (loss) | 93,525 | -7,942 | - |
| Minority share of net profit | 4,422 | 1,267 | -71.3% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 2,015,468 | 2,411,211 | +19.6% |
| Current assets¹ | 489,600 | 442,884 | -9.5% |
| Cash and cash equivalents | 171,756 | 127,835 | -25.6% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 2,505,068 | 2,854,095 | 13.9% |
| Equity | 1,343,626 | 1,316,551 | -2.0% |
| Grants and subsidies | 200,311 | 208,874 | +4.3% |
| Provisions | 4,391 | 33,359 | +659.7% |
| Amounts payable and other liabilities² | 882,363 | 1,164,291 | +32.0% |
| Amounts payable after one year and other non-current liabilities | 523,610 | 799,706 | +52.7% |
| Financial liabilities | 480,255 | 749,744 | +56.1% |
| Amounts payable within one year and other current liabilities ² | 358,753 | 364,585 | 1.6% |
| Financial liabilities | 133,826 | 114,766 | -14.2% |
| Accrued expenses and deferred income | 74,377 | 131,020 | +76.2% |
| Total equity and liabilities | 2,505,068 | 2,854,095 | +13.9% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 3.8% | -0.3% | -4.1 p. p. |
| ROE | 7.0% | -0.6% | -7.6 p. p. |
| D/E | 45.7% | 65.7% | +20.0 p. p. |
| EBITDA | 184,490 | 82,266 | -55.4% |
| EBITDA margin | 16.8% | 6.6% | -10.2 p. p. |
| Net profit margin | 8.5% | -0.6% | -9.1 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 78,265 | 13,000 | -83.4% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 4,513 | 3,836 | -15.0% |
| Number of executives | 63 | 54 | -14.3% |
| Average monthly salary of executives (gross, EUR) | 4,433 | 4,794 | +8.1% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Finance of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Darius Maikštėnas | | |
| Chairman of the Board of Directors | Darius Maikštėnas | | |
| Members of the Board of Directors | Živilė Skibarkienė Darius Kašauskas Vidmantas Šalietis Dominykas Tučkus | | |
| Chairman of the Supervisory Board | Darius Daubaras* | | |
| Supervisory Board | Aušra Vičkačkienė Andrius Pranckevičius* Daiva Kamarauskienė Daiva Lubinskaitė-Trainauskienė* | | |

*Independent member

¹ Current assets include the value of non-current assets held for sale: in 2017 - EUR 79,301 thousand, in 2018 - EUR 65,706 thousand.

² Amounts payable within one year and current liabilities include liabilities related to non-current assets held for sale: in 2017 - EUR 334 thousand, in 2018 - EUR 2,986 thousand.

Lietuvos energija, UAB, Group Revenue Structure



Source: Annual reports of 2017 and 2018 of Lietuvos energija, UAB, Group

The Group's investments in 2018 increased by 62.3% and amounted to EUR 411.3 million (EUR 253.4 million in 2017). The largest investments were made into upgrade of the electricity distribution network (29.5% or EUR 121.5 million). The development investments amounted to EUR 83.7 million or 20.4% of the total investments and increased by 60.3% during the accounting period. With the construction projects of Vilnius and Kaunas cogeneration power plants in full swing in 2018, investments in these projects amounted to EUR 92.2 million in 2018, accounting for 22.4% of the total Group's total investments.

Despite the increased sales revenue of the Group, the EBITDA decreased by 55.4% down to EUR 82.3 million. The negative influence was due to:

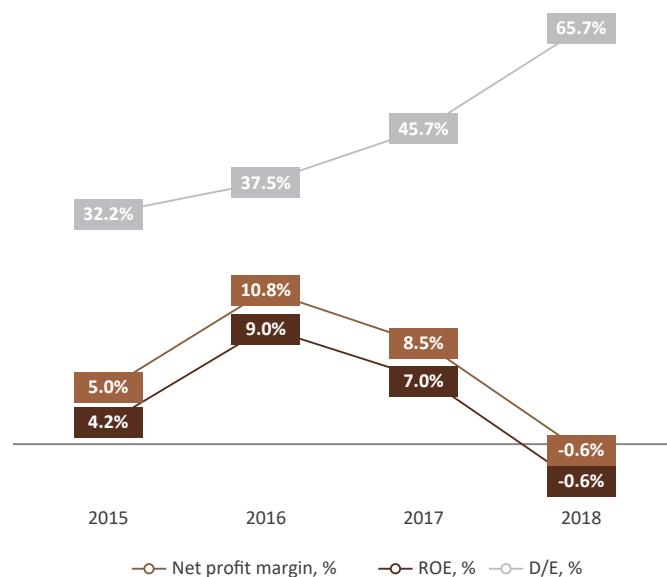
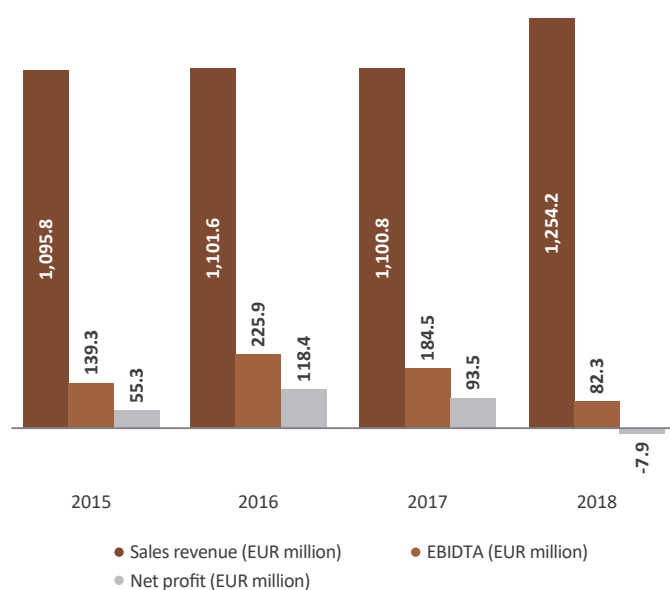
- Inferior results of electricity trading due to high electricity prices in the market;
- Decreased EBITDA result of the power generation segment, which was caused by decreased volume of and revenue from the services provided by Elektrėnai Complex;
- Lower gas trading EBITDA due to higher gas purchase price in the market and lower sales margins due to increased competition.

The Group's net result was negative in 2018, causing the loss of EUR 7.9 million, while in 2017, the Group had earned the net profit of EUR 93.5 million. This was due to higher electricity and gas acquisition cost as a result of higher electricity and gas purchase prices, the overall outcome of which was EUR 104.7 million, and revaluation results. The impairment of the assets was accounted in the profit (loss) statement of **AB Energijos skirstymo operatorius**, resulting in the impact of EUR -49 million on the consolidated net profit of the Group.

Declining net result also resulted in lower net profit margin and return on equity. **Net profit margin declined from 8.5% to -0.6%, and the ROE decreased by 7.6 p. p.**

During 2018, the Group's debt to equity (D/E) ratio increased significantly, reaching 65.7%. Since 2015, this indicator has been steadily increasing. This increase was mainly driven by ongoing investments.

Grants received in 2018 grew by 4.3% and amounted to EUR 208.9 million, 67.3% of which was contributed to upgrading, conservation and safety improvement



projects. Grants related to assets and other projects of the Group grew by 30.6% and reached EUR 64.7 million. Grants for environmental allowances almost doubled, totalling to EUR 3.6 million.

In 2018, the return of the Group to the state significantly decreased: for the results achieved in 2018, the dividend allocated by the decision of the Ministry of Finance reached EUR 13.0 million (EUR 78.3 million in 2017), although in accordance with the procedure approved by the Government, the dividends should have amounted

to EUR 58.7 million. As most of the Company's distributable profit for the year was transferred to the legal reserve, the dividends allocated were lower than the required amount. According to the Company, this choice was driven by higher net prices due to higher electricity prices, group investments, which, coupled with lower year-over-year results, affected debt levels and put pressure on credit ratings. It is claimed that the reduced dividend allowed the BBB+ credit rating to be maintained during the S&P Global Ratings credit review.

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

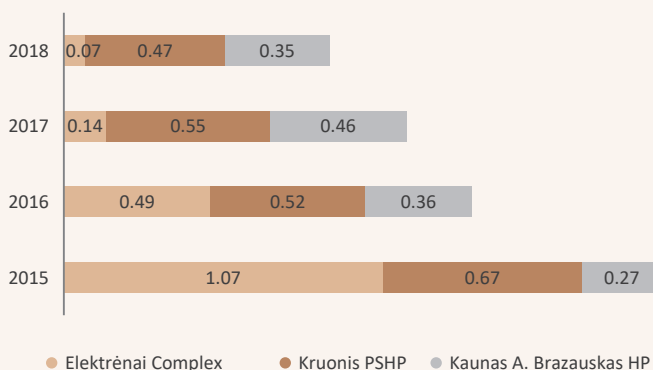
- Sales revenue decreased by 12.8%
- Net profit increased by EUR 29.6 million
- ROE grew and amounted to 8.0%

Major events:

- **Starting from 1 January 2018**, Unit 7 of Elektrėnai Complex was decommissioned, and Unit 8 was decommissioned as of 1 January 2019. The units are under conservation.
- **On 20 February 2018**, the Company announced the launch of a project to dismantle two unused stacks in the Elektrėnai Complex.
- **On 31 March 2018**, under the agreement with Lietuvos energija, UAB, the Company acquired the ownership of Vilnius TE-3 property complex.
- **On July 2018**, the Company finalised the overhaul of the Hydro Unit 2 at Kruonis PSHP that was started in February.
- **On 28 September 2018**, the Company announced the launch of a project for the installation of an experimental solar power plant in the Upper Basin of Kruonis PSHP.

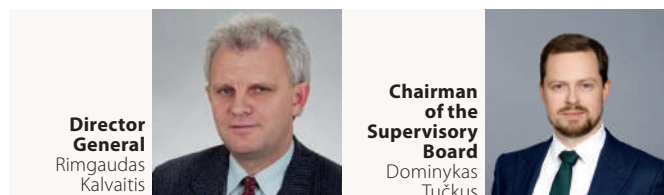
The Company has unlimited permits for electricity production. Compared to 2018, the production volumes of power plants managed by the Company decreased: the total amount of electricity produced and sold during the reported period amounted to 0.883 TWh, which is 23.0% less than in 2017, when the Company produced and sold 1.147 TWh of electricity.

Electricity Produced and Sold, TWh



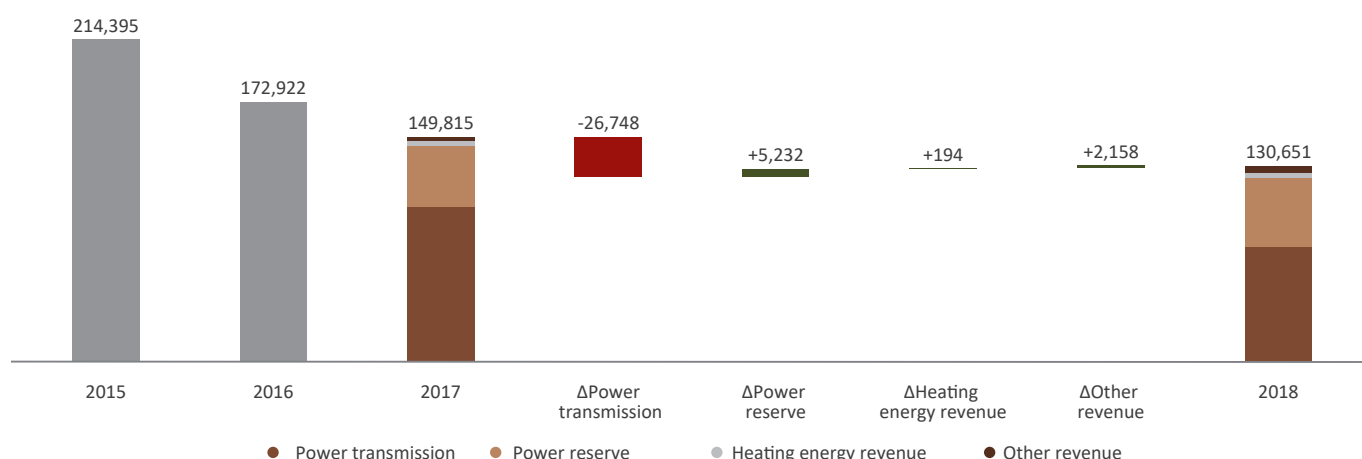
During the accounting period, **Kaunas A. Brazauskas Hydroelectric Plant** produced 24.5% less electric power than in 2017 (0.346 TWh and 0.459 TWh accordingly). The reasons for the sharp decline are attributable to the unfavourable weather conditions that led to the decline in production. In 2018, the sales volume of electricity produced at **Kruonis PSHP** amounted to 0.470 TWh, i. e. 14.4% less than in 2017, when this figure amounted to 0.549 TWh. This was mainly influenced by the overhaul of the Hydro Unit 2 at Kruonis PSHP lasting from February to July. Under the agreement with the Lithuanian transmission system operator **LITGRID AB**, the most effective unit of the **Elektrėnai Complex** – the combined cycle unit provided a tertiary active power reserve service of 260 MW in 2018. During 2018, the Company sold approximately 2.28 TWh of tertiary active power reserve, while in 2017 this figure amounted to 4.24 TWh. Unit 8 of the reserve power plant ensured the reserve of the electricity system, the so-called strategic reserve, in 2018. The Elektrėnai Complex produced 0.067 TWh of electric power in 2018 (0.139 TWh in 2017). During the period of 2015-2018, the total amount of electricity produced and sold by the Company decreased by 23.5% on average every year. The most significant decrease was observed in the Elektrėnai Complex, amounting to approximately 93.5%.

The decline in production volumes was also reflected in sales revenue, which amounted to EUR 130.7 million. Compared to the results of 2017, the decrease was 12.8%. The major part of the revenue during the reporting period consisted of revenue from electricity trading, balancing and regulating electricity, reserve power services and public service obligations (PSO), as well as revenue from heat sales. The decrease in sales revenue was mainly influenced by decreased electricity production in the Elektrėnai Complex and decreased regulated activities of the Elektrėnai Complex. The Company's regulated activities for 2018, including electricity and heat generation in the Elektrėnai Complex and the reserve power services provided by the Elektrėnai Complex and the Kruonis PSHP, accounted for 50% of the total income of the Company (65% in 2017).



| PROFIT (LOSS) STATEMENT (EUR '000) | | | |
|--|-------------------------------------|----------------|----------------|
| | 2017 | 2018 | CHANGE |
| Sales revenue | 149,815 | 130,651 | -12.8% |
| Cost of goods sold | 58,505 | 61,894 | +5.8% |
| Gross profit (loss) | 91,310 | 68,757 | -24.7% |
| Cost of sales | 75,074 | 32,273 | -57.0% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 0 | 0 | - |
| Net financial items | -541 | -1,277 | -136.0% |
| Profit (loss) before taxes | 15,695 | 35,207 | +124.3% |
| Corporation tax | -4,826 | 5,563 | - |
| Net profit (loss) | 20,521 | 29,644 | +44.5% |
| BALANCE SHEET (EUR '000) | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 518,626 | 535,987 | +3.3% |
| Current assets | 117,662 | 120,727 | +2.6% |
| Cash and cash equivalents | 60,700 | 47,885 | -21.1% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 636,288 | 656,714 | +3.2% |
| Equity | 353,874 | 386,636 | +9.3% |
| Grants and subsidies | 177,875 | 171,039 | -3.8% |
| Provisions | 528 | 2,467 | +367.2% |
| Amounts payable and other liabilities | 104,011 | 96,572 | -7.2% |
| Amounts payable after one year and other non-current liabilities | 58,390 | 67,733 | +16.0% |
| Financial liabilities | 34,211 | 33,653 | -1.6% |
| Amounts payable within one year and other current liabilities | 45,621 | 28,839 | -36.8% |
| Financial liabilities | 21,346 | 4,555 | -78.7% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 636,288 | 656,714 | +3.2% |
| RATIOS | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.8% | 4.6% | +1.8 p. p. |
| ROE | 5.8% | 8.0% | +2.2 p. p. |
| D/E | 15.7% | 9.9% | -5.8 p. p. |
| EBITDA | 41,192 | 55,518 | +34.8% |
| EBITDA margin | 27.5% | 42.5% | +15.0 p.p. |
| Net profit margin | 13.7% | 22.7% | +9.0 p.p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | | | |
| | 2017 | 2018 | CHANGE |
| Assigned dividends | 23,498 | 23,795 | +1.3% |
| INFORMATION ABOUT EMPLOYEES | | | |
| | 2017 | 2018 | CHANGE |
| Number of employees | 392 | 372 | -5.1% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 4,455 | 4,977 | +11.7% |
| SHAREHOLDERS | | | |
| Lietuvos energija, UAB (indirectly state-owned share) | | | 96.82% |
| Other shareholders | | | 3.18% |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Rimgaudas Kalvaitis | | |
| Chairman of the Board of Directors | Rimgaudas Kalvaitis | | |
| Members of the Board of Directors | Darius Kucinas Mindaugas Kvekšas | | |
| Chairman of the Supervisory Board | Dominykas Tučkus | | |
| Members of the Supervisory Board | Živilė Skibarkienė | | |

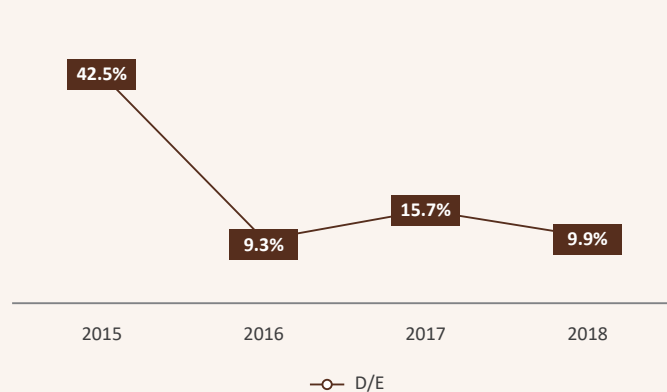
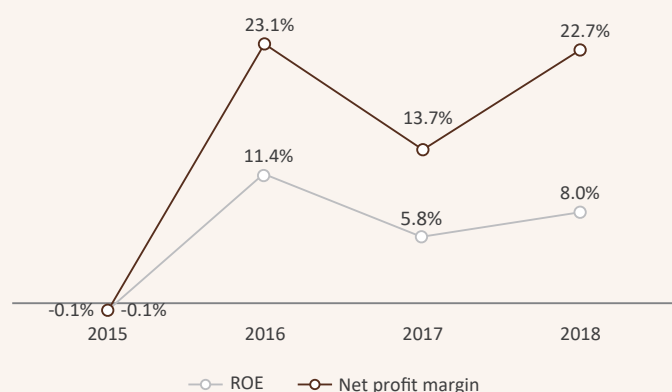
Sales Revenue (EUR '000)



In 2018, the Company incurred EUR 94.2 million expenses, which is 29.5% less compared to 2017. The major part, EUR 61.9 million or 65.7%, comprised the acquisition cost of electricity and related services, as well as fuel for electricity generation. In 2017, this cost amounted to 43.8% or EUR 58.5 million. The total cost decrease was mainly influenced by the revenue from the revaluation of pollution allowances amounting to EUR 10.8 million in 2018, compared to EUR 2.3 million in 2017. Depreciation and amortisation expenses decreased from EUR 25.0 million down to EUR 19.0 million during the reporting period.

The Company's EBITDA in 2018 increased by 34.8% and amounted to EUR 55.5 million. Compared to 2017, **the net profit increased by 44.5% and amounted to EUR 29.6 million** (EUR 20.5 million in 2017). The return ratios also increased accordingly: ROE increased by 2.2 p. p. to 8.0%.

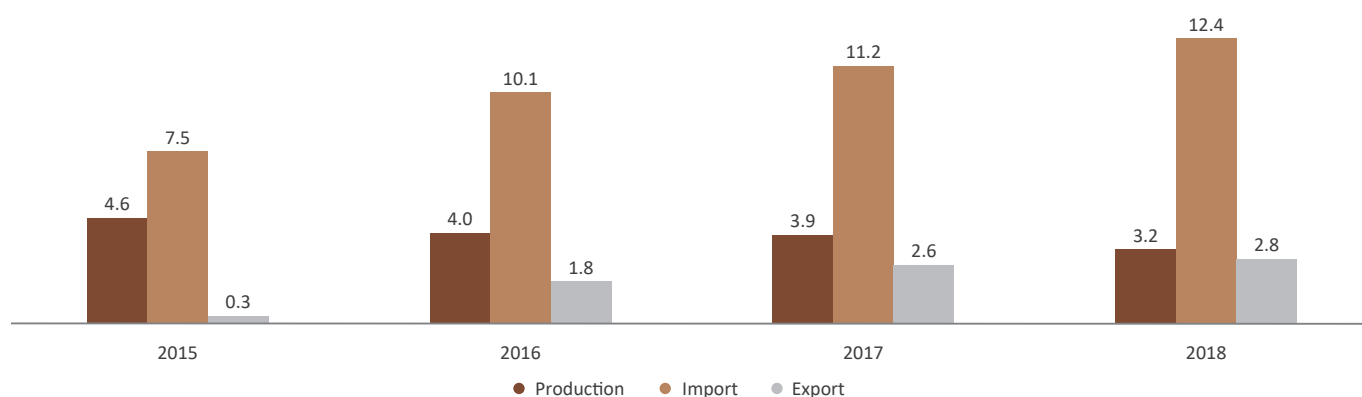
Equity increased by 9.3% due to increase in revaluation reserve from EUR 2.3 to 20.7 million related to the value increase of non-current tangible assets at revaluation. Meanwhile, current financial liabilities decreased by 78.7%



during the reporting period and this resulted in a significant decline in the D/E ratio from 15.7% down to 9.9%. Since 2015, this indicator has been significantly decreasing due to decreasing debt under credit agreements. The Company's investments in non-current tangible and intangible assets amounted to EUR 5.0 million in 2018 (EUR 1.9 million in 2017). Most of the investment in 2018 was allocated for the overhaul Unit 2 at Kruonis PSHP.

Contribution of Lietuvos energijos gamyba, AB to the total amount of electricity produced in Lithuania was 27.6% in 2018. Compared to 2017, when the contribution was 29.4%, the contribution to the total production structure decreased by 1.8 p. p. The total electricity generation in Lithuania in 2018 amounted to 3.2 TWh, which is 16.4% less than in 2017. According to the State Energy Regulatory Board, the majority (65.0%) of electricity in Lithuania was produced

Electricity Production, Export and Import in Lithuania (TWh)



Source: National Energy Regulatory Council

from renewable energy sources. Compared to 2017, the amount of electricity produced from renewable energy sources decreased by 14.0%. From 2015 to 2018, there has been a noticeable downward trend in production: from 2015, production has fallen by 30.0%. Correspondingly, electricity imports increased from 7.5 TWh in 2015 to 12.4 TWh in 2018. Unlike previous years, when Lithuania imported the

largest amount of electricity from Latvia, in 2018, it was imported from Russia (4.6 TWh). With the opening of new interconnections with Sweden and Poland in 2016, exports of electricity continued to grow as in previous years, amounting to 10.0% in 2018. During the reporting year, the bulk of electricity was exported to Poland (1.7 TWh), while Sweden, Latvia and Estonia each imported 0.4 TWh.

AB Energijos skirstymo operatorius

www.eso.lt

Supply and distribution of electric energy and natural gas, guaranteed supply of electricity and gas, introduction of electricity and natural gas infrastructure, operation of electricity and gas distribution networks, maintenance, operation and development of such networks and ensuring their security and reliability.



- **↑ Sales revenue grew by 1.9% and reached EUR 624.0 million**
- **↓ Net profit fell by 79.8%**
- **↑ The growth of liabilities amounted to 39.8%**

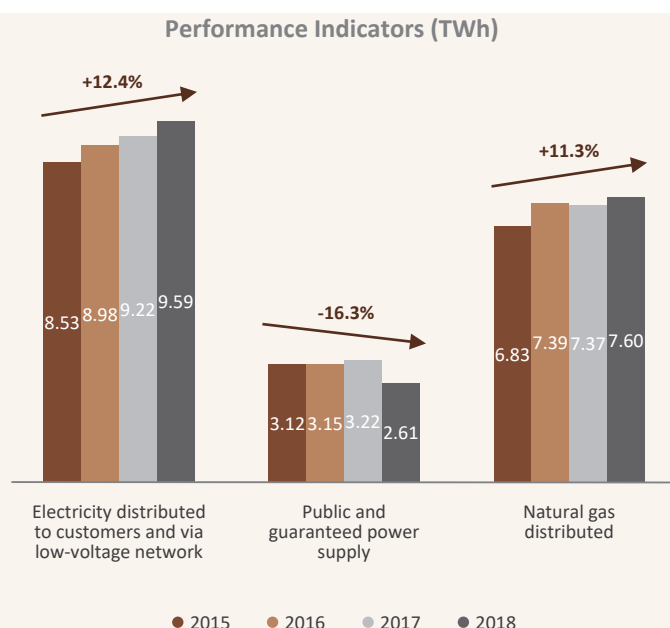
Major events:

- **On 26 June 2018**, the Company, together with the Estonian transmission system operator Elering, launched the first smart meter data exchanges project in Europe. The regional data exchange platform is expected to stimulate the development of energy services in international markets.
- **On 29 August 2018**, the Company signed a (proportional) transfer agreement of up to EUR 250 million of Green Bond liabilities with Lietuvos energija, UAB on the transfer of part of the bond issue to the Company.
- **On 21 September 2018**, the Company concluded the deal on the sale and purchase of a business share, under which it transferred to UAB Lietuvos energijos tiekimas the part of the public electricity supply business with all the assets, rights and obligations assigned to it as of 1 October 2018. After the separation of public electricity supply activities, the Company continues its main operations.

The Company owns more than 125 thousand km of power lines, almost 70% of which are overhead power lines and the rest 30% are electric cables. The Company also operates almost 9 thousand km of gas distribution pipelines.

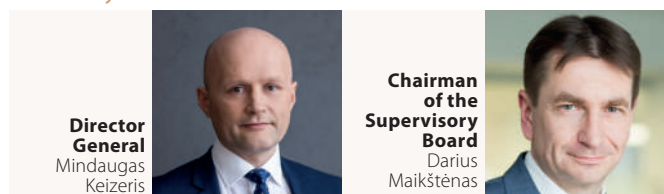
Over the twelve months of 2018, the Company connected 34,026 new customers to the electricity distribution network (14.8% more than in 2017 with 29,640 connected customers). The Company connected 14,741 new customers to the gas pipelines (17.6% more than in 2017 with 12,531 connected customers).

From January to December of 2018, the Company transmitted 9.59 billion kWh of electric power to its customers (9.22 billion kWh transmitted from January to December of 2017): public and guaranteed supply services accounted for 27%, the rest being only the transfer services. Compared to the results of 2017, due to terminated operations of the public electricity supplier as of the fourth quarter of the year, the volume of supplied electric energy decreased by 18.9%, while the volume of transmitted electric energy increased by 4%. The cost of distribution in technological facilities amounted to 608.5 million kWh or 5.96% of the amount of electricity received over the twelve months of 2018, while in 2017, the cost amounted to 6.2%. In 2018, compared to 2017, the structure of electricity transmission volumes to objects did not change significantly: about 31% of the transmitted electric power was consumed by residents during the reporting period, while the consumption by industry entities and service companies accounted for 28.8% and 11.4% respectively.



From January to December of 2018, the Company transported 7.6 billion kWh of natural gas via distribution pipelines, which is 3.1% more than in 2017. The increase was mainly influenced by the increased demand for gas in February-March due to lower average temperature and changes in production plans in some industrial enterprises.

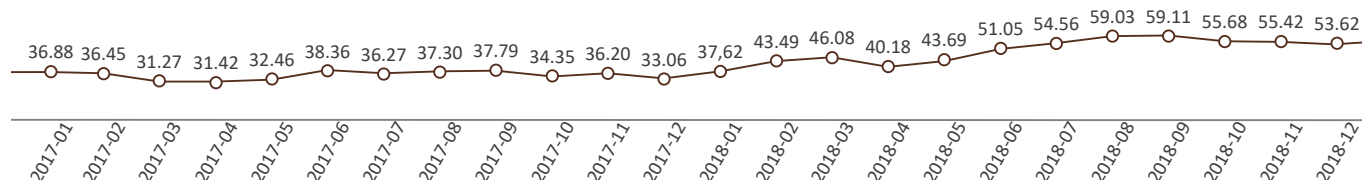
In 2018, the average price of electricity on the Nord Pool Exchange in Lithuanian bidding area increased by 42.3% compared to 2017: the average price in 2018 was EUR 50.00/MWh, compared to EUR 35.13/MWh in 2017. Higher electricity prices on the stock exchange had a negative impact on the Company's results for 2018.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|------------------|---------------|
| Sales revenue | 612,309 | 624,044 | +1.9% |
| Cost of goods sold | -377,501 | 411,832 | +9.1% |
| Gross profit (loss) | -234,808 | 212,212 | -9.6% |
| Cost of sales | 149,452 | 200,512 | +34.2% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 0 | 0 | - |
| Net financial items | -564 | -6,359 | -1,027.5% |
| Profit (loss) before taxes | 84,792 | 5,341 | -93.7% |
| Corporation tax | 7,240 | -10,324 | - |
| Net profit (loss) | 77,552 | 15,665 | -79.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 1,197,433 | 1,466,952 | +22.5% |
| Current assets | 80,368 | 124,690 | +55.1% |
| Cash and cash equivalents | 6,449 | 2,266 | -64.9% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 1,277,801 | 1,591,642 | +24.6% |
| Equity | 607,644 | 640,034 | +5.3% |
| Grants and subsidies | 19,758 | 13,052 | -33.9% |
| Provisions | 0 | 27,982 | - |
| Amounts payable and other liabilities | 615,553 | 860,637 | +39.8% |
| Amounts payable after one year and other non-current liabilities | 365,984 | 600,662 | +64.1% |
| <i>Financial liabilities</i> | 239,648 | 448,534 | +87.2% |
| Amounts payable within one year and other current liabilities | 249,569 | 259,975 | +4.2% |
| <i>Financial liabilities</i> | 133,040 | 182,930 | +37.5% |
| Accrued expenses and deferred income | 34,846 | 49,937 | 43.3% |
| Total equity and liabilities | 1,277,801 | 1,591,642 | +24.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 6.5% | 1.1% | -5.4 p. p. |
| ROE | -12.6% | 2.5% | -10.1 p. p. |
| D/E | 61.3% | 98.7% | +37.3 p. p. |
| EBITDA | 135,741 | 68,113 | -49.8% |
| EBITDA margin | 22.2% | 10.9% | -11.3 p. p. |
| Net profit margin | 12.7% | 2.5% | -10.2 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends | 63,832 | 12,525 | -80.4% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 2,453 | 2,387 | -2.7% |
| Number of executives | 7 | 5 | -28.6% |
| Average monthly salary of executives (gross, EUR) | 4,857 | 5,142 | +5.9% |
| SHAREHOLDERS | | | |
| Lietuvos energija, UAB (indirectly state-owned share) | | | 94.98% |
| Other shareholders | | | 5.02% |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Mindaugas Keizeris | | |
| Chairman of the Board of Directors | Mindaugas Keizeris | | |
| Members of the Board of Directors | Augustas Dragūnas Ovidijus Martinonis Renaldas Radvila Virgilijus Žukauskas | | |
| Chairman of the Supervisory Board | Darius Maikštėnas | | |
| Supervisory Board | Darius Kašauskas Kęstutis Betingis* | | |

*Independent member

The Average Price of Electricity on the Nord Pool Exchange in Lithuanian Bidding Area

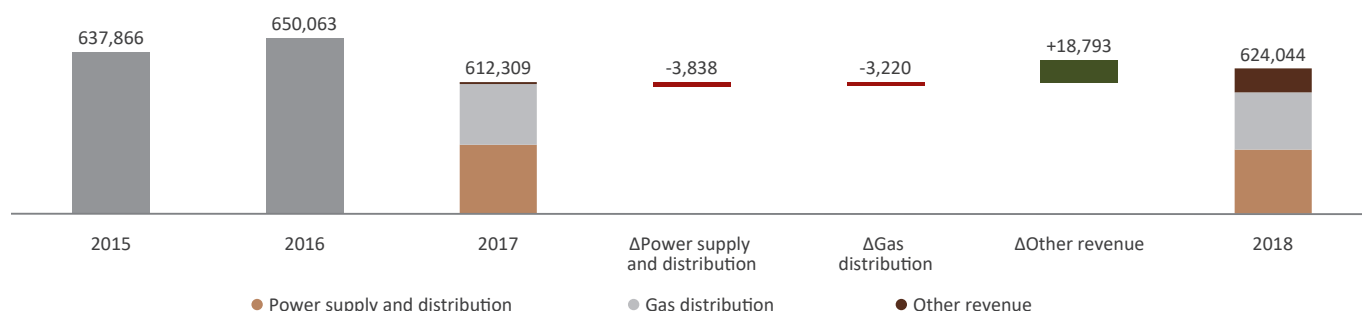


Source: Nord Pool

In 2018, the Company's revenue amounted to EUR 624.0 million, which increased by 1.9% compared to 2017. Despite the negative impact on the revenue due to lower prices for regulated services and terminated operations of the public electricity supplier as of the fourth quarter of the year, revenue growth was driven by increased volumes of distributed electricity and natural gas for the Company's customers and a one-off transfer of its public electricity supply business to UAB Lietuvos energijos tiekimas worth EUR 27.4 million. **The main source of the revenue of the Company was electricity transmission services, which amounted to 68.1% of the revenue.** Revenue from public electricity supply

activities accounted for 11.8%, gas distribution revenue amounted to 6.6% of all Company's revenue. In 2018, revenue from the electricity supply and distribution segment decreased by EUR 3.8 million due to terminated operations of the public electricity supplier as of the fourth quarter of the year. Revenue from gas distribution segment decreased by 6.2% and was caused by a decrease in the rates for the natural gas distribution service. Other revenue, which amounted to EUR 20.4 million in 2018 contributed significantly to sales revenue growth of EUR 18.8 million. The positive change is attributable to the profit from the divestment of public supply activities.

Sales Revenue (EUR '000)



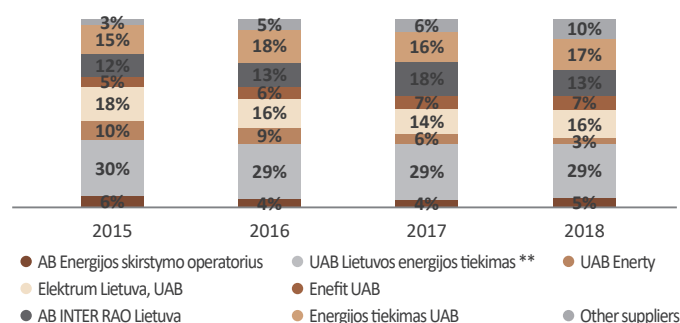
The cost of purchasing electricity, natural gas or related services in 2018 was EUR 411.8 million, and increased by 9.1% compared to 2017. This was influenced by the higher purchase price of electricity. **The significant increase of 34.2% in the cost of sales up to EUR 200.5 million was caused by the revaluation expenses of non-current assets that amounted to EUR 78.4 million** or 39.1% of the total cost of sales structure. Depreciation and amortisation expenses, which increased by 12.0%, accounted for a significant share (28.1%) thereof, as well as employee benefits and related social security contributions which decreased by 5.0% during the reporting period and amounted to EUR 41.5 million, or 20.7% of the total cost of sales.

These changes resulted in the decrease of EBITDA by 49.8% to EUR 68.1 million. **The net profit also decreased significantly and amounted to EUR 15.7 million (EUR 77.6 million in 2017).** This was influenced by one-off events: the revaluation of non-current assets (power lines, substations, their buildings and other non-current assets) in the electricity segment, which caused profit reduction by EUR 66.6 million, taking into account the impact of asset-related grant adjustments; in the natural gas segment, impairment of non-current assets was reversed with a total impact of EUR 25.4 million. Correspondingly, the return on equity decreased from 12.6% up to 2.5%, with a net profit margin amounting to 2.5%, i. e. decreasing by 10.2 p. p.

The Company's financial liabilities at the end of the reporting period amounted to EUR 631.5 million, of which 66.4% or EUR 448.5 million were attributable to long-term financial liabilities. This was influenced by the growth in loans from related parties by 87.2%. At the end of the reporting period, the Company had borrowed EUR 121.5 million from related parties in the inter-group borrowing platform (EUR 26.7 million in 2017). The inter-group borrowing limit has been set to EUR 190 million from 26 June 2018. Significant growth in financial liabilities led to an increase in the D/E ratio from 61.3% to 98.7%.

The Company invested EUR 121.5 million in upgrading the electricity distribution network, which is 5.2% less than in 2017. EUR 83.7 million was invested in the development of the electricity distribution network, which is 60.2% more than in 2017 due to higher contracting costs and higher number of new customers. **Investment in the construction and reconstruction of gas systems amounted to EUR 56.2 million** and was 60.9% higher than in 2017, when it amounted to EUR 34.9 million. In 2018, other investment in IT systems amounted to EUR 9.9 million and was 9% lower than in 2017.

Sales Structure of the Retail Power Supply Market by Suppliers

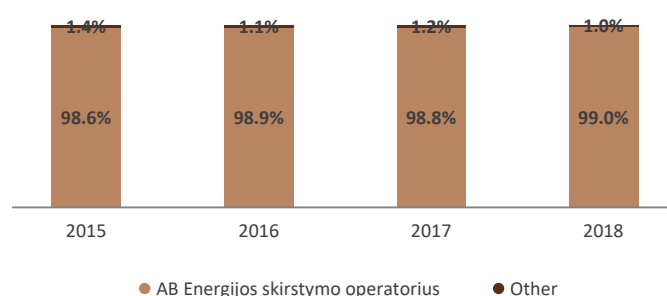


Source: National Energy Regulatory Council

**Until 1 October 2018, AB Energijos skirstymo operatorius was engaged in public supply activities

In 2018, electricity suppliers sold 10.3 TWh of electricity the retail power supply market, which is 0.6 TWh more than in 2017. **The market share of AB Energijos skirstymo operatorius has not changed significantly since 2015 and varied from 4% to 6%.** During the reporting period, the market share of AB Energijos skirstymo operatorius increased by 1 p. p. per year (compared to the previous year) and amounted to 5%. Among independent energy suppliers, the market share of UAB Lietuvos energijos tiekimas accounted for the significant 29%, of which was entrusted with the mandate of public electricity supplier (until 1 October 2018, this activity was carried out by AB Energijos skirstymo operatorius). During the reporting period, the market share of Elektrum Lietuva, UAB increased from 14% to 16%, and that

Market Share of Natural Gas Distribution Companies



Source: National Energy Regulatory Council

of AB INTER RAO Lietuva decreased from 18% in 2017 down to 13% in 2018. A weaker position of UAB Energy was also noticed in the market, dropping down from 10% in 2015 down to 3% in 2018.

Five natural gas distribution system operators have been active in the natural gas distribution market since 2017 (until 2017, there were six operators). The average market share of AB Energijos skirstymo operatorius has accounted for solid 98.9% over a four-year period by the amount of natural gas distributed. According to the data provided by the National Energy Regulatory Council, the Company was also a leader in terms of the number of new customers connected to the distribution system.

UAB EPSO-G Group

www.epsog.lt



The main activities of the Group are to ensure uninterrupted and stable transmission of electricity on high voltage networks, transportation of natural gas through high pressure pipelines, and to ensure the operation, maintenance and development of these transmission systems; trade organisation on exchanges of natural gas and biofuel

The Group consists of holding company EPSO-G UAB (State-owned share interest - 100%) and its direct subsidiaries LITGRID AB (97.5% of owned shares), AB Amber Grid (96.6%), BALTPOOL UAB (67%).

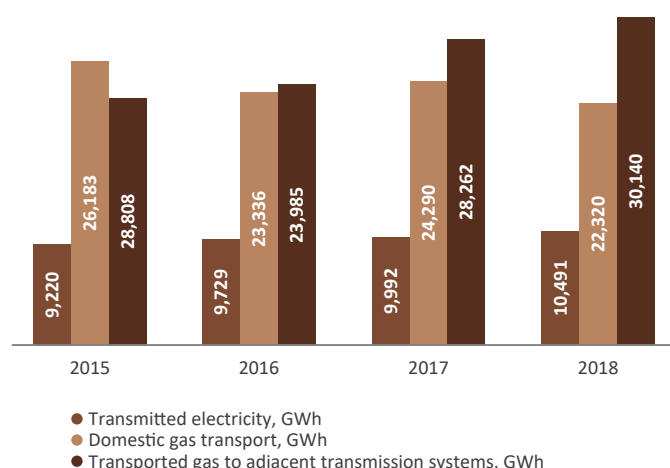
Special obligations performed: administration of the PSO funds (carried out by UAB BALTPOOL, a subsidiary of UAB EPSO-G).

- ↑ Sales revenue increased by 9.1%
- ↓ Net result decreased and was negative EUR 47.7 million
- ↓ The return on equity fell to -22.7%

Major events:

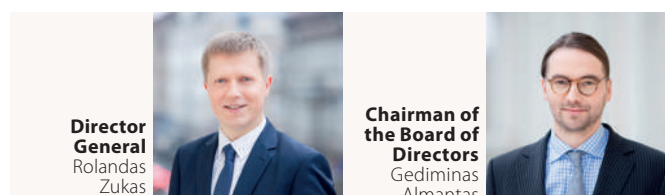
- Substantial progress has been made in synchronisation with the Continental Europe Electricity Networks (CET) and gas market integration projects:
 - On 28 June 2018**, a political agreement was signed between the European Commission, the three Baltic States and Poland on the synchronisation of the three Baltic States with the European networks through Poland by 2025.
 - On 11 October 2018**, the Continental Europe Regional Group of ENTSO-E welcomed the decision to extend the European transmission system synchronous space to the Baltic States.
 - On 24 May 2018**, Lithuanian and Polish natural gas transmission system operators Amber Grid and GAZ-SYSTEM S.A. signed the interconnection agreement confirming the final decision to invest in the project 'The Gas Interconnection Poland-Lithuania' (GIPL).
 - On 27 September 2018**, EPSO-G signed a mutual lending and borrowing agreement with its subsidiary LITGRID. This means that LITGRID and EPSO-G can lend to each other through a Group account service, thus making more effective use of temporarily available Group funds.
 - New activities have been launched: heat auctions and round timber trading.

With the growth of the Lithuanian economy, in 2018, the demand for electricity and transmission services exceeded the overall pace of economic development in the country. **In 2018, 10,491 million kWh of electricity, or 5.0% more compared to 2017, was transferred through high-voltage transmission networks for the needs of the country's population and business.** The volume of transmission services provided in the natural gas sector decreased by 8.1% in 2018 in Lithuania; however, the volume of transported gas to the neighbouring countries increased by 6.6%. **During the accounting period, 22,320 GWh of natural gas were transported for Lithuanian consumers to gas distribution or directly connected user systems;** compared to the same period last year, the volume of transported gas decreased by 8.1%. It was mostly due to the decreased demand for natural gas in consumptions in the fertilizer production sector. **Gas transportation to adjacent transmission systems grew by 6.6% and amounted to 30,140 GWh,** 92.3% or 27,832 GWh of which were transported to the Kaliningrad region of the Russian Federation (25,664 GWh in 2017). Meanwhile 2,308 GWh of natural gas were transferred to the Republic of Latvia through Kiemēnai DAS system (2,598 GWh in 2017). Since 2015, the overall positive trend has been observed: the amount of electricity transmitted and gas transported has been growing moderately.



After becoming the regional gas trading platform *de facto*, the volume of trading on the GET Baltic natural gas exchange doubled compared to 2017 and amounted to 1,084 GWh. In 2018, district heating companies, independent heat producers and industrial companies acquired 430.1 thousand tne of biofuel in the Baltpool Energy Resources Exchange, which is 4.1% more than in 2017.

Despite significantly lower service rates applied since the beginning of the year, the **Group's revenue for 2018 increased by 9.1% compared to 2017, amounting to EUR 245.8 million.** This was significantly influenced by the increased amount of transmitted electricity and natural gas to the domestic customers of the system and to neighbouring countries. Revenue from electricity transmission accounted for 27.1% of the total revenue of the Group of 2018 and decreased by 2.6%, amounting



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|----------------|------------------|
| Sales revenue | 225,246 | 245,833 | +9.1% |
| Cost of goods sold | 88,028 | 129,411 | +47.0% |
| Gross profit (loss) | 137,218 | 116,422 | -15.2% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 137,579 | 188,760 | +37.2% |
| Results of other activities | 0 | 0 | - |
| Net financial items | -2,402 | 10,658 | - |
| Profit (loss) before taxes | -2,763 | -61,680 | -2,132.4% |
| Corporation tax | 33 | -13,960 | - |
| Net profit (loss) | -2,796 | -47,720 | -1,606.7% |
| Minority share of net profit | -45 | -1,664 | -3,597.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 629,559 | 540,535 | -14.1% |
| Current assets | 140,897 | 144,128 | +2.3% |
| Cash and cash equivalents | 8,075 | 9,913 | +22.8% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 770,456 | 684,663 | -11.1% |
| Equity | 236,247 | 183,873 | -22.2% |
| Grants and subsidies | 22 | 0 | -100.0% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 534,187 | 500,790 | -6.3% |
| Amounts payable after one year and other non-current liabilities | 362,851 | 325,001 | -10.4% |
| Financial liabilities ¹ | 346,042 | 311,778 | -9.9% |
| Amounts payable within one year and other current liabilities | 171,336 | 175,789 | +2.6% |
| Financial liabilities ¹ | 78,161 | 41,871 | -46.4% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 770,456 | 684,663 | -11.1% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | -0.3% | -6.6% | -6.2 p. p. |
| ROE | -1.2% | -22.7% | -21.5 p. p. |
| D/E ¹ | 179.6% | 192.3% | +12.8 p. p. |
| EBITDA | 40,465 | -33,788 | - |
| EBITDA margin | 18.0% | -13.7% | -31.7 p. p. |
| Net profit margin | -1.2% | -19.4% | -18.2 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 682 | 750 | +10.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 1,014 | 1,005 | -0.9% |
| Number of executives | 27 | 29 | +7.4% |
| Average monthly salary of executives (gross, EUR) | 5,946 | 5,749 | -3.3% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Energy of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Rolandas Zukas | | |
| Chairman of the Board of Directors | Gediminas Almantas* | | |
| Members of the Board of Directors | Dainius Bražiūnas Gediminas Karalius Robertas Vyšniauskas* | | |

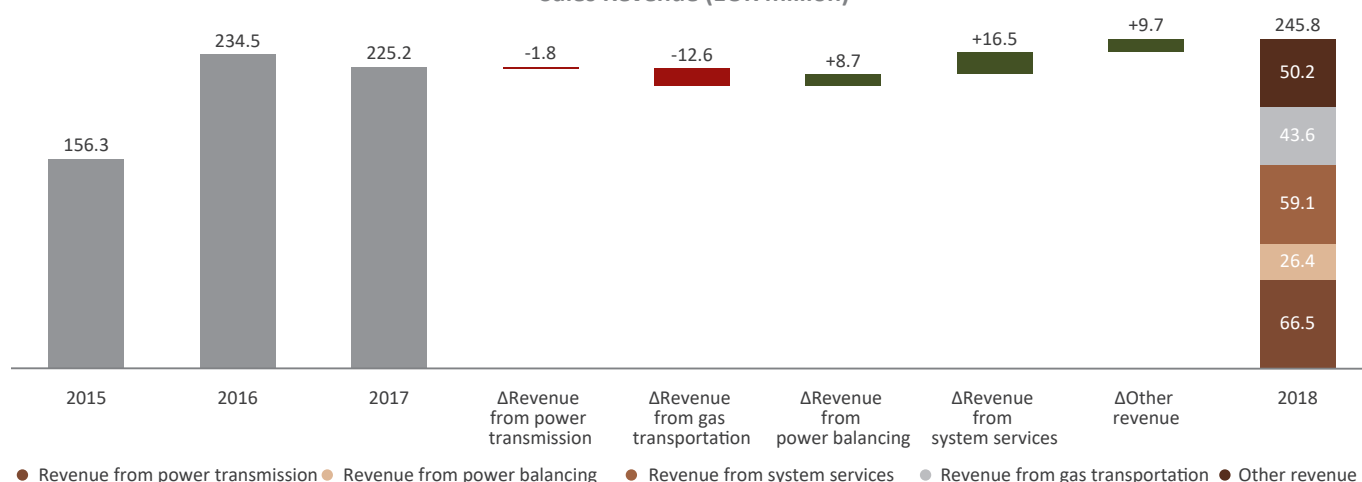
*Independent member

¹ – Financial liabilities of 2018 include EUR 156,574 thousand, and in financial liabilities of 2017 include EUR 169,856 thousand of liabilities to Lietuvos energija, UAB for the acquisition of the shares of Litgrid AB.

to EUR 66.5 million. This decline was driven by the reduction of 7.2% in the actual price of electricity transmission. Since the beginning of the year, the lower rate for gas transportation (-36.5%) resulted in the decrease of the natural gas transmission revenue by 22.4%, which amounted to EUR 43.6 million in 2018 and accounted for 17.7% of the total revenue of the Group. Due to higher system service rate (+35%), set by the National Commission for Energy Control and Prices from 1 January 2018,

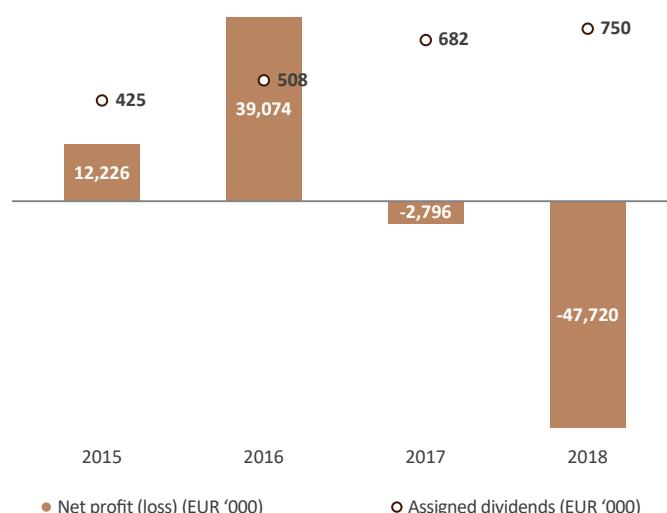
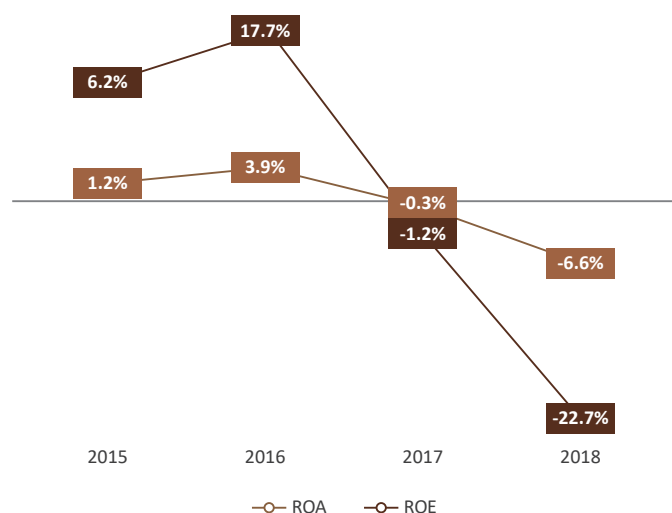
and the overrun of the declared (contracted) capacity of the network users at double the cost of system services, the revenue from systematic electricity services increased by 38.9% up to EUR 59.1 million. Increase in the balancing (adjustment) electricity sales revenue amounted to 48.7% and totalled EUR 26.4 million, driven by increased demand for balancing power and the need for distributed throughput for power connections with Sweden and Poland.

Sales Revenue (EUR million)



In 2018, the Group's profit before taxes, interest, depreciation and amortisation (EBITDA) decreased to EUR -33.8 million. Compared to 2017, when EBITDA amounted to EUR 40.5 million, the significant decrease has been observed due to lower transmission rates. **Nevertheless, in 2018, the Group incurred a loss of**

EUR 47.7 million. This was influenced by the impairment of non-current tangible assets of Litgrid and Amber Grid as a result of the changed regulatory environment, which resulted in an increase in the Group's costs of EUR 94.0 million.



At the end of 2018, the Group's financial liabilities, including the liabilities of EUR 156.6 million to Lietuvos energija, UAB for acquisition of the shares of LITGRID (in 2017, these liabilities amounted to EUR 169.9 million, in 2016 - EUR 205.8 million, in 2015 - EUR 210 million) amounted to EUR 353.6 million, and the D/E ratio amounted to 192.3%. Considering the need to provide sufficient funds to meet the financial liability of EUR 210.0 million to state-owned enterprise Lietuvos energija, UAB for

acquisition of the shares of the subsidiary LITGRID, the Government of the Republic of Lithuania has decided that EPSO-G shall pay the dividends from distributable profit of 0.5% directly to the State budget until 2022. **For the results of 2018, the Group assigned EUR 750.1 thousand in dividends, i. e. 10% more than for the results of 2017, when it was decided to assign EUR 682.2 thousand.**

LITGRID AB Group

www.litgrid.eu



LITGRID - a subsidiary company of UAB EPSO-G - is a Lithuanian electricity transmission system operator. It maintains stable operation of the electricity system of the country, control the energy flows and provides the conditions for competition in the open electricity market. The Company is responsible for the integration of the Lithuanian electricity system into the European electricity infrastructure and the common electricity market.

LITGRID Group consists of LITGRID AB, UAB Tetas and Litgrid Power Link Service UAB (operations suspended since August 2018, liquidation proceedings were initiated in 2019). LITGRID also manages shares and their votes of UAB Duomenų logistikos centras (20.36%) and Nord Pool Holding AS (2%).

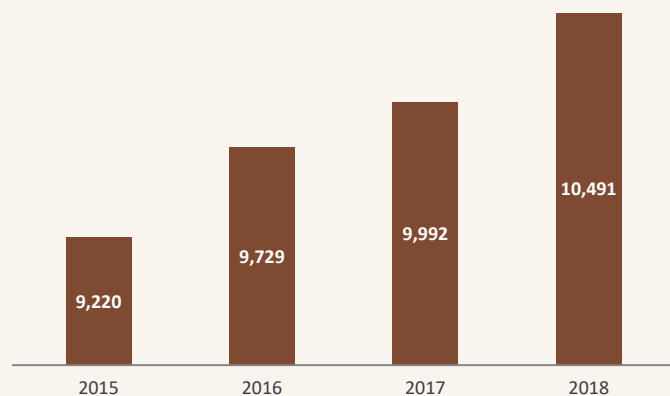
- ↑ The amount of electricity transferred increased by 5.0%
- ↑ Sales revenue grew by 19.0% and reached EUR 190.6 million
- ↓ Net loss amounted to EUR 39.4 million

Major events:

- On 10 April 2018, LITGRID signed the agreement with AB Kauno tiltai, ABB OY and ABB AS on optimisation and preparation of North East Lithuania electricity transmission network for synchronous operation with the continental European energy system.
- On 24 May 2018, the Company and UAB Conresta concluded the agreement on Construction of the System Management and Data Security Centre. By the end of 2019, the Company will establish a new System Management and Data Security Center of EUR 10.2 million (VAT excluded) using own funds.
- On 21 December 2018, the executives of the transmission system operators LITGRID and PSE signed the agreement to commence the preparatory phase of a new Lithuanian-Polish offshore high-voltage direct current (HVDC) link project. Representatives of Lithuania and Poland decided to name the new project as 'Harmony Link'.

In Lithuania, the Company maintains 6,946 km of high-voltage lines and 236 transformer substations and switchgears. In 2018, the Company transferred 10,491 million kWh of electricity on high-voltage transmission networks for the country's needs – 5.0% more than in 2017. Consumers of AB Energijos skirstymo operatorius received 89.7% of the total amount of electricity transmitted in 2018, i. e. 9,413 million kWh, which is 4.7% more than in 2017. The rest 1,077 million kWh was transmitted to other users (7.3% higher than in 2017).

Transmitted Electricity (kWh)



Due to increasing volumes of electricity transmission and higher returns to consumers over previous periods exceeding the level set by the Commission, from 1 January 2018 onwards the Company's services became cheaper to Lithuanian consumers: compared to 2017, the average rate for electricity transmission decreased by 7.9% (to 0.619 cents per kWh). In 2018, the average NordPool exchange price for Lithuania was EUR 50 per MWh, i. e. 42.3% higher than in 2017; it was due to dry weather, which caused water shortages in hydroelectric power stations, fires, increased cost of emission allowances and increased consumer demand.

During the accounting period, the sales revenue of the Company increased by 19% up to EUR 190.6 million, compared to 2017:

- Electricity transmission revenues, which accounted for 35% of the total revenue structure, decreased by 2.6% down to EUR 66.5 million compared to 2017. Revenue decline caused by 7.2% lower average price of electricity transmitted than a year ago was offset by the increased amount of electricity transmitted.
- The revenue from balancing energy increased by 49% up to EUR 26.4 million. This was due to increase in the sales volume of balancing electricity, which was caused by the higher demand for intersystem balancing energy higher need for the distribution capacity of electricity links with Sweden and Poland (i. e. the amount of electricity sold on the exchange).
- Revenue from systemic services grew by 39% (up to EUR 50.1 million). The main reason of this was the system service price set by the National Commission of Energy Control and Prices as of 1 January 2018, which was 35% higher. The increase in the volume of system services of 4%, as well as the over-declared power of network users, for which the double price of system services was paid, have also led to the growth in revenue.

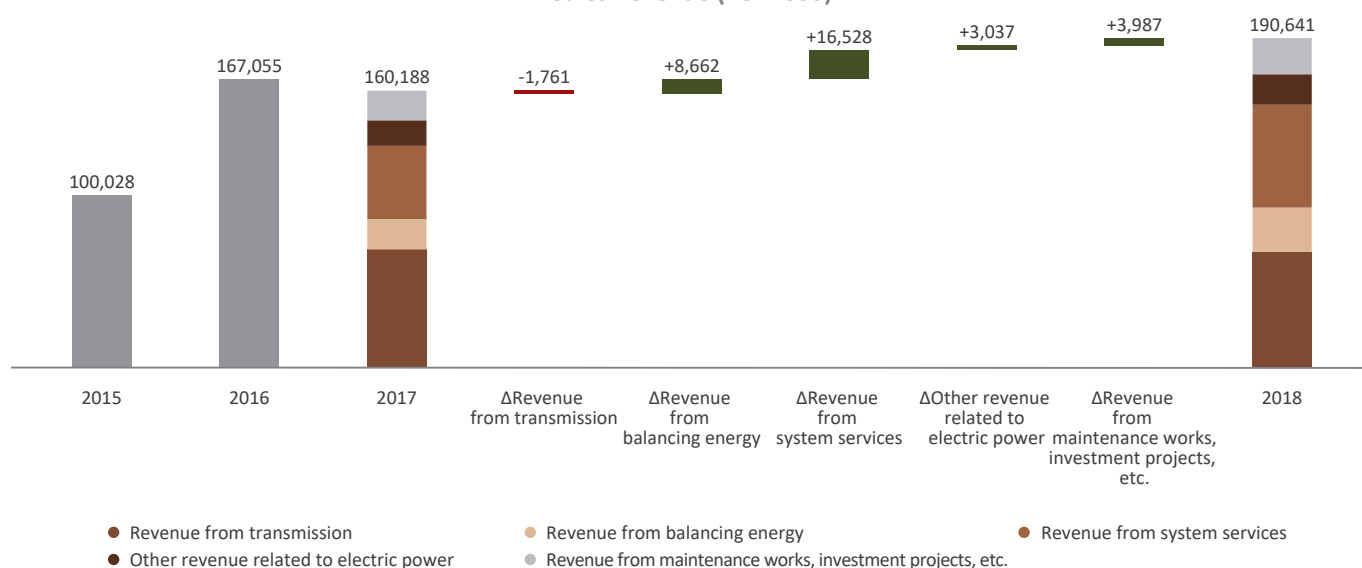
Director General
 Daivis Virbickas

Chairman of the Board of Directors
 Rimvydas Štilinis


| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|----------------|---------------|
| Sales revenue | 160,188 | 190,641 | +19.0% |
| Cost of goods sold | 80,081 | 118,993 | +48.6% |
| Gross profit (loss) | 80,107 | 71,648 | -10.6% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 67,159 | 116,685 | +73.7% |
| Results of other activities | 0 | 0 | - |
| Net financial items | -1,154 | -1,163 | -0.8% |
| Profit (loss) before taxes | 11,794 | -46,200 | - |
| Corporation tax | 2,209 | -6,839 | - |
| Net profit (loss) | 9,585 | -39,361 | - |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 384,779 | 333,971 | -13.2% |
| Current assets | 54,431 | 32,286 | -40.7% |
| Cash and cash equivalents | 696 | 627 | -9.9% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 439,210 | 366,257 | -16.6% |
| Equity | 246,598 | 195,025 | -20.9% |
| Grants and subsidies | 22 | 0 | -100.0% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 192,590 | 171,232 | -11.1% |
| Amounts payable after one year and other non-current liabilities | 122,606 | 107,490 | -12.3% |
| <i>Financial liabilities</i> | 109,173 | 94,727 | -13.2% |
| Amounts payable within one year and other current liabilities | 69,984 | 63,742 | -8.9% |
| <i>Financial liabilities</i> | 43,181 | 27,061 | -37.3% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 439,210 | 366,257 | -16.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.1% | -9.8% | -11.9 p. p. |
| ROE | 3.8% | -17.8% | -21.6 p. p. |
| D/E | 61.8% | 62.4% | +0.7 p. p. |
| EBITDA | 39,308 | -19,139 | - |
| EBITDA margin | 24.5% | -10.0% | -34.6 p. p. |
| Net profit margin | 6.0% | -20.6% | -26.6 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends | 7,716 | 2,623 | -66.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 633 | 638 | +0.8% |
| Number of executives | 12 | 12 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 5,132 | 5,361 | +4.5% |
| SHAREHOLDERS | | | |
| UAB EPSO-G (indirectly state-owned share) | | | 97.5% |
| Other shareholders | | | 2.5% |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Daivis Virbickas | | |
| Chairman of the Board of Directors | Rimvydas Štilinis | | |
| Members of the Board of Directors | Nemunas Biknius Domas Sidaravičius* Algirdas Juozaponis Šarūnas Nedzinskas* | | |

*Independent member

Sales Revenue (EUR '000)

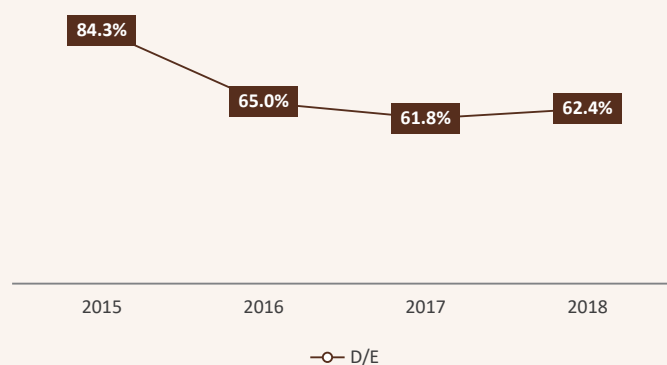
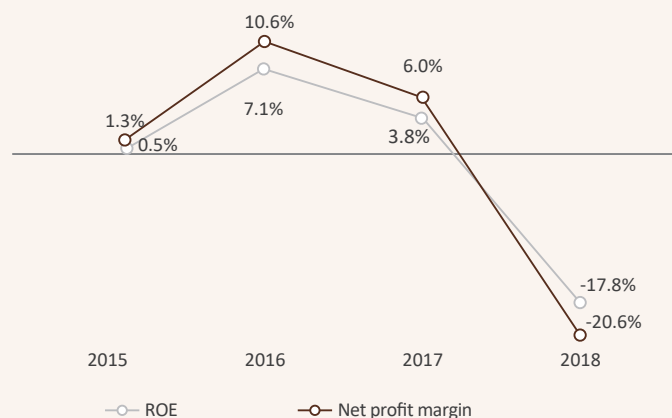


During the accounting period, the Company's cost of goods sold, which comprised the cost of purchasing electricity and related services, increased by 48.6% compared to 2017, reaching EUR 119 million. The cost of balancing electricity (regulation) increased by 104.6% up to EUR 26 million. The cost of system services increased by 48% up to EUR 59.8 million. The cost of purchasing electricity to compensate for technological losses in the transmission network increased by 44% and reached EUR 22.6 million. Transit (ITC) cost for the reporting period amounted to EUR 2.5 million. The cost of implementing the public service obligations (PSO) amounted to EUR 7.3 million. The cost of securing the distributed interconnections with Sweden and Poland amounted EUR 0.8 million.

Due to significant regulatory changes in the Company's deferred income, the revaluation cost of the Company's non-current tangible assets at the end of 2018 amounted to EUR 51 million (due to impairment). This was the main reason behind the 73.3% increase in general and administrative expenses. Wages and associated costs grew by 7.5% and amounted to EUR 15 million, accounting for 12.9% of overall general and administrative expenses. Compared to 2017, depreciation and amortisation expenses decreased by 1.8% down to EUR 25.9 million.

Corresponding changes in revenues and costs resulted in a drastic drop of the Company's EBITDA from EUR 39.3 million to EUR -19.1 million, despite the revenue from connecting new producers/relocation of electrical installations amounting to EUR 3.6 million for compensating the costs of connecting producers of renewable energy sources from PSO funds, which actually increased EBITDA in 2018. The main reasons for the decline in EBITDA were related to higher returns to customers exceeding the level set by the Commission (EUR +6.7 million compared to 2017); after the introduction of the common balancing market of the three Baltic States from 1 January 2018, the changed pricing resulted in the decrease in results of EUR 2 million; lower performance of system services also contributed to lower indicators.

Significant drop in profit for the reporting period from EUR 9.6 million to the loss of EUR 39.4 million had a major impact on the annual results of UAB EPSO-G Group. These changes, largely due to one-off events, also led to changes in return ratios. REO and net profit for the reporting period were negative and stood at -17.8% and -20.6%, respectively.



Financial liabilities to credit institutions amounted to EUR 121.8 million as of 31 December 2018, i. e. decreased by EUR 30.6 million or 20.1% over a year, and the ratio to equity accounted for 62.4%. Despite a decline in financial liabilities, the D/E ratio increased by 0.7 p. p. due to a decrease in equity of 20.9%, driven by retained loss of EUR 38.6 million.

In 2018, investments of transmission system operator LITGRID (work performed and assets acquired irrespective of payment terms) amounted to EUR 18.9 million, 25% of which was for the implementation of strategic and electricity projects significant for the State, while 75% - for the reconstruction and development of the transmission network.

AB Amber Grid

www.ambergrid.lt



AB Amber Grid is the Lithuanian natural gas transmission system operator responsible for natural gas transmission (transportation via high-pressure pipelines) to users of the system, operation, maintenance and development of natural gas infrastructure

- ↓ The transmission volume of natural gas to Lithuanian consumers decreased by 8.1%
- ↓ Sales revenue decreased by 15.6% and amounted to EUR 54.3 million
- ↓ The return on equity fell to -14.2%

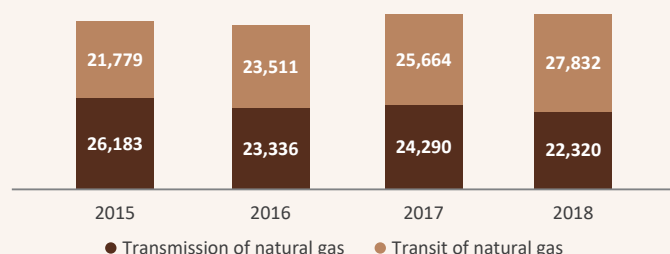
Major events:

- On 24 May 2018, Lithuanian and Polish natural gas transmission system operators Amber Grid and GAZ-SYSTEM S.A. signed the interconnection agreement confirming the final decision to invest in the project 'The Gas Interconnection Poland-Lithuania' (GIPL).
- On 11 September 2018, Amber Grid and Lithuanian Business Support Agency signed the funding agreement under which the project 'Installation of start-up and receiving chambers for control device and implementation of operational technological control of gas transmission system (second stage)' received EU financial support of 50%. The project implementation is planned by the end of 2021; the total investment for the project amounts to EUR 13.15 million. The project aims to adapt the main pipelines for internal diagnostics and to implement operational technological control of the system.

The Company operates 65 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). The operated gas transmission pipelines are 2,115 km long, the diameter ranging from 100 to 1,220 mm. In 2018, total 218 km of pipelines were tested by internal diagnostics.

In 2018, 14,351.6 GWh of natural gas was imported for customers of Lithuania and other Baltic States from Belarus into the transmission system operated by the Company, 8,830.2 GWh from Klaipėda LNG terminal, and 1,842.4 GWh from Latvia to Lithuania. **Lithuanian consumers were provided with 22,320 GWh of natural gas to the internal exit point. Compared to 2017, when 24,290 GWh of natural gas were transferred, the transmission volume decreased by 8.1%.** From Lithuania to Latvia, 2,308 GWh of natural gas were transferred to consumers, or 11.2% less than in 2017 (2,598.3 GWh). During the reporting period, 27,832.2 GWh natural gas were transported to the Kaliningrad region of the Russian Federation, which increased by 8.4%. A noticeable trend is increase in the overall volume of natural gas transmission. The volume of natural gas transit has also increased by 27.8% since 2015. As a result, the importance in the overall structure of gas transportation has grown, increasing from 45.4% in 2015 up to 55.5%.

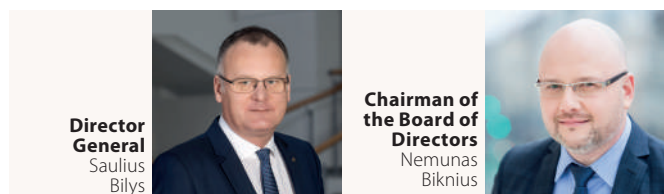
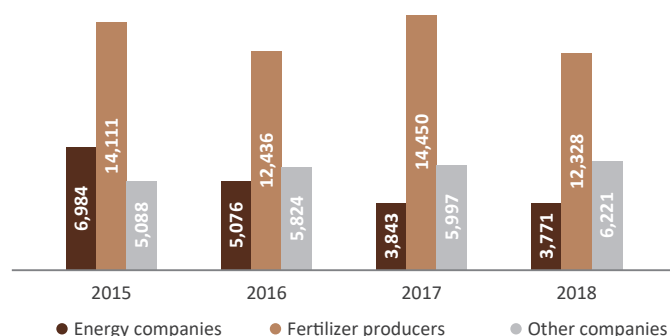
Quantity of Natural Gas Transported Through the Natural Gas Transmission System (GWh)



Source: National Energy Regulatory Council

Most of the natural gas supplied to Lithuanian consumers in 2018 (55.2%) went to fertilizer companies and amounted to 12,328 GWh, which is 14.7% less than the volume of natural gas transmitted in the previous years. **Since 2015, there has been a marked downward trend in the volume of natural gas transmitted to energy companies, the decrease being 46%.** The Company's customers are large Lithuanian electricity producers, district heating companies, as well as industrial companies and medium-sized Lithuanian companies, natural gas suppliers receiving natural gas transmission services.

Transmission of Natural Gas to Lithuanian Consumers (GWh)



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------------|----------------|--|
| Sales revenue | 64,322 | 54,290 | -15.6% |
| Cost of goods sold | 7,948 | 10,417 | +31.1% |
| Gross profit (loss) | 56,374 | 43,873 | -22.2% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 68,090 | 69,561 | +2.2% |
| Results of other activities | 0 | 0 | - |
| Net financial items | -339 | -323 | 4.7% |
| Profit (loss) before taxes | -12,055 | -26,011 | -115.8% |
| Corporation tax | -2,194 | -4,419 | -101.4% |
| Net profit (loss) | -9,861 | -21,592 | -119.0% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 244,654 | 207,117 | -15.3% |
| Current assets | 35,544 | 28,299 | -20.4% |
| Cash and cash equivalents | 6,726 | 34 | -99.5% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 280,198 | 235,416 | -16.0% |
| Equity | 172,021 | 131,596 | -23.5% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 108,177 | 103,820 | -4.0% |
| Amounts payable after one year and other non-current liabilities | 62,709 | 55,805 | -11.0% |
| <i>Financial liabilities</i> | 59,333 | 55,357 | -6.7% |
| Amounts payable within one year and other current liabilities | 45,468 | 48,015 | +5.6% |
| <i>Financial liabilities</i> | 17,889 | 24,767 | +38.4% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 280,198 | 235,416 | -16.0% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | -3.2% | -8.4% | -5.1 p. p. |
| ROE | -5.3% | -14.2% | -9.0 p. p. |
| D/E | 44.9% | 60.9% | +16.0 p. p. |
| EBITDA | 2,721 | -13,069 | - |
| EBITDA margin | 4.2% | -24.1% | -28.3 p. p. |
| Net profit margin | -15.3% | -39.8% | -24.4 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends | 20,300 | 5,227 | -74.3% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 346 | 329 | -4.9% |
| Number of executives | 5 | 5 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 6,340 | 6,331 | -0.1% |
| SHAREHOLDERS | | | |
| UAB EPSO-G (indirectly state-owned share) | | | 96.58% |
| Other shareholders | | | 3.42% |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Saulius Bilyis |
| Chairman of the Board of Directors | | | Nemunas Biknius |
| Members of the Board of Directors | | | Nerijus Datkūnas* Sigitas Žutautas* Rimvydas Štilinis Algirdas Juozaponis |

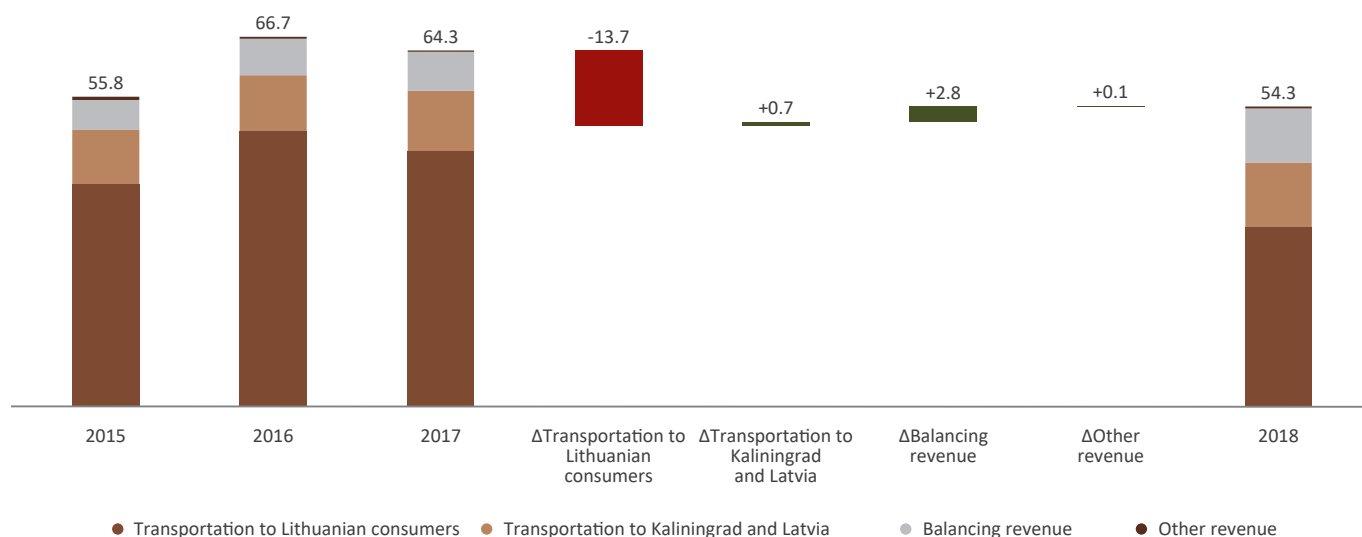
*Independent member

At the end of 2018, the Company had 106 natural gas transmission service contracts with users of the natural gas transmission system, 66 of which used transmission capacity during the reporting period. The Company has concluded 3 natural gas balancing agreements with market participants trading in natural gas at the virtual point of sale but not transporting it through the transmission system.

In 2018, the Company's sales revenue totalled EUR 54.3 million which is 15.6% less than in 2017. Revenue from natural gas transmission services amounted to 81.2% of the total revenue (88.6% in 2017). Revenue from natural gas transportation services

to Lithuanian consumers decreased by 29.7% due to reduction in the prices of natural gas transmission applied in 2018. Revenue from transportation to adjacent transmission systems increased due to higher transportation capacity. Balancing revenue grew by 41.2% due to increased balancing volumes and higher prices. Other revenue, the major part of which was revenue from the administration of liquefied natural gas (LNG) terminal funds amounting to EUR 0.4 million in 2018, grew slightly by 5.5%. Sales revenue that has been increasing until 2016 is decreasing every year: in 2017 it decreased by 3.6%, in 2018 - by 15.6%. This was caused by fluctuations in the revenue from transportation to Lithuanian consumers.

Sales Revenue (EUR million)



During the reporting period, most of the Company's costs, i. e. EUR 37.7 million, consisted of the cost of value impairment of non-current assets (gas pipelines, gas distribution and metering stations, gas compressor stations and other gas system components). **The Company's cost of goods sold, i. e. natural gas costs amounted to EUR 10.4 million in 2018, and increased by 31.1% compared with the previous reporting period.** This was largely influenced by the increase in the purchase costs of natural gas. The Company purchased natural gas for technological purposes, the balancing and technical balancing of gas flows of system users and other gas market participants involved in the balancing of the transmission system. Salaries and social security costs amounted to EUR 8.9 million or 12.8% of the general and administrative expenses and increased by 12.4%, compared with 2017. Repair and maintenance expenses amounted to EUR 5.3 million and decreased by 6.1% since 2017.

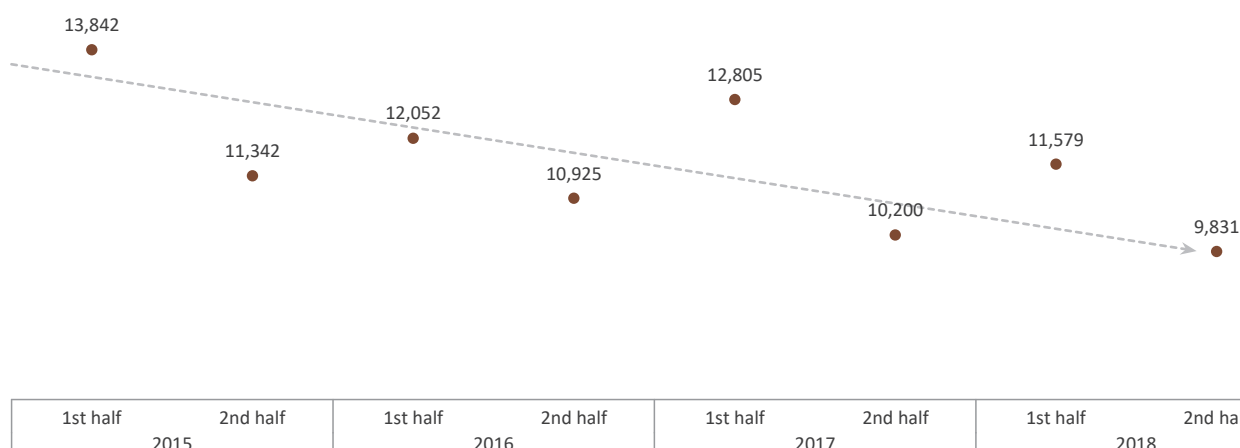
The net result of the Company, as in 2017, was negative and amounted to EUR 21.6 million. The increase in the cost of natural gas due to the increased price and the decrease of sales revenue due to the decrease of the volume of activity resulted in the increase of the loss by EUR 11.7 million. The profitability indicators

also followed the same trend: return on equity was -14.2%, and the net profit margin was -39.8%.

Due to the loss recorded in 2018 and the payment of dividends for the previous financial period, the Company's equity decreased by 23.5% and amounted to EUR 131.6 million at the end of the reporting period, which represented 55.9% of the total assets of the Company. Due to the revaluation of non-current assets and accounted impairment thereof at the end of 2018, the value of non-current assets decreased by 15.3% amounting to EUR 207.1 million.

Under the maintenance of the managed natural gas transmission network, the Company is investing into the managed infrastructure, which amounted to EUR 15.9 million in 2018, i. e. 28.7% more than in 2017 (EUR 12.4 million). As in the previous years, the major part of these investments consisted of investment in reconstruction and modernisation, amounting to EUR 15.9 million. The growth was determined by the ongoing reconstruction projects of gas pipelines and Panevėžys gas compressor station.

Consumption of Natural Gas in Lithuania (GWh)



Source: National Energy Regulatory Council

Based on the data of the National Energy Regulatory Council, 21.4 TWh of natural gas were consumed in Lithuania in 2018. This means that the consumption of natural gas decreased by 6.9% in the country, compared with 2017. Since 2015, the decrease has amounted to 15%. During the reporting year, natural gas consumption

in Lithuania decreased mainly due to the decrease of gas demand in the fertilizer production sector. Trends in natural gas sales in other EU countries are reversed: since 2015, an intense growth has been captured, ranging from 976.2 TWh to 2,289.3 TWh in 2018.

AB Klaipėdos nafta

www.kn.lt



AB Klaipėdos nafta is a listed company in the Lithuanian energy sector that manages oil and LNG cargo handling terminals in Klaipėda, develops small-scale LNG activities and provides long-term storage of oil products in the oil terminal located in Subačius (Kupiškis District)

AB Klaipėdos nafta holds 100% of UAB SGD logistika shares and 100% of UAB SGD terminalas shares.

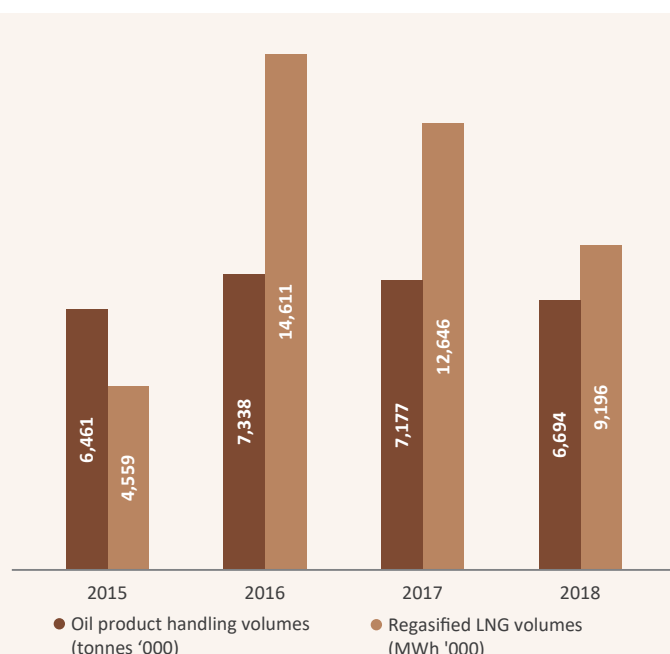
- Oil handling volumes decreased by 6.7%
- Net profit shrank by 32.0% equalling EUR 11.6 million
- EUR 8.4 million was assigned in dividends for the performance in 2018, which was 32.0% less

Major events:

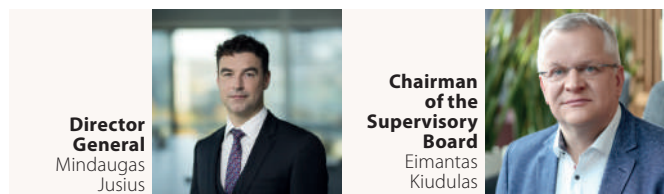
- On 4 January 2018, the Company became the national member of the Baltic Institute of Corporate Governance (BICG).
- On 3 April 2018, the Company and Freeport LNG, a USA LNG supplier and the operator of the future LNG terminal, signed a memorandum of understanding, in Washington, on further cooperation in the area of ground infrastructure for floating LNG terminals.
- On 27 December 2018, AB Klaipėdos nafta established a subsidiary called UAB SGD terminalas.

In 2018, the oil product handling volume decreased by 6.7% and amounted to 6,694 thousand tonnes, 6,588 tonnes of which were transhipped via the Klaipėda oil terminal, while the number at Subačius oil terminal stood at 106 thousand tonnes. The decline was down to the smaller flows of refined light oil products of the main customer, AB ORLEN Lietuva. 4 times smaller transit flows of refined light oil products determined a 5.3% decline in transit flows; however, the flows of dark oil products saw a 5.3% rise. As in previous years, in 2018, the main transit cargo customer was BNK (UK) Limited, owned by the largest exporters of Belarusian oil products – ZAT Belaruskaja neftenaya kompanija (Belarusian oil company – BNK).

The LNG terminal, which had launched its regasification activities on 27 November 2014, regasified 9,196 thousand MWh of liquefied natural gas in 2018. Compared with the results of 2017, the regasification volumes dropped by 27.3%. During 2018, the LNG terminal was used by three users – the designated natural gas supplier UAB LITGAS, AB Achema, and UAB Lietuvos dujų tiekimas. If required, the LNG terminal is capable of supplying natural gas to all three Baltic states, with the gas markets of Latvia and Estonia being significantly smaller. However, when the gas pipeline projects are completed, it should be possible to supply natural gas to the Polish and Finnish natural gas markets where the consumption is considerably greater.



In 2018, the Company's sales revenue comprised EUR 100.0 million and, compared with the results of 2017, suffered a 6.1% drop. The revenue of the LNG terminal (whose activities are regulated in terms of the price being capped, thereby rendering its revenue and profit independent of the volumes of regasification activities) shrank by 5.6% and amounted to EUR 64.4 million, representing 64.4% in the total revenue structure. The revenue from Klaipėda oil terminal, which represented 32.5% of the total revenue and reached EUR 32.5 million, saw an 8.4% drop due to declining volumes of oil products handled. The growth of the sales revenue from Subačius oil terminal equalled 11.2% because of the increased volumes of commercial long-term storage.

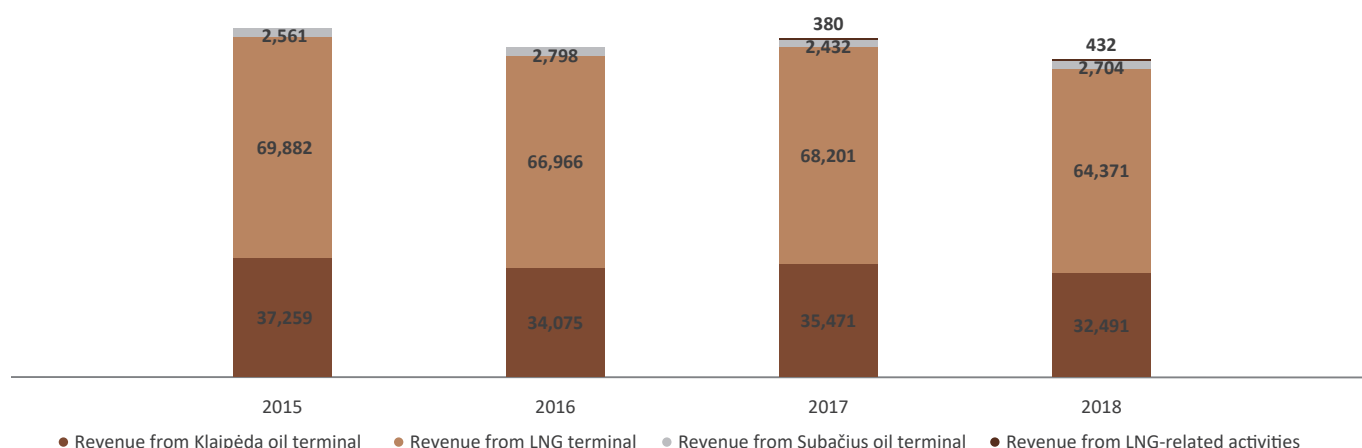


| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------------|---|---------------|
| Sales revenue | 106,484 | 99,998 | -6.1% |
| Cost of goods sold | 82,739 | 82,682 | -0.1% |
| Gross profit (loss) | 23,745 | 17,316 | -27.1% |
| Cost of sales | 6,217 | 5,727 | -7.9% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 79 | 276 | +249.4% |
| Net financial items | -94 | -8 | +91.5% |
| Profit (loss) before taxes | 17,513 | 11,857 | -32.3% |
| Corporation tax | 482 | 280 | -41.9% |
| Net profit (loss) | 17,031 | 11,577 | -32.0% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 204,977 | 203,025 | -1.0% |
| Current assets | 96,268 | 90,102 | -6.4% |
| Cash and cash equivalents | 16,747 | 73,238 | +337.3% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 301,245 | 293,127 | -2.7% |
| Equity | 200,344 | 195,490 | -2.4% |
| Grants and subsidies | 4,006 | 4,642 | +15.9% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 96,895 | 92,995 | -4.0% |
| Amounts payable after one year and other non-current liabilities | 76,733 | 74,368 | -3.1% |
| Financial liabilities | 76,105 | 73,474 | -3.5% |
| Amounts payable within one year and other current liabilities | 20,162 | 18,627 | -7.6% |
| Financial liabilities | 274 | 2,678 | +877.4% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 301,245 | 293,127 | -2.7% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 6.3% | 3.9% | -2.4 p. p. |
| ROE | 8.7% | 5.8% | -2.8 p. p. |
| D/E | 38.1% | 39.0% | +0.8 p. p. |
| EBITDA | 31,239 | 26,780 | -14.3% |
| EBITDA margin | 29.3% | 26.8% | -2.6 p. p. |
| Net profit margin | 16.0% | 11.6% | -4.4 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) ¹ | 12,317 | 8,375 | -32.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 389 | 388 | -0.3% |
| Number of executives | 38 | 40 | +5.3% |
| Average monthly salary of executives (gross, EUR) | 4,051 | 3,921 | -3.2% |
| SHAREHOLDERS ¹ | | | |
| State-owned interest | | | 72.32% |
| UAB koncernas Achemos grupė | | | 10.28% |
| Other shareholders | | | 17.40% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Energy of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | Mindaugas Jusius | |
| Chairman of the Board of Directors | | Giedrius Dusevičius* | |
| Members of the Board of Directors | | Bjarke Pålsson* Mantas Bartuška Dainius Bražiūnas Ian Jonathan Bradshaw* | |
| Chairman of the Supervisory Board | | Eimantas Kiudulas* | |
| Supervisory Board | | Tomas Lukoševičius Andrius Varanavičius* | |

*Independent member

¹ - Since 29 March 2019, the State, represented by the Ministry of Energy, owns 72.34% of the shares, UAB koncernas Achemos grupė, 10.41%, and other shareholders, 17.25%. The dividends awarded to the State for 2018 are shown on the basis of the amended shareholding.

AB Klaipėdos nafta Sales Revenue Structure (EUR thousand)



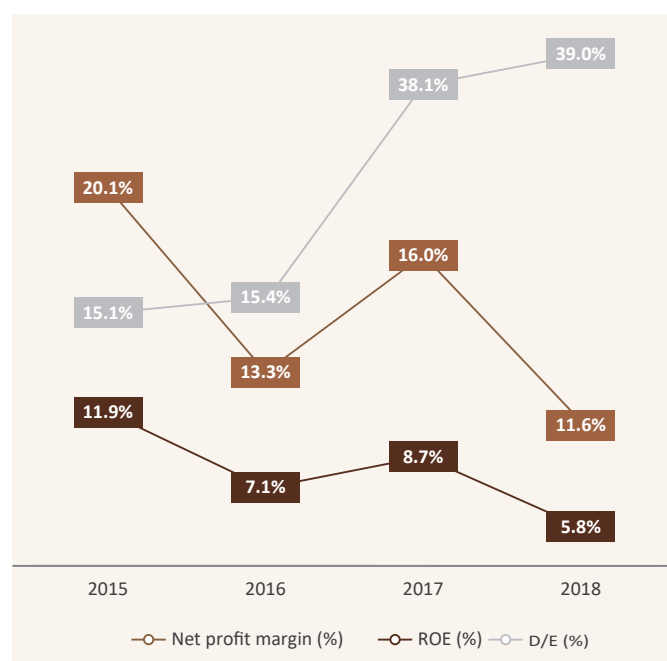
The downtrend in the sales revenue has been observed since 2015. It is mainly determined by a decline of the revenue from Klaipėda oil terminal as the revenue from this segment has declined by 12.8% since 2015. The falling oil handling volumes also had a noticeable effect on the customer structure as the total revenue structure recorded a drop in the sales revenue from foreign customers. Between 2015 and 2018, the revenue generated from the customers registered outside of Lithuania declined from 18.1% to 14.6% in the total revenue structure.

The shrinking sales revenue caused the Company to earn EUR 11.6 million in net profit during 2018, i.e. 32.0% less than in 2017. The biggest gain, reaching EUR 9.2 million, was earned from Klaipėda oil terminal, while the LNG terminal generated a profit of EUR 4.2 million, which against the results of 2017 represented a 35.3% drop. The shrinking normalised profit of the LNG terminal related to the decreasing base of regulated assets. The development of the LNG-related activities was loss-making and dragged the Company's total result down by EUR 2.6 million.

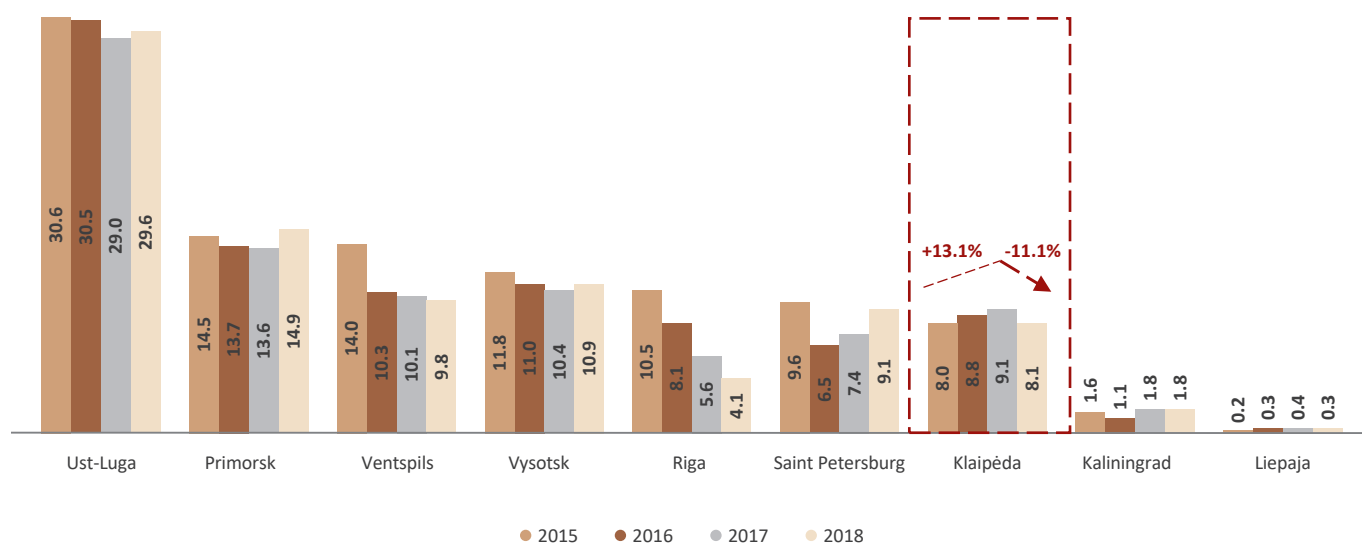
At the end of 2018, EBITDA amounted to EUR 26.8 million, which was 14.3% less than in 2017. Because of the decline in sales revenue, the shrinking net profit of the Company, its profitability indicators saw a decline too: the net profit margin dropped by 4.4 p. p. and amounted to 11.6%. **The return on equity fell from 8.7% in 2017 to 5.8% in 2018.**

For 2018, the Company's shareholders assigned EUR 8.4 million in dividends to the State, i.e. 32% less than it was assigned for the results of 2017. The dividends assigned to all shareholders jointly (including all shares, not just that of the State) for 2018 represented 97.6 % of the Company's total distributable profit.

Since 2015, the Company's debt-to-equity ratio has increased from 15.1% up to 38.1%, rising even higher during the reporting period – up to 39.0%. As provided in the Company's Letter of Expectations, the Company implementing its development goals and making investments is increasing the part of borrowed funds in its capital structure, thereby improving the efficiency of its capital structure.



Oil Products Handling Volumes in Baltic Sea Terminals (million tonnes)



The seaports of the Eastern Baltic coast (excluding the Estonian ports), which are regarded the main competitors of the Company, transshipped, based on the available statistical data, around 98.2 million tonnes of oil products in 2018. If comparing with the handling volumes in 2017, when the volumes reached EUR 97.1 million tonnes, the handling volumes saw a 1.2% rise during the reporting period. The handling volumes had experienced a 5.2% drop across the region in 2017, but a rise of 2.8% in the Port of Klaipėda. In 2016, when the handling volumes of most ports had been in decline, and

the total handling volumes in the seaports of the Baltic coast had shrunk by 12.2%, the oil product handling volumes in the Port of Klaipėda grew by 10.1%. The neighbouring Port of Riga in Latvia, which is losing its key Russian flows, is experiencing falling handling volumes by 26.9% on average year on year, suggesting that it is losing its position in the market. Since the main export flows of oil products produced by the Russian oil refinery are directed via the Russian ports in the Gulf of Finland, there is a noticeable growth in the loading volumes at Saint Petersburg, Primorsk and Ust-Luga ports.

VĮ Ignalinos atominė elektrinė

www.iae.lt



The Company carries out the decommissioning of the Ignalina NPP, covering the operations of the systems ensuring nuclear, radiation, fire and physical safety and necessary for the INPP, the unloading of spent nuclear fuel from energy blocks and the transportation of spent nuclear fuel for temporary storage, decontamination and dismantling of equipment and buildings, and treatment and storage of radioactive waste

Special obligations: preparations for the decommissioning of Ignalina Nuclear Power Plant operations and safe decommissioning of this power plant; safe management of radioactive waste; Maišiagala radioactive waste storage facility operations and decommissioning.

- ↓ Volumes of equipment dismantling works fell by 4.5%
- ↑ Company's revenue grew by 27.3%
- ↓ EUR 2.9 million net loss incurred in 2018

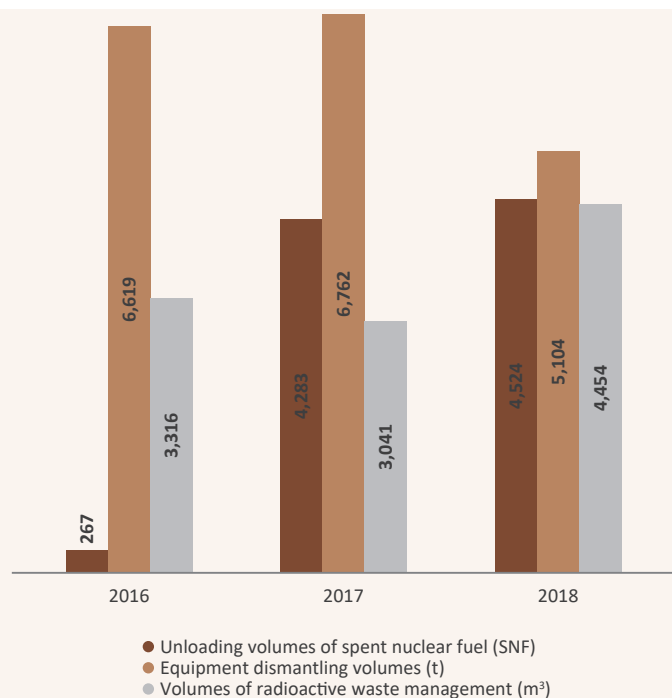
Major events:

- On 20 June 2018, the Decree of the Minister of Energy of the Republic of Lithuania had the reorganisation of the VĮ Radioaktyvių atliekų tvarkymo agentūra approved as a merger by absorption into VĮ Ignalinos atominė elektrinė.

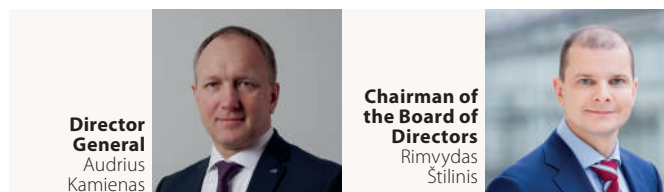
- On 26 September 2018, a large-scale electronic real-time auction was held, which had 1,500 tonnes of ferrous scrap metal sold worth almost EUR 337 thousand.

The Company's activities are focused on meeting the public interest, i.e. the decommissioning of the Company's operations funded by the State and international donors, which is undertaken on the cost reimbursement basis. For the period between 2000 and 2020, the European Union has awarded EUR 1,558.0 million, while the Republic of Lithuania gave EUR 175.0 million as at the end of 2018.

In the course of its activities in 2018, the Company completed the unloading of spent fuel at the 2nd reactor. In total, 2018 had 5.6% more spent fuel unloaded than in 2017. The volumes of equipment dismantling works fell by 24.5% over the reporting period compared with the results for 2017. 2018 saw 5,104 tonnes of the Company's equipment dismantled, including dismantling when carrying out building dismantling works outside of the surveillance zone and by sampling structures in the R3 zone of the reactors. This was considerably affected by the delayed process for having the design paperwork for the dismantling and decontamination of the reactor and the technological equipment of its systems drafted. Despite the rise in the scope of radioactive waste management works by 46.5% (2018 had 4,454 cubic metres of radioactive waste managed, while the number had stood at 3,041 cubic metres in 2017), the set indicators concerning the radioactive waste management have not been attained due to equipment failures.



Under to the decommissioning plan for the Ignalina Nuclear Power Plant approved in 2014, the plant's decommissioning works, valued at EUR 2,592.4 million (excluding inflation and risks) are scheduled to be completed by 2038. The plan provides for the design, development and operations of new infrastructure for storing radioactive waste generated during the INPP dismantling process and for storing the spent nuclear fuel unloaded from the units. Since 2014, the Temporary Spent Nuclear Fuel Storage Facility (TSNFSF, project B1) and the Solid Radioactive Waste Retrieval, Processing and Storage Complex (projects B2/3/4) have been built, the Short-Lived Very Low-Active Waste Disposal Facility (project B19) designed with its building works underway, and



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------------|----------------|----------------|
| Sales revenue | 201 | 256 | +27.3% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 201 | 256 | +27.3% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 961 | 3,049 | +217.3% |
| Results of other activities | -300 | 138 | - |
| Net financial items | -576 | -286 | +50.4% |
| Profit (loss) before taxes | -1,636 | -2,940 | -79.8% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | -1,636 | -2,940 | -79.8% |
| Adjusted net profit (loss) | -1,636 | -2,940 | -79.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 302,338 | 303,382 | +0.3% |
| Current assets | 398,077 | 322,025 | -19.1% |
| Cash and cash equivalents | 64,507 | 52,822 | -18.1% |
| Deferred charges and accrued income | 67 | 77 | +14.6% |
| TOTAL ASSETS | 700,482 | 625,484 | -10.7% |
| Equity | 24,322 | 21,421 | -11.9% |
| Grants and subsidies | 588,200 | 521,374 | -11.4% |
| Provisions | 74,877 | 72,322 | -3.4% |
| Amounts payable and other liabilities | 13,080 | 10,353 | -20.9% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| <i>Financial liabilities</i> | <i>0</i> | <i>0</i> | <i>-</i> |
| Amounts payable within one year and other current liabilities | 13,080 | 10,353 | -20.9% |
| <i>Financial liabilities</i> | <i>0</i> | <i>0</i> | <i>-</i> |
| Accrued expenses and deferred income | 2 | 14 | +540.9% |
| Total equity and liabilities | 700,482 | 625,484 | -10.7% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | -0.2% | -0.4% | -0.2 p. p. |
| ROE | -2.5% | -12.9% | -10.3 p. p. |
| D/E | 0.0% | 0.0% | 0.0 p. p. |
| EBITDA | -90 | -1,626 | -1,707.0% |
| EBITDA margin | -44.7% | -634.5% | -589.8 p. p. |
| Net profit margin | -812.5% | -1,147.2% | -334.7 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 0 | 0 | - |
| Property tax | 0 | 0 | - |
| Total contributions and non-standard taxes to the State | 0 | 0 | - |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 1,983 | 1,901 | -4.1% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 5,304 | 5,017 | -5.4% |

INSTITUTION REPRESENTING THE STATE

Ministry of Energy of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|--|
| Director General | Audrius Kamienas |
| Chairman of the Board of Directors | Rimvydas Štilinis* |
| Members of the Board of Directors | Patricija Ceiko Andrius Bendikas* Artūras Vilimas* |

*Independent member

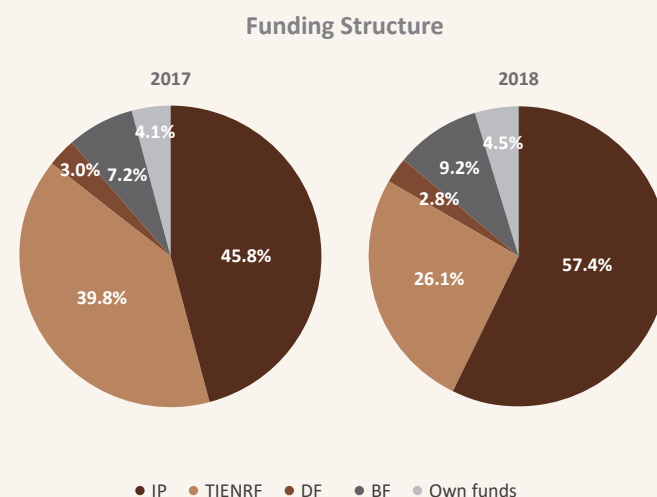
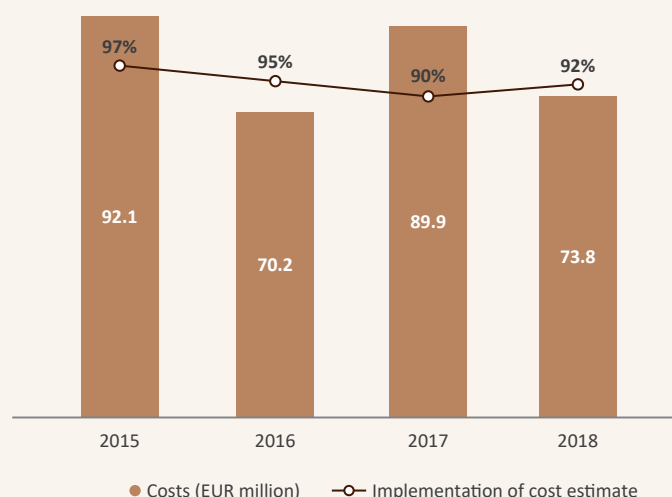
the services for the construction of Short-Lived Low-Active and Medium-Active Radioactive Waste Land-Based Disposal Site (project B25) have been procured.

One of the major events was the industrial launch of the TSNFSF on 4 May 2017, following the successful completion of equipment testing. It is the key pre-condition for the spent fuel to be unloaded from INPP. Following the launch of the TSNFSF, spent nuclear fuel was successfully unloaded from the active zone in the 2nd reactor ahead of the scheduled time. And it is planned that the Solid Radioactive Waste Retrieval, Processing and Storage Complex will be launched in 2019.

At the end of 2018, the Company managed assets in excess of EUR 625 million. In terms of it, the Company ranked fourth among all SOEs and stood only behind Lietuvos energija, UAB, AB Lietuvos geležinkeliai ir UAB EPSO-G Groups. Compared with 2017, the book value of the Company's assets fell by 10.7% because of the sale of unnecessary assets.

In the course of decommissioning works, the Company had spent EUR 718.3 million until 2014. In 2018, EUR 73.8 million was used for the decommissioning of the plant, i.e. 17.8% less than in 2017. A major part of these funds – 57.4% (EUR 42.3 million) was made up of the funds from the Ignalina Programme. The TIENRF funds accounted for EUR 19.3 million and took a 46.2% hit against 2017 when EUR 35.8 million had been used representing 39.8% of the total funding for 2017. In 2018, the State funds, used via the Fund for the Decommissioning of State Enterprise Ignalinos atominė elektrinė, made up EUR 2.1 million, while EUR 6.8 million (9.2%) was used from the budget of the Republic of Lithuania. The sum funded using the Company's own funds reached EUR 3.3 million (4.5%).

In 2015-2018, the Company incurred EUR 81.5 million annual costs on average. Since the power plant decommissioning costs are subsidised, the Company's general and administrative expenses reflect the non-subsidised values of incurred costs. Compared with 2017, the reference period had a larger



chunk of taxes and employment costs subsidised. During a four-year period, the Company's estimate of operating costs was implemented by 94% according to the plan.

The Company's total revenue structure is dominated by the proceeds from the sale of assets. When unnecessary uncontaminated or decontaminated equipment is dismantled, the Company sells it in public auctions. In 2018, the Company auctioned 2,385.8 tonnes of scrap metal worth EUR 930.6 thousand. In total, the Company sold assets worth EUR 1.9 million, which represented 82.2% in the total revenue structure. The revenue from other activities made up 11.4% and reached EUR 260.3 thousand.

Compared to the performance in 2017, the Company's sales revenue improved by 27.3% and reached EUR 256 thousand in 2018. The major part of revenue, 52.1% or EUR 133.5 thousand, was earned by the Company from its compressed air supply. A significant part, 21.3% of the total revenue or EUR 54.6 thousand, was represented by railway transportation services, which saw a 21.0% rise in 2018.

The Company's net result for 2018 was negative as the Company suffered a EUR 2.9 million net loss. Compared with the performance in 2017,

the loss saw a EUR 1.3 million rise. This was affected by a significant increase in the general and administrative (operational) costs, which amounted to EUR 3.0 million, while in 2017 these costs had been estimated at EUR 960.9 thousand. This considerable cost growth was determined by the facts that nuclear fuel was impaired down to its potential net realisable value, the fixed assets were also impaired, and the provision for the decommissioning using own funds was revised and discounted.

The Company's EBITDA for 2018 equalled EUR -1.6 million. The return on equity was also negative and amounted to -12.9%, i.e. 10.3 p. p. lower than in 2017. These results have been determined by the specific nature of the Company's activities:

- Its main activity does not generate positive cash flows because it is focused on the activities that meet the public interest – the decommissioning of Ignalina Nuclear Power Plant – and is subsidised by the State and through international assistance funds.
- Its commercial activities make up an insignificant part of the business.
- During the decommissioning phase, there will be a major part of the Company's assets liquidated with most of them unfit for reuse or other disposals.

AB Lietuvos geležinkeliai Group

www.litrail.lt



Freight and passenger transportation by railways, rail network administration, public railway infrastructure management, maintenance and development, repair and manufacture of rolling stock, and security services

AB Lietuvos geležinkeliai owns 100% shares of UAB Geležinkelio tiesimo centras, UAB Vilniaus lokomotyvų remonto depas, UAB Gelsauga, UAB Rail Baltica statyba, AB LG CARGO, UAB LG Keleiviams, AB Lietuvos geležinkelių infrastruktūra, UAB Saugos paslaugos and VšĮ Transporto inovacijų centras, 79.61% shares of VšĮ Geležinkelių logistikos parkas, and 34% shares of Lithuanian and Austrian company UAB voestalpine VAE Legetechna.

Special obligations performed: public passenger transport services; minimum access package services; maintenance, modernisation and development of public railway infrastructure.

- ↑ Cargo transported increased by 7.9%, the number of passengers transported increased by 11.0%
- ↑ In 2018, the net profit earned by the Group doubled and amounted to EUR 54.8 million
- ↑ The State granted the subsidy of EUR 27.0 million to compensate for losses

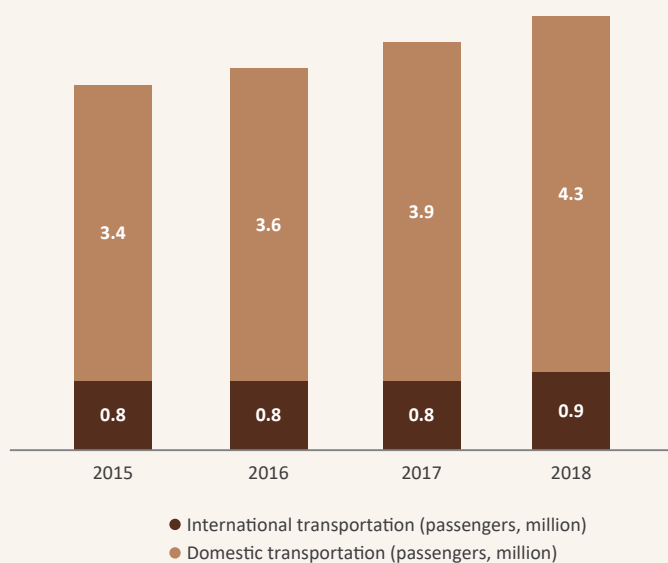
Major events:

- The European Union has allocated EUR 110.5 million from the budget of the Connecting Europe Facility (CEF) to the Rail Baltica project in all three Baltic States, including EUR 95 million to finance Lithuania's national activities.
- Taking into account the EU legal regulation in the field of railway transport, in 2018, **the reorganization of activities and management of AB Lietuvos geležinkeliai Group was started.** Following the approval by the Seimas of the Republic of Lithuania in December 2018 of the restructuring model of AB Lietuvos geležinkeliai Group, the Company launched the restructuring model by refining freight, passenger transport and infrastructure activities and transferring them to newly established companies: AB LG CARGO, UAB LG Keleiviams and AB Lietuvos geležinkelių infrastruktūra. The implementation of the changes in the Group will continue until the end of 2019.
- In line with the long-term corporate strategy of 2018-2030, approved in April 2018, **the Group has set ambitious targets for all Group activities:** to increase cargo volumes to 70 million tonnes; to double the number of passengers to 8 million; to enable travelling speed up to 250 km/h in the gauge of Rail Baltica; to double the EBITDA of the Group companies to EUR 300 million.

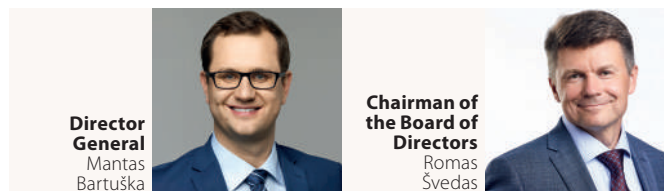
In 2018, the number of passengers transported increased by 11.0%, to 5.2 million:

- 11.6% more passengers were transported via local routes comparing with 2017,** amounting to 4.3 million passengers and accounting for 83.2% of all passengers transported. The growth of the number of passengers was influenced by the marketing tools taken to attract the passenger flow: adaptation of timetables to customer needs, creation of new routes, development of sales channels (three-fold increase in ticket sales on-line since 2016), development of services attractive to the business segment.
- Transportation via international routes in 2018 increased by 8.2% and amounted to 0.9 million passengers;** 0.5 million passengers (62.2% of all international transportation) were transported through the territory of the Republic of Lithuania by transit trains.

Data of Transportation of Passengers



AB Lietuvos geležinkeliai Group must ensure the provision of carriage of passengers via local routes, which is necessary but commercially disadvantageous. The State allocates grants to compensate for losses incurred in the carriage of passengers via local routes. In 2018, those amounted to EUR 27.0 million.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|------------------|------------------|----------------|
| Sales revenue | 448,100 | 467,952 | +4.4% |
| Cost of goods sold | 355,289 | 361,184 | +1.7% |
| Gross profit (loss) | 92,811 | 106,768 | +15.0% |
| Cost of sales | 397 | 712 | +79.4% |
| General and administrative expenses | 55,227 | 58,897 | +6.6% |
| Results of other activities | 103 | 26,944 | +25,989.8% |
| Net financial items | -5,976 | -3,521 | +41.1% |
| Profit (loss) before taxes | 31,315 | 70,582 | +125.4% |
| Corporation tax | 4,327 | 15,776 | +264.6% |
| Net profit (loss) | 26,988 | 54,806 | +103.1% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 1,909,825 | 1,846,870 | -3.3% |
| Current assets | 155,541 | 177,198 | +13.9% |
| Cash and cash equivalents | 83,536 | 92,832 | +11.1% |
| Deferred charges and accrued income | 2,207 | 1,589 | -28.0% |
| TOTAL ASSETS | 2,067,572 | 2,025,657 | -2.0% |
| Equity | 1,138,694 | 1,151,386 | +1.1% |
| Grants and subsidies | 520,962 | 538,882 | +3.4% |
| Provisions | 26,340 | 26,766 | +1.6% |
| Amounts payable and other liabilities | 377,370 | 305,759 | -19.0% |
| Amounts payable after one year and other non-current liabilities | 243,092 | 188,992 | -22.3% |
| <i>Financial liabilities</i> | 236,128 | 181,220 | -23.3% |
| Amounts payable within one year and other current liabilities | 134,279 | 116,768 | -13.0% |
| <i>Financial liabilities</i> | 32,405 | -29,706 | -8.3% |
| Accrued expenses and deferred income | 4,206 | 2,863 | -31.9% |
| Total equity and liabilities | 2,067,572 | 2,025,657 | -2.0% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 1.3% | 2.7% | +1.4 p. p. |
| ROE | 2.4% | 4.8% | +2.4 p. p. |
| D/E | 23.6% | 18.3% | -5.3 p. p. |
| EBITDA | 159,317 | 196,011 | +23.0% |
| EBITDA margin | 35.6% | 41.9% | +6.3 p. p. |
| Net profit margin | 6.0% | 11.7% | +5.7 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|--------|--------|--------|
| Assigned dividends (share of the State) | 34,000 | 43,000 | +26.5% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 9,968 | 9,624 | -3.5% |
| Number of executives | 9 | 9 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 5,661 | 5,364 | -5.2% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

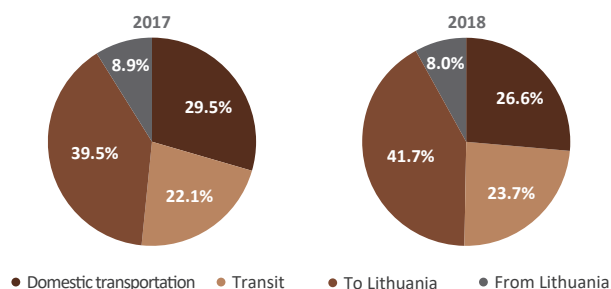
| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of Transport and Communications of the Republic of Lithuania | |

MANAGEMENT (1 JUL 2019)

| | |
|---|---|
| Director General | Mantas Bartuška |
| Chairman of the Board of Directors | Romas Švedas* |
| Members of the Board of Directors | Mantas Bartuška Rolandas Zukas* Monika Rimkūnaitė-Blöße* Vladislav Kondratovič Alditas Saulius* Christian Oliver Kuhn* |

*Independent member

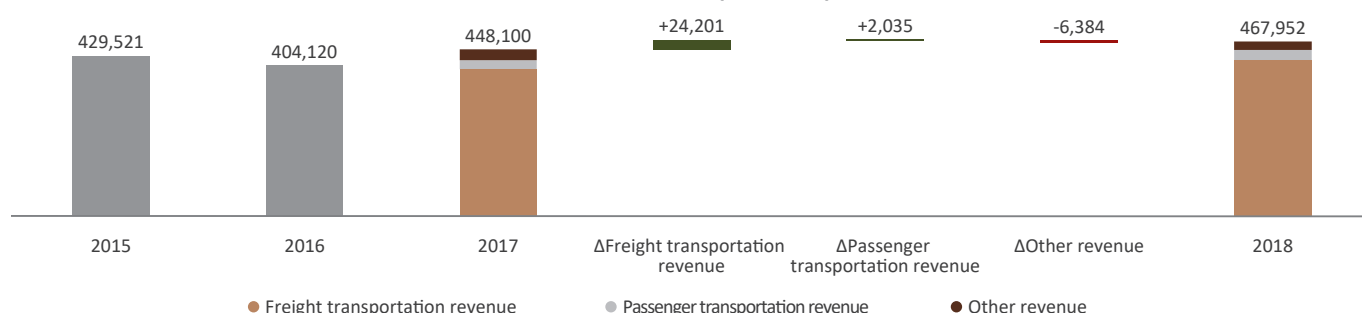
Cargo Structure of AB Lietuvos geležinkeliai Group



Freight transport accounts for most of the revenue generated by AB Lietuvos geležinkeliai Group. In 2018, the Group transported 56.8 million tonnes of cargo – 7.9% more than in 2017:

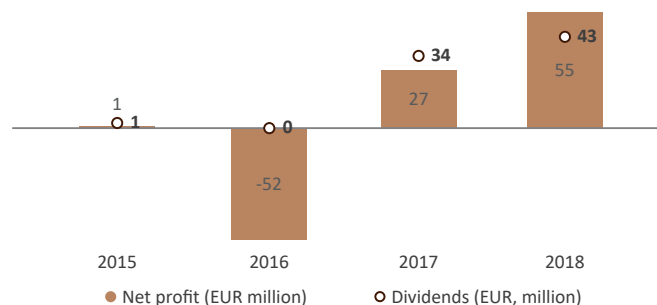
- Chemical and mineral fertilizers, as well as oil and its products dominated railway transportation in 2018 and made up 53.8% of all shipments.
- International freight, which amounted to 41.7 million tonnes and made up 73.4% of all shipments in the cargo structure, increased by 12.3%. Belarusian and Russian cargo flows accounted for 44% and 45% of all cargo transported by international routes, respectively.
- The fastest growth of transit was observed in the direction of Kaliningrad (15.6%) due to an increase in the volume of coal and food transportation, as well as transit via Klaipėda port in (14.5%), mainly due to the transfer of ferrous metals and construction materials.
- The volume of cargo transported by local routes amounted to 26.6% of all cargos transported and decreased by 2.8% in 2018, totalling to 15.1 million tonnes. This was influenced by the decrease in the volume of production and transportation of key Lithuanian industrial enterprises.

Sales Revenue (EUR '000)

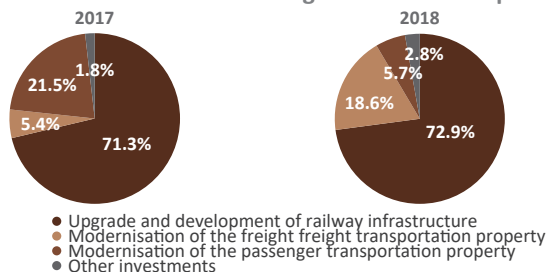


The Group's sales revenue grew by EUR 19.9 million or 4.4% and reached EUR 468 million. The growth was mainly influenced by the growth of revenue from freight transportation activities which increased EUR 24.2 million and accounted for 89.4% of total sales revenue. Key changes were caused by the growth of freight transport and the volume of services related to this activity. Revenue from passenger transport revenue increased by 8.1% and accounted for 5.8% in the sales revenue structure of 2018, amounting to EUR 27.2 million. Positive developments were caused by increased passenger transport volumes in local and international transport. Revenue from other operations amounted to EUR 27.9 million in 2018 (EUR 1.1 million in 2017) and contributed to the growth in net profit as well.

In 2018, the Group earned net profit of EUR 54.8 million (in 2017, net profit of amounted to EUR 27 million). A significant increase in the revenue of other operations was caused by the subsidy of EUR 27 million from the State for losses incurred in the transport of passengers via local routes; in 2017, the amount allocated to the public passenger transport operations amounted to EUR 0.2 million. In 2018, the Group's EBITDA increased to EUR 196 million. A consistent net profit growth has been recorded since 2015, except for the results of 2016, when the fine of EUR 27.9 million was imposed regarding the railway track separation in Mažeikiai-Rengė railway line. The growth of the ROE to 4.8% was also due to the double-fold increase in net profit.



Investment of AB Lietuvos geležinkeliai Group



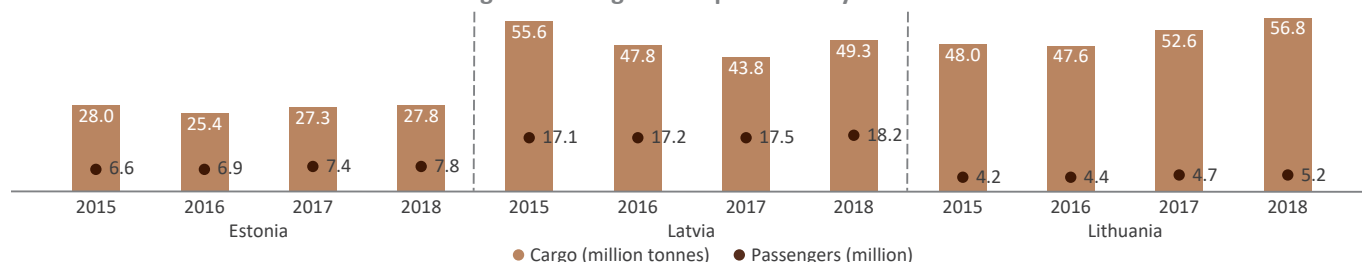
In 2018, the Group's investments amounted to EUR 89.3 million, 66.8% of which were made using the Group's funds. During the reporting period, EUR 29.6 million in EU support and state budget funds were utilised. 72.9% of the invested funds were allocated for renewal and development of the railway infrastructure. The amount allocated to the upgrade of freight increased from 5.4% in 2017 to 18.6% in 2018 in the overall cargo structure. The investments were aimed at the maintenance of the rolling stock repair programme.

Comparing the volumes of Lithuanian rail passengers and cargoes with other Baltic States, it is noticeable that Latvian railways are leading the way in the transportation of passengers: in 2018 they carried 18.2 million passengers, which is 3.5 times more than Lithuanian railways. The volume of passenger transport by Estonian railways reached EUR 7.8 million in 2018, which is half bigger than that of Lithuania.

The major part of the Lithuanian railway network consists of the 1,520 mm-wide gauge used in the CIS and the Baltic States, while the standard gauge used in almost all European Union countries is 1,435 mm wide. This is one of the major obstacles of direct rail links with Europe. At the end of 2018, the extended length of the railway reached 3,452.5 km, and the length of electrified gauge reached to 152.4 km during 2018. The infrastructure of the Lithuanian railway network is managed and the services are rendered by the state-controlled company AB Lietuvos geležinkeliai on a trust basis.

Lithuania was a leader of the Baltic States by the amount of cargo transported in 2018: the amount of cargo carried by Lithuanian railways amounted to 56.8 million tonnes. Estonia, meanwhile, carried the lowest volume of 27.8 million tonnes. Latvian railways recorded the highest growth in 2018, with the freight volume growth of 12.5% since 2017. The volume of cargo carried by Lithuanian railways grew more moderately - by 7.9%. According to Eurostat, the volume of cargo carried by Lithuanian railways are close to the European average, which reached 62.9 million tonnes in 2018. Germany was one of the leaders in this area with rail transport of 354.4 million tonnes of cargo in 2018, meanwhile Poland reached 249.3 tonnes.

Volumes of Passenger and Freight Transportation by Rail in the Baltic States



Source: AB Lietuvos geležinkeliai Group, Statistics Estonia, Central Statistical Bureau of Latvia

AB Lietuvos paštas Group

www.post.lt



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

Lietuvos paštas Group consists of AB Lietuvos paštas and the following subsidiaries: UAB Baltic Post, UAB Lietuvos pašto finansinės paslaugos, UAB LP mokėjimų sprendimai, under 100% ownership of the shares.

Special obligations: provision of universal postal services throughout the territory of the Republic of Lithuania for at least 5 business days per week; delivery of periodicals for subscribers to rural residential areas.

- Volume of services rendered decreased by 14.8% and amounted to 127.3 million units of services
- ROE grew and amounted to 14.6%
- Net profit increased and reached EUR 3.7 million

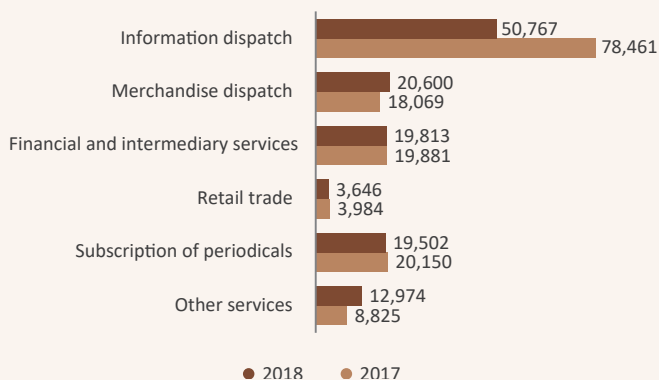
Major events:

- The independent Board of Directors of the Company and the management team were finally formed.
- In September, the MMIS (Mobile Mailer Information System) project was launched: postmen with tablets started serving residents of Vilnius, having a special smart app installed to accelerate postal operations.
- In December, Nordic Investment Bank and Lietuvos paštas concluded the loan agreement for the period of 10 years and in the amount of EUR 17.5 million to secure the funding of strategic projects, in particular the Smart distribution programme.
- The e-self-service system 'My shipments' was launched on the e-services platform.

At the end of 2018, Lietuvos paštas had a network of 732 universal postal services (UPS), consisting of: 530 stationary post offices (190 in cities, 437 in villages), 15 post offices (19 in cities, 3 in villages), 89 places for the provision of mobile mail services, 74 places for the provision of Mobile Mailer (MM) services, 24 places of UPS provision. PayPost - the Group's financial services network providing standard financial services - consisted of 116 branches, and the subsidiary AB Baltic Post operated the network of 136 LP EXPRESS self-service terminals in the 46 cities of the country.

In 2018, Lietuvos paštas Group rendered 127.3 million units of services. This number is 14.8% less than in 2017 when 149.4 million units of services were provided. The volume of services declined due to a lesser amount of unaddressed advertisement attributable to the service group of information dispatch. Information dispatch services, which accounted for 39.9% of all services in the overall service structure, decreased by 35.3% in the reporting period. Universal postal services, on the other hand, took the opposite (growth) direction in the structure of the services provided, accounting for 15.6% of all services or 19.8 million units of services. Services of delivery of merchandise, with the volume of 20.6 million units in 2018, increased by 14.0%, compared to 2017.

Services Provided (thousand)



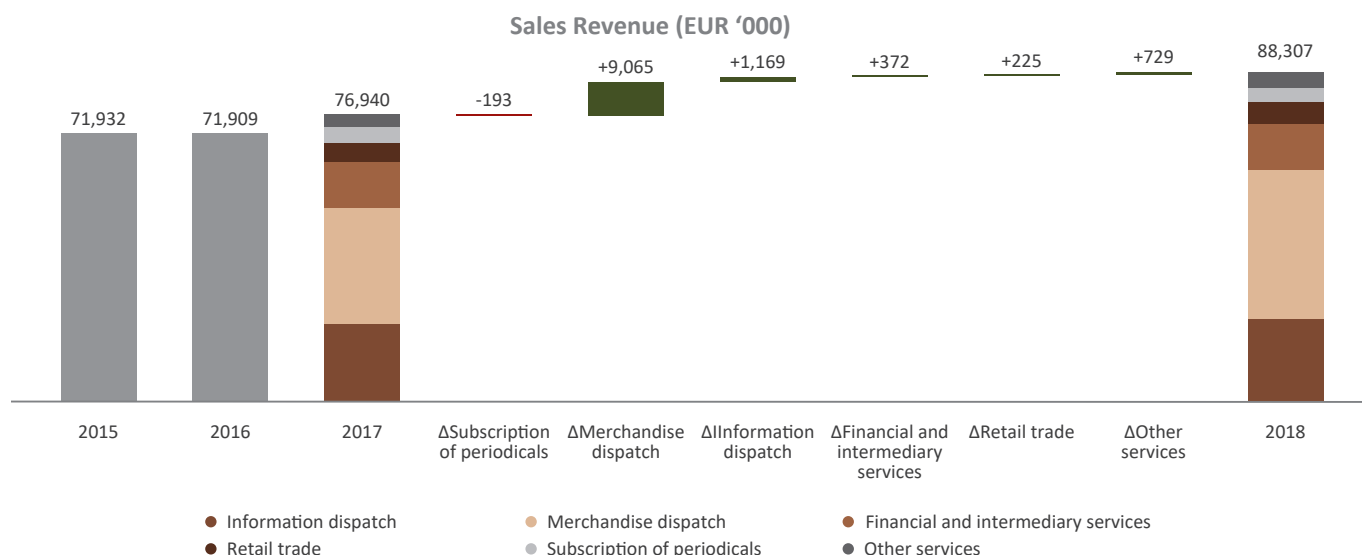
Compared to the results of 2017, during the reporting period, the revenue from postal services consisting of information dispatch and delivery and receipt of merchandise increased by EUR 10.2 million or 19.7%: in 2018, this segment earned EUR 62.2 million accounting for 70.4% of the operational income. The main reason for the increase was the growth in revenue from the delivery of merchandise services of EUR 9.0 million (29.2%), the largest share of which came from incoming international services. The increase was caused by an increase in revenue from small e-commerce shipments from China, the share of which in the common structure was higher than the shipment of correspondence and other consignments. The revenue from information dispatch services increased by 5.6% due to increased revenue for services provided to business clients, whose international correspondence increased by 11.6%, as compared to 2017.

The UPS revenue decreased by 6.5% within the segment of the information dispatch services, amounting to EUR 4.3 million in 2018. The share of the UPS revenue in the delivery of merchandise services increased by 34.5% and amounted to EUR 26.2 million. Revenue from courier services increased by 16.3% in 2018 and amounted to EUR 8.1 million due to 30.3% increase in quantities affected by higher amounts (+50.1%) of LP EXPRESS consignments dispatched and received via self-service terminals. Revenue from financial services was 3.1% higher than in 2017. Sales revenue has increased from 2015 to 2018, showing a general positive trend. During this period, revenue from financial services increased from EUR 71.9 million in 2015 to EUR 88.3 million in 2018.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|----------------|---------------|---|
| Sales revenue | 76,940 | 88,307 | +14.8% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 76,940 | 88,307 | +14.8% |
| Cost of sales | 75,840 | 84,132 | +10.9% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 727 | 663 | -8.8% |
| Net financial items | -57 | -117 | -105.8% |
| Profit (loss) before taxes | 1,770 | 4,721 | +166.7% |
| Corporation tax | 197 | 1,041 | +429.5% |
| Net profit (loss) | 1,573 | 3,680 | +133.9% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 37,850 | 34,428 | -9.0% |
| Current assets | -21,046 | 25,852 | +22.8% |
| Cash and cash equivalents | 5,860 | 5,602 | -4.4% |
| Deferred charges and accrued income | 13,164 | 22,678 | +72.3% |
| TOTAL ASSETS | 72,059 | 82,958 | +15.1% |
| Equity | 23,271 | 27,030 | +16.2% |
| Grants and subsidies | 33 | 43 | +30.6% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 28,228 | 40,861 | +44.8% |
| Amounts payable after one year and other non-current liabilities | 6,245 | 9,586 | +53.5% |
| Financial liabilities | 5,782 | 8,563 | +48.1% |
| Amounts payable within one year and other current liabilities | 21,983 | 31,276 | +42.3% |
| Financial liabilities | 5,157 | 0 | -100.0% |
| Accrued expenses and deferred income | 20,527 | 15,023 | -26.8% |
| Total equity and liabilities | 72,059 | 82,958 | +15.1% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.2% | 4.7% | +2.6 p. p. |
| ROE | 7.0% | 14.6% | +7.6 p. p. |
| D/E | 47.0% | 31.7% | -15.3 p. p. |
| EBITDA | 4,351 | 7,724 | +77.5% |
| EBITDA margin | 5.7% | 8.7% | +3.1 p. p. |
| Net profit margin | 2.0% | 4.2% | +2.1 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 0 | 0 | - |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 5,415 | 5,250 | -3.0% |
| Number of executives | 9 | 8 | -11.1% |
| Average monthly salary of executives (gross, EUR) | 3,658 | 4,056 | +10.9% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Transport and Communications of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Asta Sungailienė |
| Chairman of the Board of Directors | | | Nerijus Datkūnas* |
| Members of the Board of Directors | | | Gražvydas Jukna* Danielius Merkinas* Darius Kuliešius |

*Independent member



During the accounting period, the Group's expenses increased by 10.9%.

This was mainly influenced by labour-related expenses that increased by 8.3% and amounted to EUR 45.9 million, accounting for 54.6% in the common structure of expenses. The significant growth in these expenses of the Group was driven by the raise in salaries carried out twice per accounting period. The cost of international mail transport and settlement with foreign post-offices increased by 11.8%, amounting to EUR 13.1 million and accounting for 15.6% of operating costs. The increase in these costs was determined by the accession of the parent company Lietuvos paštas to the parcel tracking agreement, which ensures high quality delivery of parcel tracking events from foreign countries, and an increase in the number of international parcels sent. Compared to the results of 2017, other expenses increased as well, which amounted to EUR 13.3 million (+23.8%).

The significant increase in the sales revenue resulted in the growth of the Group's net profit from EUR 1.6 million in 2017 to EUR 3.7 million in 2018, despite the loss-making subsidiaries. The improved results are represented by the EBITDA that increased by 77.5% and amounted to EUR 7.7 million. The ROA was more than twice the outcome of 2017 and amounted to 14.6% in the reporting period.

In 2018, the Group's investment amounted to EUR 2 million and, compared with the results of 2017, suffered a 43.4% drop. The major part of the investment, i. e. EUR 1.4 million, was assigned to tangible assets. EUR 0.3 million was made for the renewal of the buildings: 7 post-offices were re-designed. During the accounting period, the subsidiary AB Baltic Post acquired 16 self-service terminals and other equipment for EUR 0.6 million.

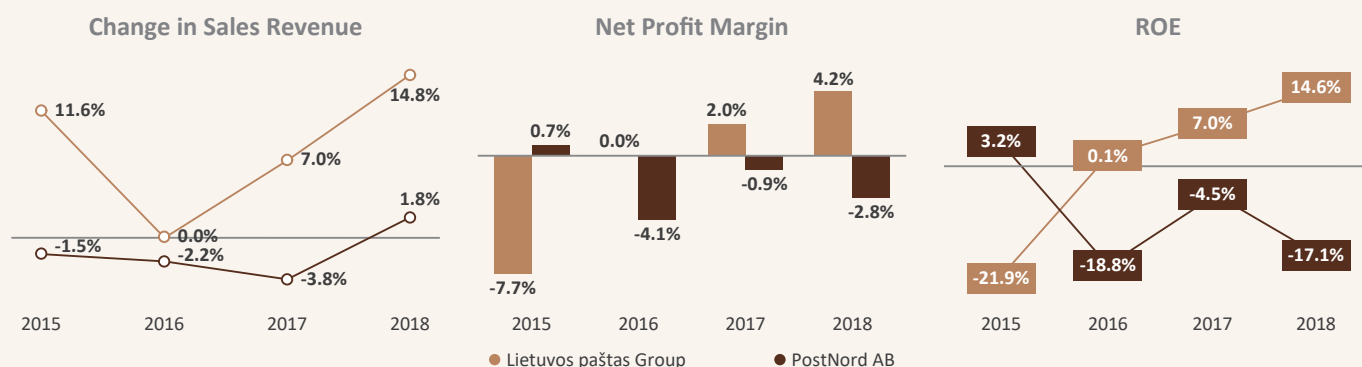
During the reporting period, the Group's financial liabilities to credit institutions

decreased and amounted to EUR 8.6 million (EUR 10.9 million in 2017), which consisted of loans from banks to finance working capital. **These changes resulted in decrease of the D/E (debt-to-equity) ratio by 15.3 p. p., amounting to 31.7% in 2018.**

To further increase operational efficiency and meet the expectations set forth in the Letter of Expectation of the institution representing the State, **the Group implements following strategic projects:**

- The smart distribution programme with the aim to automate and centralize the distribution processes;
- The Mobile Mailer project that aims to optimise the business model of rural postmen;
- The terminal development project, which focuses on increasing the network of self-service terminals and diverting some parcels from post to terminals.

According to the report published by the Communications Regulatory Authority on the Postal Service Provision Performance of Q4 2018, as of 31 December 2018, there were 45 undertakings operating in the postal services market and the total postal services market increased by 20.1% in Q4 2018, compared to the same period in 2017: from EUR 42.6 million up to EUR 51.2 million. **Based on the revenue, the major share of the market (43.1%) was covered by Lietuvos paštas Group,** while UAB DPD Lietuva took 16.8% of the market. Based on the revenue from consignments sent using the standard postal services, in Q4 2018, AB Lietuvos paštas accounted for 98.1% of the market, leaving merely 1.9% of the market to other service providers. Based on the revenue from consignments sent using the non-standard postal services, Lietuvos paštas Group accounted for 9.6% of the market, UAB DPD Lietuva holding the leading position of this market with 27.1%, followed closely by UAB DHL Lietuva with 18.6% and UAB Venipak Lietuva with 14.8% of the market.



Source: Financial statements of the Lietuvos paštas Group and PostNord AB

Comparing the results of Lietuvos paštas Group, which is 100% owned by the State, and of the state-owned PostNord AB Group providing postal services in Sweden and Denmark (60% of shares owned by Sweden and 40% - by Denmark), considerable differences are observed. The flow of consignments within Lietuvos paštas Group is growing every year and reaches 16 million per year, while mail volume amounts to 44 million. PostNord AB, on the other hand, processed 171 million consignments in 2018, while mail volume amounts to 3.3 billion. Although there are significant differences in the number of distribution points and employees, the number of consignments and letters per employee of PostNord AB is higher. **Regardless of differences in activity volume, the return ratios of Lietuvos paštas Group were higher in 2016-2018. Despite the high turnover of PostNord AB, the annual change in sales revenue is more pronounced in Lietuvos paštas**

Group, where sales revenue has grown by more than 7% annually since 2016. The change in sales revenue of PostNord was negative until 2018, when the growth of sales revenue reached 1.8%. In Sweden and Denmark, the net profit margin of the Group providing postal services was negative due to the net loss since 2016, while Lietuvos paštas Group was profitable, earning EUR 3.7 million profit in 2018. Correspondingly, the return on equity also changed: since 2015, when the ROE of Lietuvos paštas Group was negative and amounted to -21.9%, it has grown to 14.6% in 2018. The ROE of PostNord AB, a Swedish and Danish state-owned enterprise, was not steady: in 2015, it was 3.2%, and fell to -17.1% in 2018 despite the decrease in equity of 30.2% due to increased negative retained earnings.

AB Lietuvos radijo ir televizijos centras

www.telecentras.lt



Transmission of radio and television programs, hosting of broadcasters' and telecommunications operators' equipment on Company's sites, provision of telephony, mobile internet, data transmission and smart TV services

- ↑ Company's sales revenue grew by 1.1%
- ↑ Company's net profit increased and amounted to EUR 932.6 thousand
- ↑ Dividends assigned for the results of 2018 increased by 188.9% and amounted to EUR 955.2 thousand

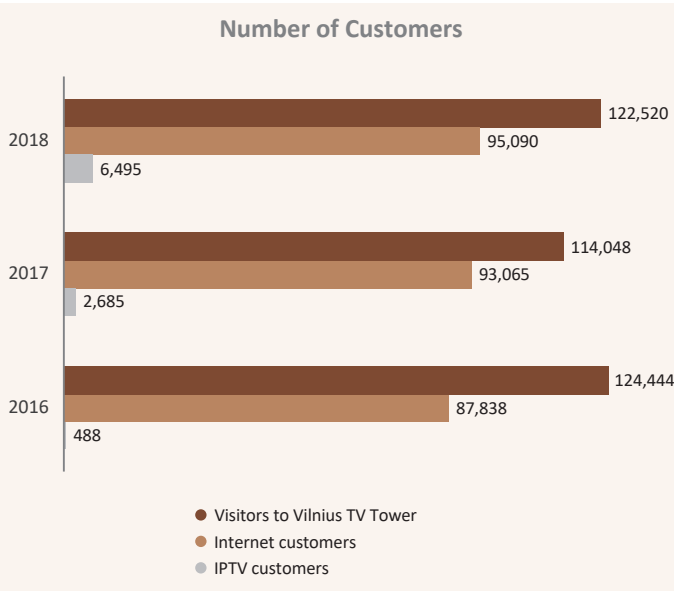
Major events:

- The Company increased the scope of its television services by launching 5 non-coded Polish TV channels in Southeast Lithuania on May 5, and the Russian information channel 'Current Time' in September.
- In November, the Company launched the project to develop and implement functionality on terrestrial television networks of Broadcast Broadband TV, which will expand the ability of current terrestrial TV users to see additional TV content, video libraries, listening to the radio, and other services via the Internet through the TV.
- In July, after the migration of internet users to the LTE 4G network was completed, the WiMAX network was disabled and removed.
- On March 16, the project of interconnection of Lithuanian forestry enterprises into a single data transmission network was completed in 90 days: 444 data transmission points were connected to the network.
- On August 23, sales of MEZON services provided through fibre optic access was launched.

As the Company is the entity of strategic importance for the national security, certain decisions related to the Company's property management, transactions, reorganization or restructuring take effect only with the approval of the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security.

At the end of 2018, the Company was broadcasting 17 Lithuanian television programs free of charge via digital terrestrial television networks; 15 programs are broadcasted in standard definition (SD) and two - in high definition (HD). Services are provided to 4 TV program developers. Radio transmission services were used by 6 national broadcasters and 4 regional radio stations. During 2018, the Company performed 211 live broadcasts with a total duration of more than 488 hours.

The volume of the Company's data services is revealed by the dynamics of the number of internet customers. At the end of 2018, the steadily growing number of MEZON customers reached 95.1 thousand customers. The number of the Company's IPTV service users increased 1.4 times. At the end of 2018, this service was provided to 6.5 thousand customers via wireless networks. The number of visitors from Lithuania and abroad in Vilnius TV Tower increased by 7.4%, compared to the results of 2017, and reached 122.5 thousand.



During the accounting period of 2018, the Company's core operation revenue amounted to EUR 20.1 million and was 1.1% higher than in 2017. The growth of the Company's revenue was influenced by the growth of data transmission, television retransmission and TV Tower services. The revenue from MEZON internet services grew by 6.5% due to the growing customer base and the development of the e-shop. Revenue from radio and television broadcasting services grew by 9.6% because of projects that were successfully implemented. Meanwhile, revenue from infrastructure access leasing services fell by 18.0%, as business customers reduced the demand of purchased services. The non-telecommunications services division, Vilnius TV Tower, increased its customer base by 8.4 thousand and reached the growth of sales revenue of 15.8%. The launch of tours around the Vilnius TV Tower since June 2018 resulted in extra revenue of EUR 11.4 thousand.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|---------------|---------------|----------------|
| Sales revenue | 19,854 | 20,080 | +1.1% |
| Cost of goods sold | 13,595 | 13,057 | -4.0% |
| Gross profit (loss) | 6,259 | 7,023 | +12.2% |
| Cost of sales | 743 | 894 | +20.2% |
| General and administrative expenses | 5,777 | 5,649 | -2.2% |
| Results of other activities | 395 | 405 | +2.3% |
| Net financial items | 86 | 27 | -68.1% |
| Profit (loss) before taxes | 220 | 912 | +314.6% |
| Corporation tax | 79 | -21 | - |
| Net profit (loss) | 141 | 933 | +561.9% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 31,738 | 30,424 | -4.1% |
| Current assets | 6,832 | 10,031 | +46.8% |
| Cash and cash equivalents | 2,582 | 6,267 | +142.7% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 38,569 | 40,455 | +4.9% |
| Equity | 32,051 | 32,413 | +1.1% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 179 | 179 | +0.3% |
| Amounts payable and other liabilities | 6,340 | 7,863 | +24.0% |
| Amounts payable after one year and other non-current liabilities | 4,615 | 4,613 | 0.0% |
| Financial liabilities | 59 | 15 | -74.8% |
| Amounts payable within one year and other current liabilities | 1,725 | 3,250 | +88.4% |
| Financial liabilities | 44 | 44 | +1.4% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 38,569 | 40,455 | +4.9% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 0.4% | 2.4% | +2.0 p. p. |
| ROE | 0.4% | 2.9% | +2.5 p. p. |
| D/E | 0.3% | 0.2% | -0.1 p. p. |
| EBITDA | 5,679 | 6,016 | +5.9% |
| EBITDA margin | 28.6% | 30.0% | +1.4 p. p. |
| Net profit margin | 0.7% | 4.6% | +3.9 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 331 | 955 | +188.9% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 321 | 314 | -2.2% |
| Number of executives | 6 | 6 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 3,184 | 3,547 | +11.4% |

SHAREHOLDERS

| | |
|----------------------|------|
| State-owned interest | 100% |
|----------------------|------|

INSTITUTION REPRESENTING THE STATE

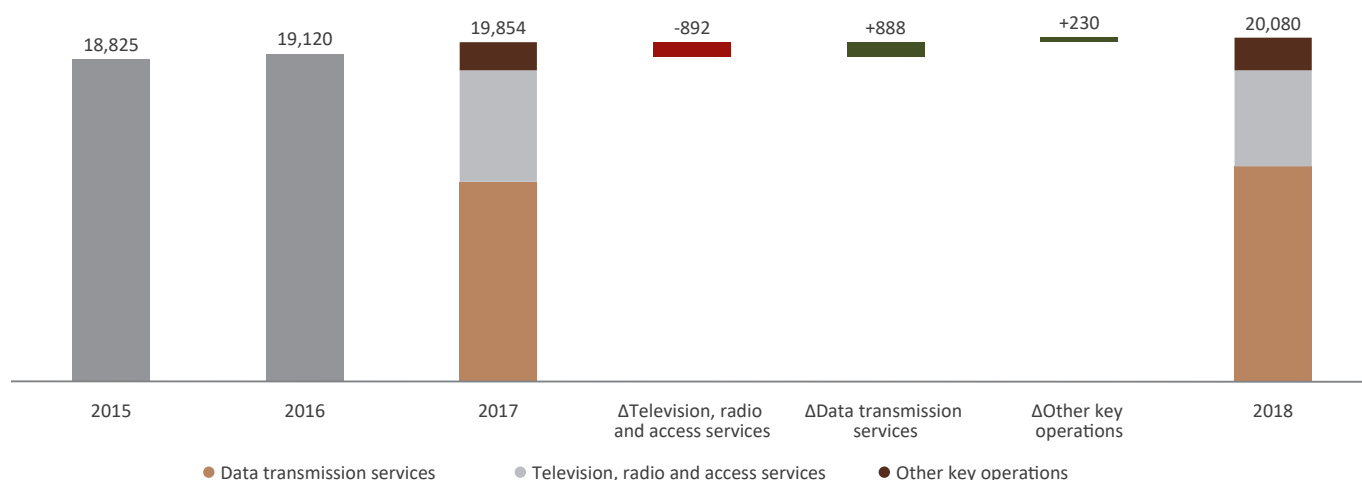
Ministry of Transport and Communications of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|---|
| Director General | Remigijus Šeris |
| Chairman of the Board of Directors | Egidijus Vaišvilas* |
| Members of the Board of Directors | Janina Laskauskienė Vidas Daniellius |

*Independent member

Sales Revenue (EUR '000)



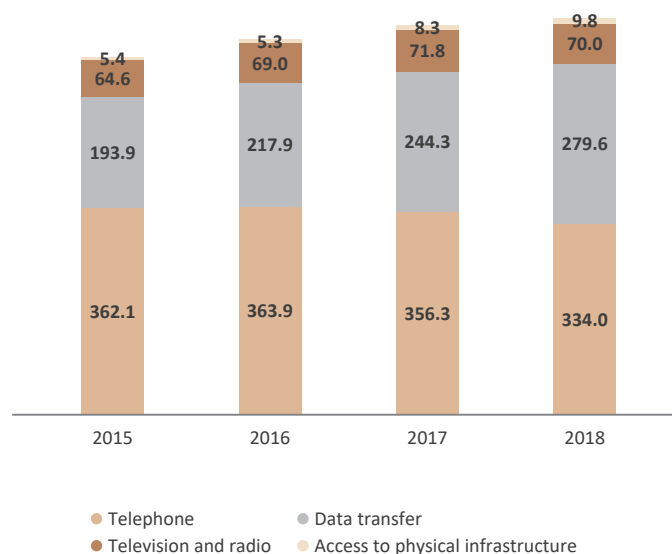
In 2018, the Company's net profit increased from EUR 140.9 thousand to EUR 932.6 thousand. This was influenced by higher sales revenue and decreased costs: general and administrative expenses decreased by 2.2%, and cost of goods sold decreased by 4.0%. Increased net profit also resulted in higher rates of return; ROE increased by 2.5 p. p. to 2.9%, EBITDA margin increased from 28.6% in 2017 to 30.0% in 2018, while the net profit margin grew from 0.7% to 4.6%. **Accordingly, the dividends of EUR 955.2 thousand were assigned for the results achieved in 2018, which was 188.9% higher compared to the dividends assigned for 2017.**

The value of disposable assets increased by 4.9% during the reporting period due to a significant, 1.4-fold increase in the value of the Company's cash and cash equivalents, which is based on the Company's positive cash

flows from operating activities that exceeded cash outflows from investments and dividends. At the end of the reporting period, the Company's cash and cash equivalents amounted to 62.5% of total current assets. Meanwhile, the value of non-current assets decreased by EUR 1.3 million or by 4.1% in 2018 due to depreciation and lower investment. The sale of non-current assets generated profit of EUR 266 thousand.

The Company's investments are aimed at upgrading and developing the telecommunications network. In 2018, investments totalled EUR 4.9 million, which was 31.9% less compared to funds invested in 2017, which amounted to EUR 7.2 million. At the end of the accounting year, the Company operated 749 LTE base stations on its 4G LTE network, providing the service capacity to the 73% of country's population. In 2018, the migration of customers

Structure of E-communications Market Revenue by Service Group (EUR Million)

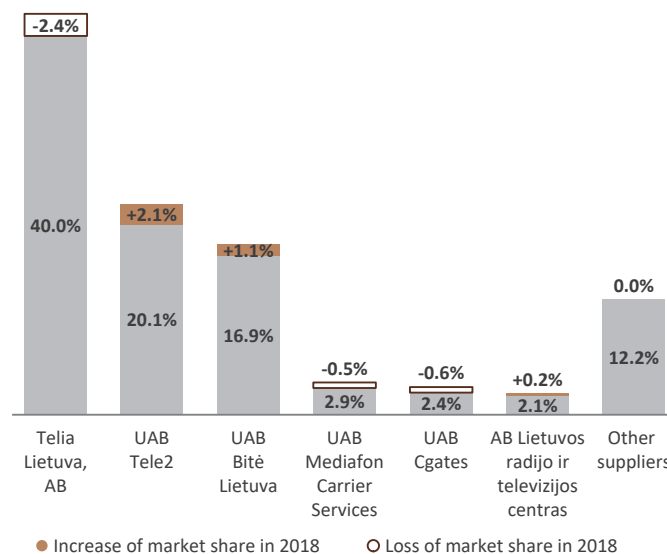


Source: Communications Regulatory Authority of the Republic of Lithuania

to the LTE network led the dismantling of the obsolete WiMAX network. Part of the Company's investment in 2018 was allocated to modernise the existing WIFI network.

The Company is active in the e-communications market. According to the data of the Communications Regulatory Authority of the Republic of Lithuania, in 2018, 116 service providers were active in the e-communications market, more than 40.0% of which engaged in several e-communications activities. In 2017, 127 service providers were active in the e-communications market. **Over a year, the revenue of the analysed market increased by 1.9% or by EUR 12.7 million, amounting to EUR 693.4 million. Telephone (48.2%) and data transfer (40.3%) services were the largest sources of revenue for service providers**

E-communications Market Share by Revenue in 2018



Source: Communications Regulatory Authority of the Republic of Lithuania

in 2018, the same as a year ago. Data providers earned EUR 35.3 million in 2018, or 14.4% more revenue than in 2017. The least profitable were services of access to physical infrastructure.

According to the report of the Communications Regulatory Authority of the Republic of Lithuania for 2018, **the market share of AB Lietuvos radijo ir televizijos centras in 2018 was 2.3% and ranked sixth among market leaders.** In 2018, Telia Lietuva, AB remained the market leader in communications, whose market share in terms of revenue decreased by 2.4 p. p. to 40.0%. UAB Tele2 increased its market share the most, by 2.1 p. p., and UAB Bitė Lietuva increased its market share by 1.2 p. p. in 2018.

AB Kelių priežiūra

www.keliuprieziura.lt



Ongoing and periodic maintenance of public roads, infrastructure and transport and communication object construction, building and repair works for municipalities and other legal and natural persons, extraction of materials and equipment hire

Special obligations: road maintenance services.

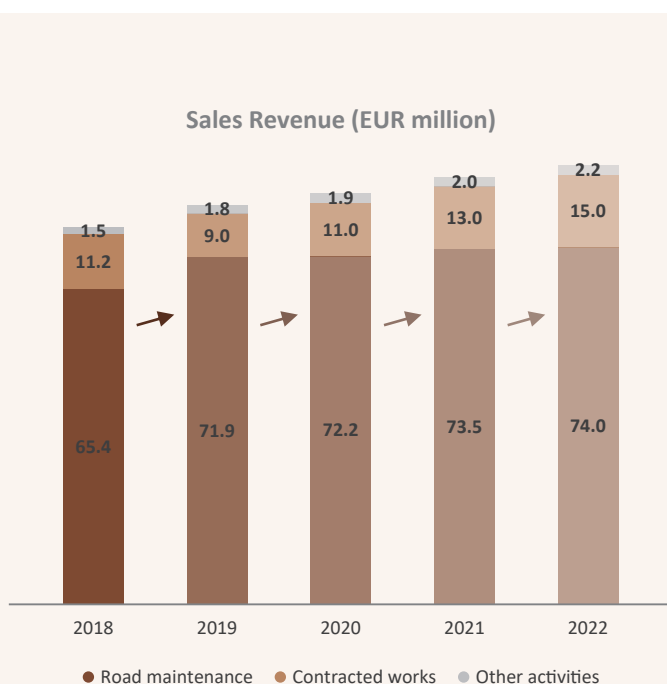
- Revenue decreased by 2.4% and reached EUR 78.1 million
- Squeeze on the adjusted net profit amounted to 64.8%
- Return to the shareholder slumped by 66.9% down to EUR 2.2 million

Major events:

- The year 2018 saw the abandonment of surplus assets as they were returned to VĮ Turto bankas. The assets no longer necessary for the Company's business were sold in auctions for EUR 0.4 million.
- On **15 October**, a modern Road Maintenance and Management Centre, operating on a 24/7 basis, was launched. It monitors the condition of the surface of Lithuanian roads. The introduced smart systems help forecast road and weather conditions (4 to 8 hours ahead) and respond more quickly to the changing situations on the roads.
- The Company was one of the first in Lithuania to receive the occupational health and safety management system certificate under ISO 45001:2018.

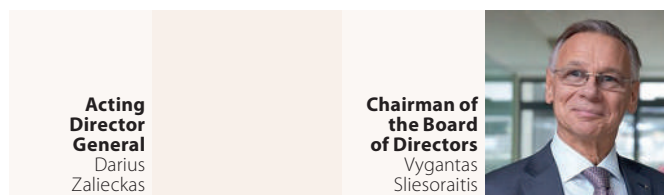
Following the reform of the Lithuanian road maintenance enterprises completed on 31 October 2017, 11 regional road maintenance enterprises had been merged into a single State Enterprise Kelių priežiūra, which was converted to a public limited liability company on 31 December 2018.

Despite a 25.7% growth in the revenue caused by the growth of services rendered, in 2018, the Company's sales revenue declined by 2.4%, if compared with the results for 2017, and stood at EUR 78,146.9 thousand. The decline was down to the 42.0% reduction in funding for the restoration of worn gravel roads and roadsides. In addition, the loss of income accounting for more than EUR 200 thousand resulting from the educational activities being transferred to Lithuanian Road Administration and a 66.1% drop in the volumes



of road, road construction and their land inventory works had a significant impact. Despite this decline, in 2019-2022, the Company is expecting growth of its revenue attributable to the rise of the volume of contracted works – seeking to earn, by 2022, EUR 91.2 million in revenue.

The total costs of the Company, which amounted to EUR 78,847.2 thousand, grew by 0.8% compared with the results for 2017. The growth was mostly determined by a 55.2% rise in the general and administrative expenses, which accounted for 16.0% of the total costs, due to the increasing staff costs. This was significantly influenced by the fact that during the first half-year there was a dual administrative structure in place, redundancy payouts and compensation for unused leave were made, which all amounted to EUR 1,356.9 thousand, and the Company's reorganisation costs totalled EUR 775.1 thousand. For the purpose of transitioning to the IFRS, provisions were formed increasing



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|-------------|-------------|------------|
| Sales revenue | 80,055 | 78,147 | -2.4% |
| Cost of goods sold | 70,058 | 66,224 | -5.5% |
| Gross profit (loss) | 9,997 | 11,923 | +19.3% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 8,136 | 12,623 | +55.2% |
| Results of other activities | 832 | 455 | -45.3% |
| Net financial items | 106 | 29 | - |
| Profit (loss) before taxes | 2,799 | -274 | |
| Corporation tax | 520 | 161 | -69.1% |
| Net profit (loss) | 2,279 | -435 | - |
| Adjusted net profit (loss) | 4,189 | 1,475 | -64.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 99,275 | 91,696 | -7.6% |
| Current assets | 36,133 | 37,869 | +4.8% |
| Cash and cash equivalents | 27,018 | 28,511 | +5.5% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 135,408 | 129,564 | -4.3% |
| Equity | 124,805 | 116,709 | -6.5% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 2,092 | 2,135 | +2.0% |
| Amounts payable and other liabilities | 8,483 | 10,698 | +26.1% |
| Amounts payable after one year and other non-current liabilities | 971 | 1,051 | +8.3% |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 7,513 | 9,647 | +28.4% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 27 | 22 | -18.3% |
| Total equity and liabilities | 135,408 | 129,564 | -4.3% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 3.2% | 1.1% | -2.1 p. p. |
| ROE | 3.4% | 1.2% | -2.2 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 13,451 | 11,340 | -15.7% |
| EBITDA margin | 16.8% | 14.5% | -2.3 p. p. |
| Net profit margin | 5.2% | 1.9% | -3.3 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) ¹ | 4,544 | 0 | -100.0% |
| Property tax | 2,247 | 2,247 | 0.0% |
| Total contributions and non-standard taxes to the State | 6,791 | 2,247 | -66.9% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 2,601 | 2,452 | -5.7% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 4,200 | 6,164 | +46.8% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |

INSTITUTION REPRESENTING THE STATE

Ministry of Transport and Communications of the Republic of Lithuania

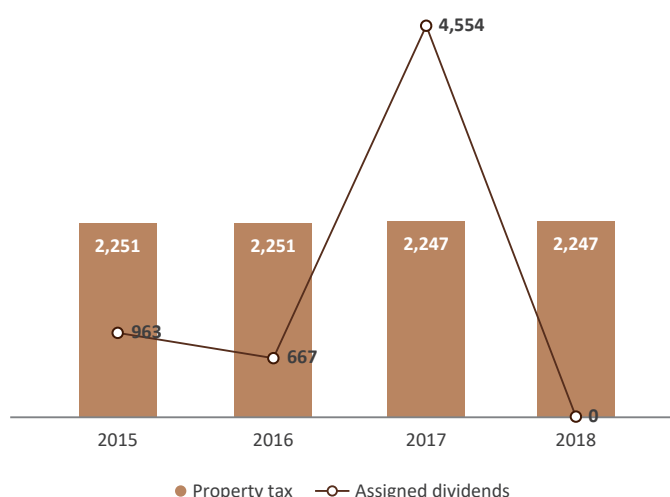
MANAGEMENT (1 JUL 2019)

| | |
|---|--|
| Director General | Darius Zalieckas (Acting Director General) |
| Chairman of the Board of Directors | Vyngantas Sliesoraitis* |
| Members of the Board of Directors | Darius Kuliešius Egidijus Vaišvilas* Audrius Vaitkus* Lijana Geštautaitė* |

*Independent member

¹ – The profit contribution for the performance in 2017 was awarded to the State budget as until 31 December 2018 the Company held the legal status of a State Enterprise.

Return to the State (EUR '000)

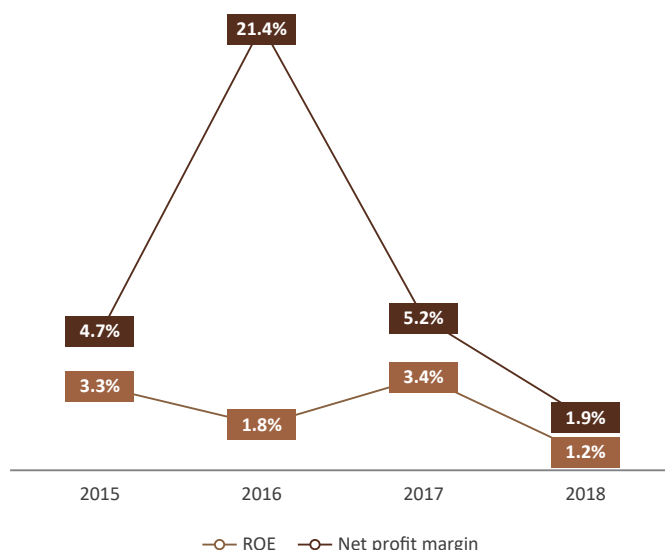


the costs by EUR 283.5 thousand and EUR 148.6 thousand worth of costs were sustained due to the change of the Company's legal form.

Owing to the above reasons, which relate to one-off growth of expenditure, **the Company's EBITDA, which stood at EUR 11,339.9 thousand at the end of the reference period, dropped by 15.7% compared with 2017**, while the result of the adjusted net profit stood at EUR 1,475.2 thousand.

The Company's poor performance in 2018 is also reflected in the ratios of return – the adjusted return on equity, which equalled 1.2%, saw a decline by 2.2 p. p. compared with the results for 2017, while the adjusted net profit margin declined from 5.2% down to 1.9%.

The return to the shareholder shrank by 66.9% during the reference period. As the distributable result stood at 0 at the end of 2018, there were no dividends assigned. This fact determined the significant reduction in the return to the State because the assigned profit contributions for the performance

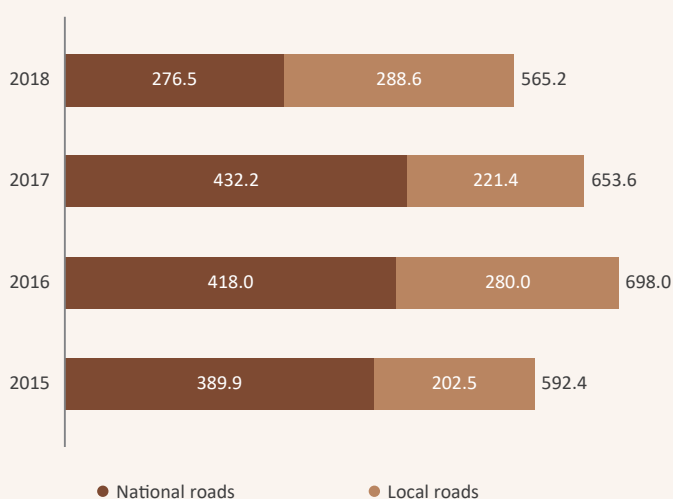


achieved in 2017 (the Company's legal status had been a State Enterprise) had accounted for EUR 4,543.8 thousand. The property tax, which had seen a 0.2% or a EUR 4.0 thousand drop in 2017, stayed the same in 2018.

Following the structural changes and the merger and centralisation of administrative functions implemented in the Company, **the number of employees dropped by 5.7% and stood at 2,452 at the end of 2018**. The average gross monthly salary of executives saw a 46.8% rise and reached EUR 6,164.

In 2018, the investments amounted to EUR 4,217 with the major chunk thereof, EUR 2,068 thousand, going in the acquisition of the new machinery. The investments in machinery included the funds for the acquisition of self-propelled machines and vehicles, including necessary accessories, helping improve the Company's work efficiency, achieve economies of scale and improve the accuracy of record-keeping on materials. The sum allocated for the new road maintenance base to be built in Kaunas district equalled EUR 2,023 thousand. This base will house Kaunas Road Council and the Road Maintenance and Management Centre

Total Public Expenditure on Roads (EUR million)



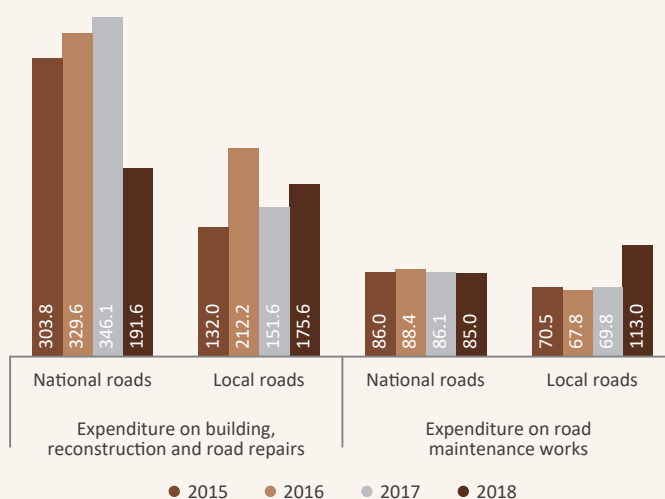
Source: Statistics Lithuania

and will also have a repairs base and a salt stock warehouse built. The upgrades and development of the information technology facilities had EUR 126 thousand allocated.

According to the data held by Statistics Lithuania, at the end of 2018, the road length reached 85,572 kilometres, which was modest 1.5% growth if compared to the data for 2017. Out of this number, 21,238 km or 24.8% of the total road length consisted of the national roads. The length of the national roads has remained stable – decreased by 3 km – since 2017. At the end of 2018, gravel roads accounted for 29.9% or 6,359 km of the total length of national roads.

The total public expenditure on roads has been in decline year on year since 2017 following its rise by 17.8% that year – the decline accounted for 6.4% in 2017 and 13.5% in 2018. Out of the total public expenditure on roads, which amounted to EUR 565.2 million, EUR 276.5 million or 48.9% of the total expenditure was allocated for the national roads. The expenditure on national roads saw a 36.0% decline in 2018. The vast majority of the public expenditure on roads went for building,

Structure of Public Expenditure on Roads (EUR million)



reconstructing and road repairs – EUR 367.2 million. Comparing with the data for 2017, this sum represented a 26.2% drop. The sum allocated for the national roads decreased by 44.6% and amounted to EUR 191.6 million, while the amount for the local roads rose by 15.8% and reached EUR 175.6 million.

Meanwhile, the road maintenance works had EUR 198.0 million, i.e. 27.0% more funds allocated than in 2017 when the total amount for road maintenance works had totalled EUR 155.9 million. This amount represented 35.0% in the total structure of public spending on roads while it had stood at 23.9% a year ago. This indicates that in 2018 the expenditure on road maintenance works grew in the total cost structure. The largest chunk, 57.1% or EUR 113.0 million, of the expenditure went for the maintenance of local roads. Since 2017, the sum has spiked by 61.9%. The national road maintenance works had EUR 85.0 million allocated, which was a slight decline by 1.3% if compared with 2017. The structure of the public expenditure on national roads reveals that the larger share, 76.5% more on average, was allocated to the building, maintenance and road repairs during the reference period.

VĮ Oro navigacija

www.ans.lt



Air navigation services for aircraft flying in the airspace of the Republic of Lithuania

- ↑ In 2018, the number of flights increased by 9.4% and totalled 265.9 thousand flights
- ↑ Revenue growth equalled 2.6% during the reference period
- ↑ The Company's adjusted net profit rose up to EUR 4.6 million

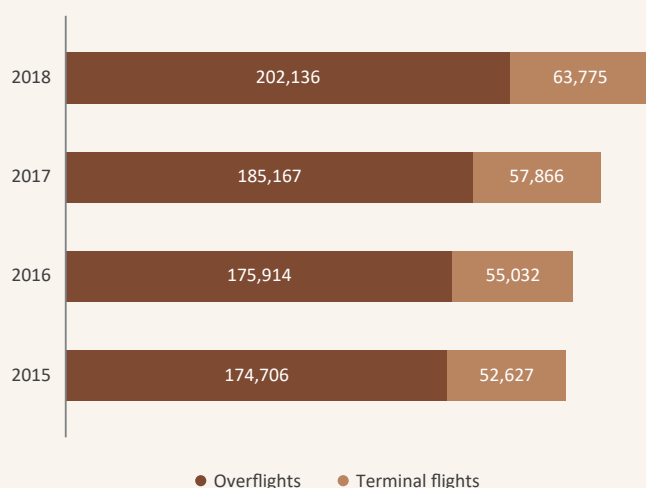
Major events:

• Changes in the airspace structure of the Republic of Lithuania. Previously the airspace of the Republic of Lithuania where flights were operated at altitudes 3 km or higher had been divided into three sectors – for altitudes between 3 km and 7 km, between 7 km and 10 km and between 10 km and 20 km. In **June 2018**, the Company decided to introduce an additional air traffic control sector splitting the upper airspace of the Republic of Lithuania between 10 and 20 km into two sectors. This helped double the throughput of the upper airspace of the Republic of Lithuania up to 90 aircraft an hour and avoid potential aircraft delays.

• **At the end of August**, the Company introduced an anti-corruption management system under the LST ISO 37001:2017 standard Anti-bribery management systems – Requirements with guidance for use.

In 2018, the number of flights in the Single European Sky area increased by 3.7% against 2017 and exceeded 11 million flights. The greatest contribution to the growth of the total number of flights in 2018 was attributable to the rapid rise in the number of flights in German, Spanish and Turkish airspaces. The rise in the number of flights in the Single European Sky area was determined by the increased demand for air transport services and favourable global environment.

Number of Flights in the Airspace of the Republic of Lithuania



The growth of the number of flights in the airspace of the Republic of Lithuania in 2018, which equalled 9.4%, was among the highest across the Single European Sky area. The total number of flights reached 265,911, of which 202,136 involved overflights (76.0% of the total number of flights), which was 16,969 flights or 9.2% more than during the same period in 2017. The number of terminal flights was estimated at 63,775, which was 5,909 flights or 10.2% more than in 2017. Such results were significantly affected by the growing number of flights operated in the airspace of the Republic of Lithuania by the airlines from the Russian Federation, the developing business of the Polish airline LOT Polish Airlines and the Latvian airline Air Baltic as well as more frequent flights operated by the Irish airline Ryanair and new flight destinations.

The share of transit flights operated by the Top10 airlines represented 52% of the total number of overflights, while the number of terminal flights operated by the Top10 major airlines accounted for as much as 74% of the total number of domestic flights. **This shows that the overflights segment is more diversified than the domestic one.**

2018 saw a drop in the unit rates for en route and terminal services provided by the Company, as against 2017, which dropped by 1.9 and 7.2% respectively. Following the provisions of Articles 25-28 of the Commission Implementing Regulation (EU) 2019/317 of 11 February 2019, any operating revenue exceeding the costs shall be returned to the service users over the next two years.

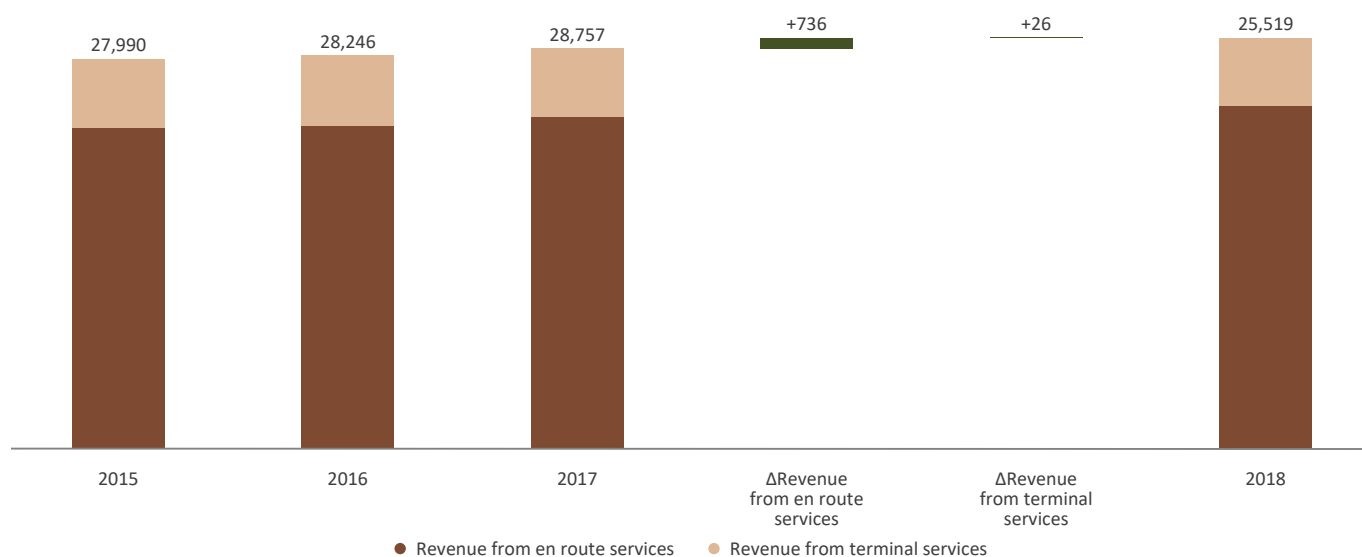
The Company's operating revenue consists of the revenue from en route and terminal air navigation services, i.e. en route and terminal charges. The revenue from the en route air navigation services, which represented 83.2% of the Company's revenue, grew by 3.1% over the reference period, while the growth of the terminal air navigation services was 0.5%.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|---|---------------|------------------|
| Sales revenue | 28,757 | 29,519 | +2.6% |
| Cost of goods sold | 19,780 | 18,613 | -5.9% |
| Gross profit (loss) | 8,977 | 10,906 | +21.5% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 7,582 | 6,233 | -17.8% |
| Results of other activities | 126 | -551 | - |
| Net financial items | 31 | 16 | -48.5% |
| Profit (loss) before taxes | 1,552 | 4,138 | +166.5% |
| Corporation tax | 0 | -191 | - |
| Net profit (loss) | 1,552 | 4,329 | +178.9% |
| Adjusted net profit (loss) | 1,851 | 4,627 | +149.9% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 37,956 | 47,146 | +24.2% |
| Current assets | 14,529 | 19,363 | +33.3% |
| Cash and cash equivalents | 6,639 | 14,582 | +119.6% |
| Deferred charges and accrued income | 2,685 | 2,867 | +6.8% |
| TOTAL ASSETS | 55,170 | 69,376 | +25.8% |
| Equity | 46,017 | 49,595 | +7.8% |
| Grants and subsidies | 2,786 | 5,911 | +112.2% |
| Provisions | 1,425 | 4,041 | +183.5% |
| Amounts payable and other liabilities | 4,830 | 7,198 | +49.0% |
| Amounts payable after one year and other non-current liabilities | 1,100 | 1,015 | -7.8% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 3,730 | 6,183 | +65.8% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 112 | 2,631 | +2,251.2% |
| Total equity and liabilities | 55,170 | 69,376 | +25.8% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 3.5% | 7.4% | +3.9 p. p. |
| ROE | 4.2% | 9.7% | +5.5 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 4,468 | 7,338 | +64.2% |
| EBITDA margin | 15.5% | 24.9% | +9.3 p. p. |
| Net profit margin | 6.4% | 15.7% | +9.2 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 500 | 1,100 | +120.0% |
| Property tax | 299 | 299 | -0.2% |
| Total contributions and non-standard taxes to the State | 799 | 1,399 | +75.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 313 | 285 | -8.9% |
| Number of executives | 3 | 2 | -33.3% |
| Average monthly salary of executives (gross, EUR) | 4,690 | 5,733 | +22.2% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Transport and Communications of the Republic of Lithuania | | | |
| VMANAGEMENT (1 JUL 2019) | | | |
| Director General | Mindaugas Gustys | | |
| Chairman of the Board of Directors | Dangirutis Janušas* | | |
| Members of the Board of Directors | Gediminas Almantas* Mikas Jovaišas* Andrius Šniulis Vytautas Vaižmužis | | |

*Independent member

Sales Revenue (EUR '000)



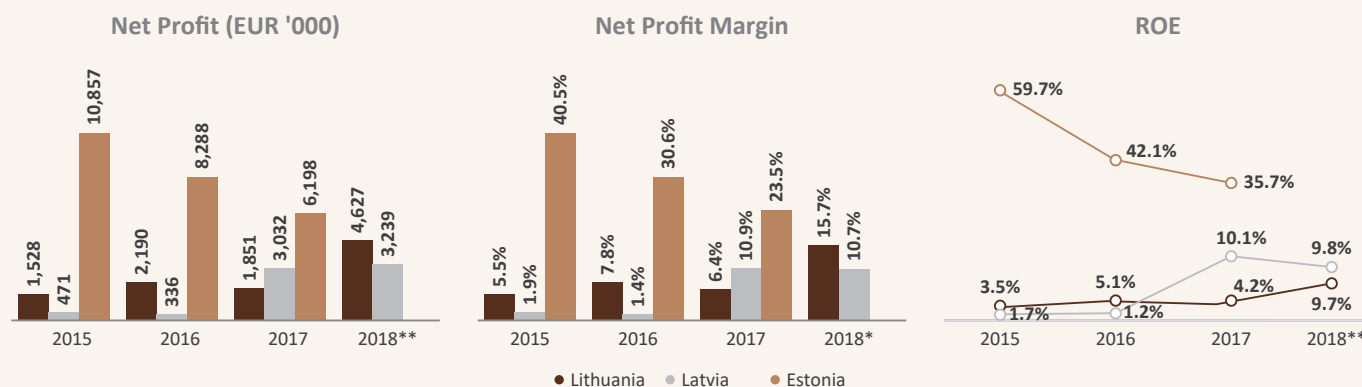
Since the Company's primary objective is other than making profit, but rather meeting public interest and implementing the commercial functions delegated by the State, profitable business takes a secondary role with the primary focus going to achieving social and political objectives. **Nevertheless, due to moderate growth of the sales revenue and a decrease in the cost of goods sold by 5.9% as well as a 17.8% decline in the general and administrative expenses, the Company's adjusted net profit was up from EUR 1.9 million in 2017 to EUR 4.6 million in 2018.** The shrinking costs were determined by a 42.1% or EUR 847 thousand drop in the equipment maintenance costs attributable to the changes in the procedure for the maintenance and repairs of communications, navigation and monitoring equipment, and lower insurance costs down by EUR 332 thousand or 61.9%.

Pursuant to paragraph 5 of Article 15 of the Law on State and Municipal Enterprises of the Republic of Lithuania, the Company is exempted from making profit contributions to the State budget because the Company's revenue and cost structure is governed by the European Union legislation. However, **for the**

performance in 2018 the Company assigned EUR 1,100 thousand in profit contribution, which was more than double the profit contribution paid for the performance achieved in 2017.

2018 saw EUR 11.4 million allocated to the Company's investments, of which 85.6% were financed using own funds. The major projects for the period 2015-2024 were the new administrative and Regional Air Traffic Control Centre building to be built, the air traffic control system to be introduced and the remote aerodrome air traffic control system to be launched.

Based on the data provided by Eurocontrol on the companies providing air navigation services, in 2018, the airspace controlled by VJ Oro navigacija covered 74,700 square km and was the smallest in the Baltic states, while Lennuliiklusteeninduse AS, which operates in Estonia, controlled 77,300 square km, and the airspace controlled by the Latvian company totalled 95,800 square km.



Source: Data from the financial statements of VAS Latvijas gaisa satiksme, Lennuliiklusteeninduse AS, and VJ Oro navigacija

**Due to the lack of data, the results of Lennuliiklusteeninduse AS for 2018 is not provided.

Comparing the performance of the companies offering air navigation services across the Baltic states, it is evident that the company, which provides air navigation services in Estonia, is taking the lead despite the downward trend in its annual performance. This company's profit for 2017 was more than double that of the Latvian company and more than three times higher than the adjusted net profit of VJ Oro navigacija. In 2017, the net profit of the Lithuanian and Estonian air navigation service providers had taken a 15.5% and 25.2% dip respectively as against their performance in 2016. This was primarily attributable to the growing costs. Meanwhile, the net profit of VAS Latvijas gaisa satiksme had grown significantly in 2017 – from EUR 335.7 thousand in 2016 up to EUR 3,031.6 thousand in 2017 due to 13.1% sales revenue growth. In 2018, there was a significant rise of the net profit of VJ Oro navigacija recorded from EUR 1,851.3 thousand to EUR 4,627.3 thousand with the net profit margin growing too; the latter was 5.0 p. p. higher than the net profit margin of VAS Latvijas gaisa satiksme.

The relative indicator trends are somewhat similar – the net profit margin of Lennuliiklusteeninduse AS, which had been 23.5% in 2017, was considerably higher than the net profit margin of VAS Latvijas gaisa satiksme, which equalled 10.9%, and of VJ Oro navigacija, whose net profit margin for 2017 had been the lowest among the Baltic states and stood at 6.4%. This goes to show that the business of the Estonian air navigation service provider is more profitable. The return on equity reveals similar trends. During the period between 2015 and 2017, the profitability of Lennuliiklusteeninduse AS's equity was significantly higher than the respective indicators of the compared companies across the remaining Baltic states. The debt-to-equity ratio of the Estonian company increased from 29.4% in 2015 to 51.0% in 2017, while the D/E ratio of the Lithuanian and Estonian air navigation service providers was 0.0% as there was no borrowed capital in their capital structure. These results disclose the fact that the air navigation service company operating in Estonia achieved higher ratios of return owning equity, which was 64.6% lower than that of the Lithuanian company and 48.2% lower than that of the Latvian company.

VĮ Klaipėdos valstybinio jūrų uosto direkcija

www.portofklaipeda.lt



Klaipėda's Port infrastructure management: collection of fees for using infrastructure, port captain function, land lease in the port territory, execution of maintenance, development and reconstruction works of port infrastructure

Special obligations carried out: providing access to infrastructure for the Lithuanian Navy.

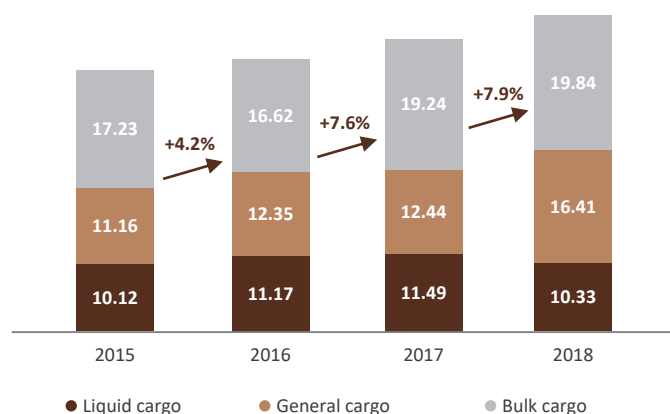
- ↑ Volume of cargo handling increased by 7.9% and amounted to 46.6 million tonnes
- ↓ Company's adjusted net profit fell by 19.2%
- ↑ Profit contribution for the results of 2018 was 25.4% higher

Major events:

- On May 25, the financing agreement for the project 'Deepening of the Gulf of Wood up to 14.5 m, including the installation of the conservation shore wall' was signed, under which EUR 57.0 million was granted from the EU Cohesion Fund.
- On July 11, the reconstructed quay in Smiltynė near the Lithuanian Maritime Museum was put into operation.
- On July 30, the Port Authority has filed a lawsuit against its former manager, Eugenijus Gentvilas, for damages to the State. The amount of the lawsuit filed with the Vilnius Regional Court amounts to EUR 1.9 million.
- On September 18, the land, water area and port infrastructure of Šventoji port were transferred to Palanga City Municipality for management, use and disposal.
- On December 31, Kairos, the world's largest liquefied natural gas (LNG) bunkering vessel, entered the port of Klaipėda.

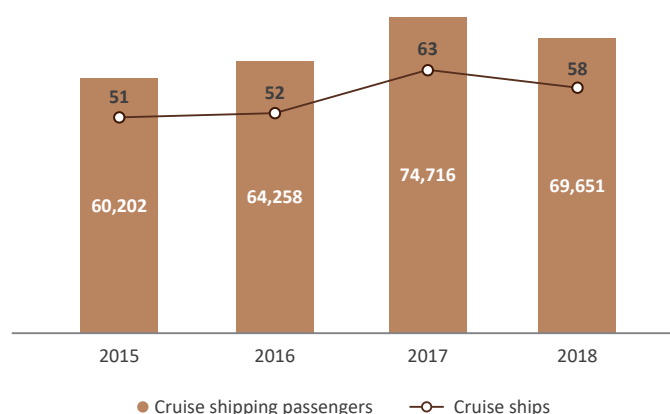
The Company's activities are focused on achieving its main strategic goal - **generation of maximum added value for the port, the city and the State, by creating the infrastructure meeting the needs of the future market and ensuring high quality port services.** The intensity of the port activity and the result achieved through the implementation of both public (Port Authority) and private (port users) investments is indicated by the volume of cargo handling, which in 2018 increased by 7.9%. In total, 46.6 million tonnes were handled during the reporting period, which is 3.4 million tonnes more than a year ago.

Volume of Cargo Handling (million tonnes)



Since 2015, there has been a steady growth in cargo handling volumes, which averaged to 6.6% every year. Cargo volume growth in 2018 was determined by increasing handling operations of general cargo, which amounted to 31.9% and accounted for 35.2% of the total cargo structure. This was influenced by the ship-to-ship container loading operations. The handling operations of dry bulk cargo, amounting to 42.6%, increased more moderately - merely by 3.1%, while the volume of liquid cargo handling decreased by 10.1% in 2018. The growth of dry bulk cargo was caused by the handling of bulk fertilizers and ores, while the decrease of liquid cargo handling was caused by decreased volumes of oil products and liquid natural gas.

Cruise Shipping at Klaipėda Port



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|---|----------------|---------------|
| Sales revenue | 59,795 | 63,736 | +6.6% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 59,795 | 63,736 | +6.6% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 27,934 | 29,173 | +4.4% |
| Results of other activities | 10 | 74 | +640.0% |
| Net financial items | -62 | 0 | - |
| Profit (loss) before taxes | 31,809 | 34,637 | +8.9% |
| Corporation tax | -6,633 | 3,664 | - |
| Net profit (loss) | 38,442 | 30,973 | -19.4% |
| Adjusted net profit (loss) | 38,924 | 31,449 | -19.2% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 508,683 | 529,051 | +4.0% |
| Current assets | 73,845 | 59,711 | -19.1% |
| Cash and cash equivalents | 54,489 | 54,405 | -0.2% |
| Deferred charges and accrued income | 0 | 0 | - |
| TOTAL ASSETS | 582,528 | 588,762 | +1.1% |
| Equity | 518,614 | 527,449 | +1.7% |
| Grants and subsidies | 50,921 | 56,423 | +10.8% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 12,993 | 4,890 | -62.4% |
| Amounts payable after one year and other non-current liabilities | 7,107 | 206 | -97.1% |
| <i>Financial liabilities</i> | 6,923 | 0 | -100.0% |
| Amounts payable within one year and other current liabilities | 5,886 | 4,684 | -20.4% |
| <i>Financial liabilities</i> | 769 | 0 | -100.0% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 582,528 | 588,762 | +1.1% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 6.9% | 5.4% | -1.5 p. p. |
| ROE | 7.8% | 6.0% | -1.8 p. p. |
| D/E | 1.5% | 0.0% | -1.5 p. p. |
| EBITDA | 46,601 | 48,477 | +4.0% |
| EBITDA margin | 77.9% | 76.1% | -1.9 p. p. |
| Net profit margin | 65.1% | 49.3% | -15.8 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 22,332 | 28,000 | +25.4% |
| Property tax | 482 | 476 | -1.2% |
| Total contributions and non-standard taxes to the State | 22,814 | 28,476 | +24.8% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 242 | 241 | -0.4% |
| Number of executives | 5 | 5 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 6,953 | 7,405 | +6.5% |
| INSTITUTION REPRESENTING THE STATE | Ministry of Transport and Communications of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Vidmantas Paukštė (Acting Director General) | | |
| Chairman of the Board of Directors | Nerijus Udrėnas* | | |
| Members of the Board of Directors | Saulius Kerza Vaidotas Rūkas* Eligijus Kajietas* Edvardas Simokaitis | | |

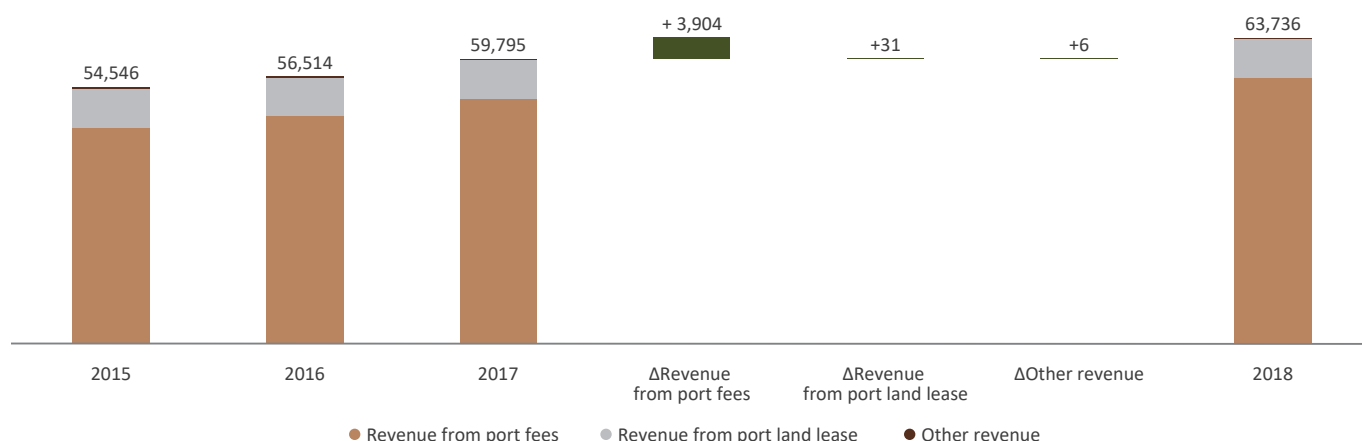
*Independent member

In 2018, the number of vessels entering Klaipėda port increased by 7.8% amounting to 7,081, 66.6% of which were engaged in stevedoring. Compared to the results of 2017, the number of vessels with stevedoring operations increased by 11.7%, and the average tonnage transported per vessel increased by 1.0%. The number of visitors amounted to 376,6 thousand and that is 1.6% more than a year ago. Cruise shipping accounted for a relatively small share in the total structure of ships entering and passengers arriving: in 2018, 69.7 thousand passengers were carried by 58 cruise ships. The volume of this segment shrank from 2017: 7.9% fewer cruise ships and 6.8% fewer passengers entered the port.

Increased activity volumes determined the growth of 6.6% in operating revenue. In 2018, the Company earned EUR 63,7 million in revenue. Revenue

growth was mainly driven by port fees (accounting for the largest share, 88.2% of total revenue), amounting to EUR 56.2 million. Compared to the results of 2017, port fee revenue increased by 7.5%. The amount of port fee revenue depends on the volume of cargo stevedoring in the port, i.e. on changes in the market, geopolitics and other areas that affect freight flows. The Port Authority can influence this type of revenue by increasing port throughput and competitiveness, i.e. developing the port infrastructure, which, together with private investment in supra-infrastructure, helps maintain existing and attract new cargo flows. In 2018, the revenue from land lease accounted for about 11.6% of operating revenue, with only a slightly change from the previous year, and amounted to EUR 7.4 million. This revenue is collected from port users under long-term land lease agreements. Since 2015, the overall positive trend has been observed, with an increasing annual revenue growth of 3.6% in 2016, 5.8% in 2017 and 6.6% in 2018.

Sales Revenue (EUR '000)



Despite the increase in operating expenses of 4.4%, amounting to EUR 29.2 million, profit before taxes increased by 8.9% and totalled to EUR 34.6 million. The increase of expenses was mainly due to the increase in the costs (by EUR 1.2 million) incurred for the development of the access roads to the port incurred by third parties (Klaipėda City Municipality), alongside with the increase in employee benefits and related expenses of 10.6% or EUR 0.7 million, which boosted from 1.3% up to 26.9% in the overall cost structure. The largest share - 47.4% of overall expenses consisted of depreciation and amortisation of non-current assets amounting to EUR 13.8 million; compared to 2017, they were decreased by 6.0% by the valuation of assets as the Company had moved to International Financial Reporting Standards.

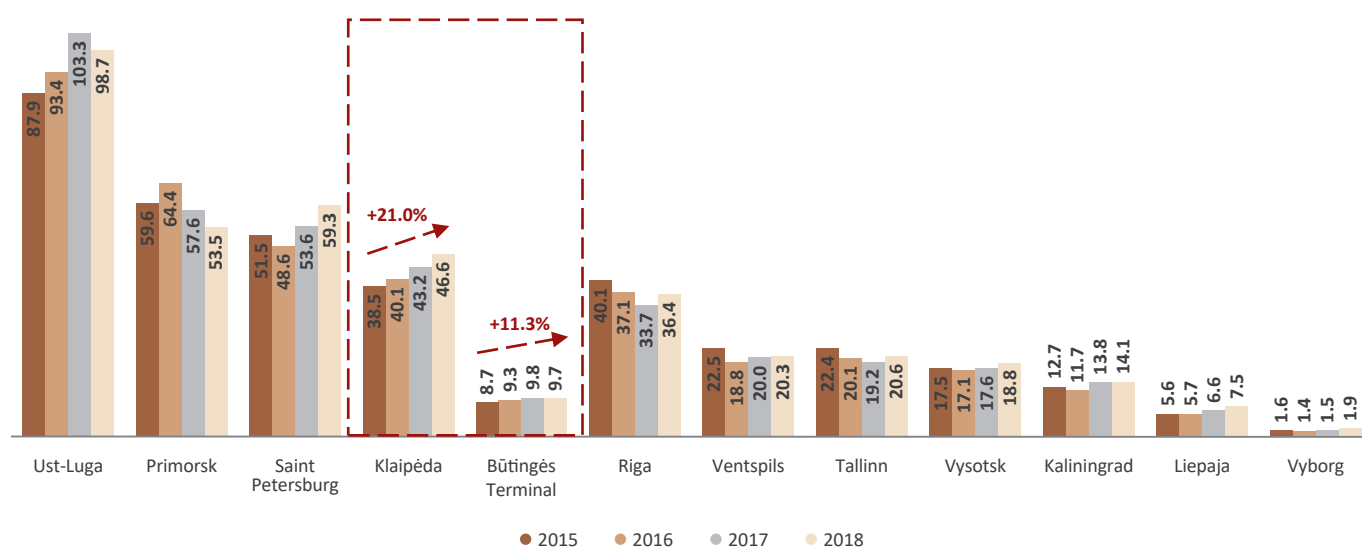
The Company's adjusted net profit, taking into account non-standart taxes to the State, amounted to EUR 31.4 million, which is EUR 7.5 million or 19.4% less than in 2017, due to deferred income tax expense of EUR 6.6 million that increased the net profit for the previous year to EUR 38.9 million. This resulted in a significant decrease of profit margin by 15.8 p. p., which amounted to 49.3% during the reporting period. In 2018, the property tax amounted to EUR 476.0 thousand and was 1.2% lower than in 2017. **Total return to shareholder increased by 24.8% and**

amounted to EUR 28.5 million. Profit contribution was higher by 25.4% and amounted to EUR 28.0 million.

The previously discussed changes in revenue and expenses also affected financial indicators: the Company's EBITDA increased by 4.0% and reached EUR 48.5 million due to increased sales revenue. Meanwhile, the EBITDA margin dropped by 1.9 p. p. down to 76.1%. ROE was 6.0% and decreased by 1.8 p. p. compared to 2017. The decrease in ROE was also influenced by a 1.7% increase in equity due to the level of profit for the reporting year, the payment of dividends for the previous year (EUR 22.3 million) and the transfer of reserves.

In 2018, the value of investments made by the Company amounted to EUR 38.8 million. This represents an increase of 35.7% compared to the value of investments made in 2017, reaching EUR 28.6 million. Most of the investment, i.e. 82.4% of total investment, amounting to EUR 32 million, was allocated for the construction and reconstruction of quays (EUR 14.2 million in 2017). 8.9% of investments, i.e. EUR 3.5 million was allocated for deepening of port aquatory and dredging the quays areas; the similar investments amounted EUR 8.5 million in 2017.

Volume of Cargo Handling in Baltic Sea (million tonnes)



Source: VĮ Klaipėdos valstybinio jūrų uosto direkcija

According to the assessment of VĮ Klaipėdos valstybinio jūrų uosto direkcija, the main competitors of Klaipėda port are the ports of the Eastern coast of the Baltic Sea, which have the opportunity to compete with Klaipėda port regarding the cargo flows along the East-West transport corridor. In 2018, there has been a general increase in cargo handling on the Eastern coast of the Baltic Sea, except for Russian ports: Primorsk and Ust-Luga. The amount of cargo carried by Klaipėda port in 2018 accounted for 12.0% of the market, while in 2017, Klaipėda port handled 11.4% of the freight flow

through these ports. During the period of 2015-2018, cargo handling at Klaipėda port increased from 38.5 to 46.6 million tonnes, i.e. by 21.0%. Cargo handling at the ports of Eastern coast of the Baltic Sea increased by 5.1% or 18.9 million tonnes. **The turnover of Klaipėda port was growing faster than the average market growth and the market share increased from 10.4% in 2015 to 12.0% in 2018.** Cargo handling at Būtingės terminal increased by 11.3% up to 9.7 million tonnes during the analysed period, despite a slight decline in cargo volume of 1.6% in 2018.

VĮ Lietuvos oro uostai

www.ltou.lt

LIETUVOS ORO UOSTAI

VNO KUN PLQ

Operation of Vilnius, Kaunas and Palanga airports, rental of premises and car parks, and advertising

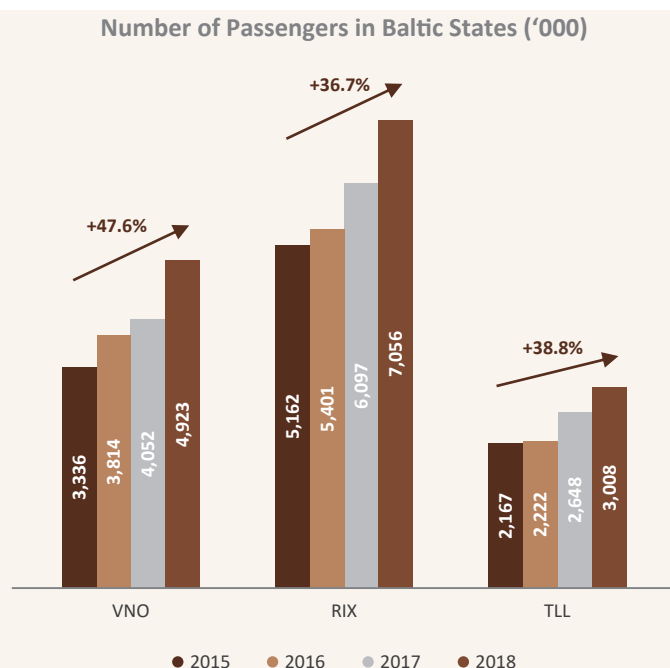
- ↑ Number of passengers handled rose by 19.2%
- ↑ Sales revenue growth equalled 32.8%
- ↑ 2.5 times higher profit contribution reaching EUR 8.5 million was assigned

Major events:

- The reconstruction of Vilnius Airport launched in 2018 will continue until 2022 with EUR 130 million to be invested. The reconstruction will involve the extension of the passenger terminal and the northern apron, maintenance works on transportation accesses, and a new VIP terminal to be built.
- 2018 saw a substantial rearrangement of the store areas in the departure terminal at Vilnius Airport, and the building works of a modern multi-functional car park were launched in October.
- There were 8 public auctions held for the sale of the movable property owned by the Lithuanian airports in 2018, which saw 426 unnecessary and no longer used movable items sold for almost EUR 83 thousand.

To improve business efficiency and taking account of the OECD guidelines for having state enterprises, which undertake economic activities, converted into companies, in 2017, the Company, together with the Ministry of Transport and Communications, launched the project for the Company to be converted into a public limited liability company.

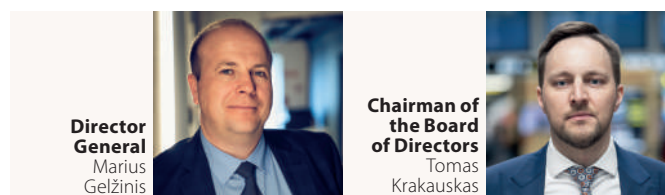
In 2018, the number of passengers handled by Lithuanian Airports reached 6.3 million – 19.2% more passengers than in 2017, which had seen 5.2 million passengers handled. Vilnius Airport handled 78.8% of all of the Company's passengers, i.e. 4.9 million. Compared with 2017, when a take-off runway reconstruction had been underway, the number of passengers increased by 21.5% at Vilnius Airport. This increase was mostly affected by the modest growth of the seats offered by the air companies due the rising number of flights and destinations as well as larger aircraft used on those routes. In 2018, Vilnius Airport had flights carried out to 65 destinations, while Riga Airport's count was 91 destinations, and Tallinn Airport offered 42.



Source: VĮ Lietuvos oro uostai (The number of passengers at Vilnius Airport in 2017 includes the flow of Vilnius Airport passengers redirected through Kaunas Airport during the take-off runway reconstruction)

The number of seats offered by traditional airlines in 2018 increased by 7% (with the average aircraft seat occupancy reaching 76.2%, which was a 4.2% rise over the year), by low-cost airlines, 21% (with the average aircraft seat occupancy being 0.1% lower and equalling 88.1%). **This shows that the new supply was taken well by the market and speaks of the strengthening position of Lithuanian Airports in the region.** In 2018, Lithuanian Airports had 17 airlines operating scheduled flights (Riga Airport had 15 and Tallinn Airport, 14). The largest carriers stayed the same with Ryanair representing 31% of the total flow and Wizz Air taking a 26% share of the total flow.

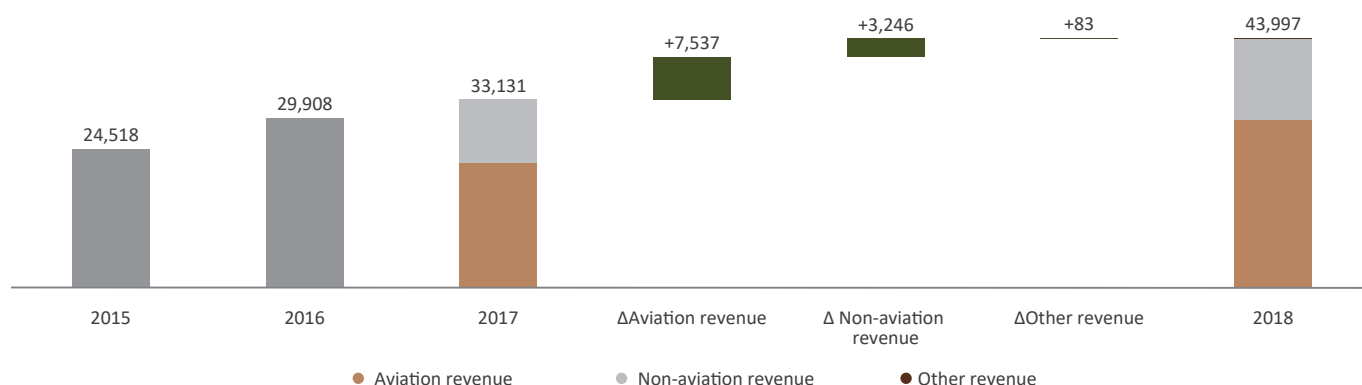
Better performance of the Company was also reflected in the sales revenue growth, which was estimated at 32.8%. **In 2018, the Company earned EUR 44.0 million in sales revenue.** The growth was mostly determined by a 34.4% or EUR 7.5 million rise in the aviation revenue, which represented 66.9% in the total revenue structure. The non-aviation revenue, which was almost half the aviation revenue, experienced a 32.9% rise.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|---|----------------|----------------|
| Sales revenue | 33,131 | 43,997 | +32.8% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 33,131 | 43,997 | +32.8% |
| Cost of sales | 30,179 | 32,969 | +9.2% |
| General and administrative expenses | 0 | 0 | - |
| Results of other activities | 0 | 0 | - |
| Net financial items | -32 | -220 | -593.1% |
| Profit (loss) before taxes | 2,920 | 10,808 | +270.2% |
| Corporation tax | 438 | 2,454 | +460.7% |
| Net profit (loss) | 2,482 | 8,354 | +236.6% |
| Adjusted net profit (loss) | 2,823 | 8,715 | +208.7% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 164,362 | 157,053 | -4.4% |
| Current assets | 22,846 | 32,938 | +44.2% |
| Cash and cash equivalents | 14,828 | 25,964 | +75.1% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 187,208 | 189,991 | +1.5% |
| Equity | 118,936 | 123,861 | +4.1% |
| Grants and subsidies | 43,489 | 39,318 | -9.6% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 24,782 | 26,812 | +8.2% |
| Amounts payable after one year and other non-current liabilities | 13,068 | 13,330 | +2.0% |
| Financial liabilities | 13,000 | 13,000 | 0.0% |
| Amounts payable within one year and other current liabilities | 11,714 | 13,482 | +15.1% |
| Financial liabilities | 1,580 | 0 | -100.0% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 187,208 | 189,991 | +1.5% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 1.6% | 4.6% | +3.0 p. p. |
| ROE | 2.4% | 7.2% | +4.8 p. p. |
| D/E | 12.3% | 10.5% | -1.8 p. p. |
| EBITDA | 8,908 | 17,686 | +98.5% |
| EBITDA margin | 26.9% | 40.2% | +13.3 p. p. |
| Net profit margin | 8.5% | 19.8% | +11.3 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 3,429 | 8,524 | +148.6% |
| Property tax | 402 | 425 | +5.7% |
| Total contributions and non-standard taxes to the State | 3,831 | 8,949 | +133.6% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 619 | 660 | +6.6% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 6,446 | 8,706 | +35.1% |
| INSTITUTION REPRESENTING THE STATE | Ministry of Transport and Communications of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Marius Gelžinis | | |
| Chairman of the Board of Directors | Tomas Krakauskas* | | |
| Members of the Board of Directors | Andrius Šniuolis Ramūnas Bagdonas* Adamus Ilkevičius* Justina Bučinskaitė* | | |

*Independent member

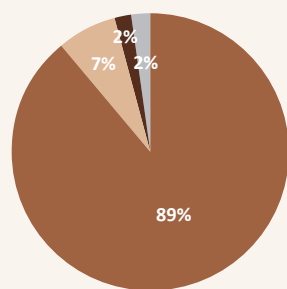
Sales Revenue (EUR '000)



The structure of the aviation revenue of VJ Lietuvos oro uostai experienced a minor change during the reference period. **The largest part of the aviation revenue included taxes and fees, which represented 89.4% of the revenue in 2018:** the departure tax represented 54% in the aviation revenue structure in 2018, while the landing fee accounted for 32% of the total aviation earnings. Compared with the results for 2017, the collected aircraft parking charge doubled because of the increased demand for the services and the rising aviation charges. The central infrastructure revenue, which accounted for 6.7% in the aviation revenue structure

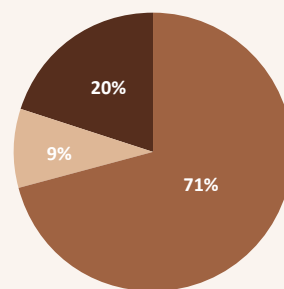
in 2018, have also been rising for a number of years due to increased demand and the rising volume of services rendered as well as because of the higher central infrastructure charges that came into effect in April 2018. **The growth of non-aviation services mainly involved the improved rent collected, which represented 71.1% in the non-aviation revenue in 2018.** 2018 saw 42% more earnings collected from the rental of buildings and premises than in 2017 due to a 16% rise in the car park rental revenue and the new rental contracts signed, which led to the rise of the revenue from both fixed and variable components of the rent.

Aviation Revenue Structure



● Taxes and fees
● The central infrastructure revenue
● Other aviation revenue
● Fuel supply revenue

Non-aviation Revenue Structure



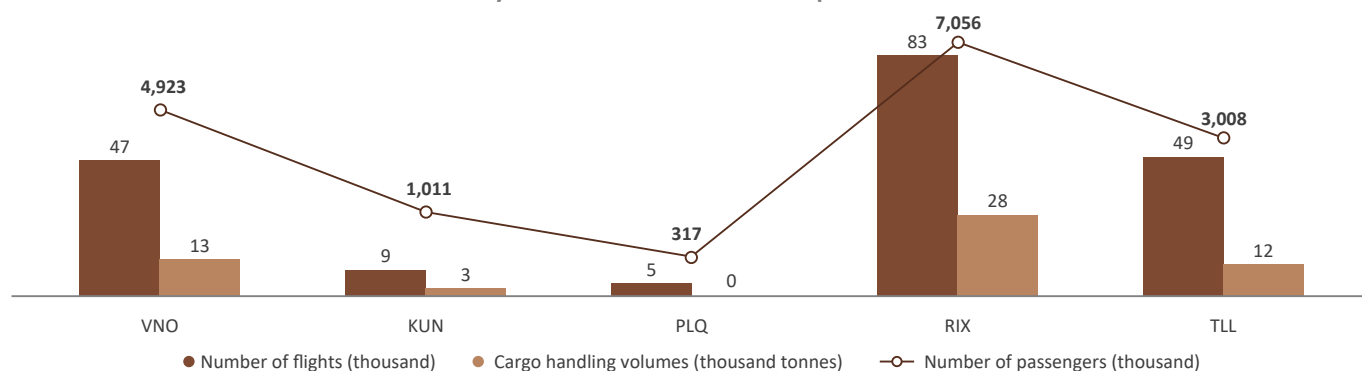
● Rent
● Utilities revenue
● Other non-aviation revenue

The increasing revenue determined the growth of **the Company's adjusted net profit with the profit reaching EUR 8.7 million during the reference period as against EUR 2.8 million at the end of 2017.** EBITDA reached EUR 17.7 million and, compared with 2017, rocketed by 98.5%. The EBITDA margin growth accounted for 13.3 p. p. with the margin standing at 40.2%. The net profit margin was 19.8% in the reference period. Growth and improving performance were also reflected in the indicator of return to the State: **2.5 times higher profit contribution was assigned for the performance achieved in 2018 than in 2017, with the value of it reaching EUR 8.5 million,** and the property tax paid was 5.7% higher. Therefore, the value of profit contributions and non-standard taxes to the State reached EUR 8.9 million.

To improve the services offered by the airports, broaden the service range, modernise the infrastructure and ensure aviation safety, the Company has

been undertaking investment projects. The value of investments made in 2018 reached EUR 5.7 million, when 2017 had had a significantly higher amount of EUR 29.4 million invested. It should be noted that in 2017 the Company was carrying out the following project: 'Reconstruction of aircraft take-off and landing runway and the airfield lighting system at Vilnius Airport to improve aviation conditions' with its total costs reaching EUR 20.2 million; its costs for 2017 amounted to EUR 19.6 million. 2018 saw the growth of only the investment value dedicated to Palanga Airport with the investment representing 17.8% in the total investment structure and reaching EUR 1,018 thousand (as against EUR 507 thousand allocated in 2017). In 2018, Company's investment was allocated to managed infrastructure modernisation and development, specialised machinery and equipment for airfield maintenance, renewal of equipment for aviation safety control, modernisation of noise monitoring system, acquisition of computers and software and other non-current assets.

Activity Volumes in Baltic States Airports in 2018



Source: VJ Lietuvos oro uostai, SJSC RIGA International Airport, Tallinn Airport Ltd

Comparative data for 2018 of competing airports show that Vilnius Airport is behind the Baltic airports in the region in terms of the number of flights. But looking at the aggregated performance of the Lithuanian Airports, they are only second to Riga Airport. The total volume of cargo handled by all three airports grew by more than one fifth during the year and reached 15.9 thousand tonnes. Vilnius Airport

handled 12.8 thousand tonnes of cargo, Kaunas, 3.1 thousand tonnes, and Palanga, 0.04 tonnes of cargo, while Riga Airport handled 28.3 thousand tonnes, and Tallinn Airport, 11.5 thousand tonnes of cargo. The rising volumes of cargo in Lithuania were mostly affected by the scheduled flights to Vilnius Airport launched by the Turkish Cargo air carrier.

VĮ Valstybinių miškų urėdija

www.vivmu.lt



Forest management, afforestation, reforestation and maintenance, forest planting cultivation, logging and timber trade, sanitary forest protection and fire protection, forest road maintenance, recreational site installation and maintenance, professional hunting area management and organisation of hunting, implementation of species management measures in forests and habitat protection

Special obligations performed: planting, maintenance and protection of seed forest plantations and trial plantations; creation, transfer of cadastral files, registration, afforestation, maintenance and handling, management of activities related to land plots taken over from the Free State Land Fund for afforestation, as well as the forest land transferred for use, until the stand reaches the age of 20 years; fire protection in forests of all forms of ownership; construction, reconstruction, repair and maintenance of forest roads in line with management of activities; implementation of nature management measures in forests, in line with management of activities; maintenance, protection and management of other users' forests (including those reserved for restitution); installation, maintenance and management of recreational facilities in forests, in line with management of activities; maintenance, protection and management work of urban forest; sale of uncut state-owned forest fuel-wood to residents, discounted sale of uncut state-owned forest to individuals affected by natural disasters.

- ↓ The volume of round timber sold decreased by 9.9%
- ↑ Normalised net profit grew by 86.4% and reached EUR 49.0 million
- ↑ Allocations to the State budget amounted to EUR 50.0 million, including the profit contributions of EUR 22.1 million

Major events:

• As of 8 January 2018, 42 state forest enterprises were reorganised by merger to VĮ Valstybinis miškotvarkos institutas, and VĮ Valstybinių miškų urėdija was established. The merger of state forest enterprises should help to achieve more effective and transparent forest management, ensure better forest management quality and better distribution of resources between forest areas in different regions.

• Pursuant to the adopted resolutions, the Company transferred 175 real estate objects, buildings and structures of various purpose to VĮ Turto bankas, and 5 objects to other institutions. The area of transferred assets was 12.8 thousand square meters, the residual value was EUR 1.1 million.

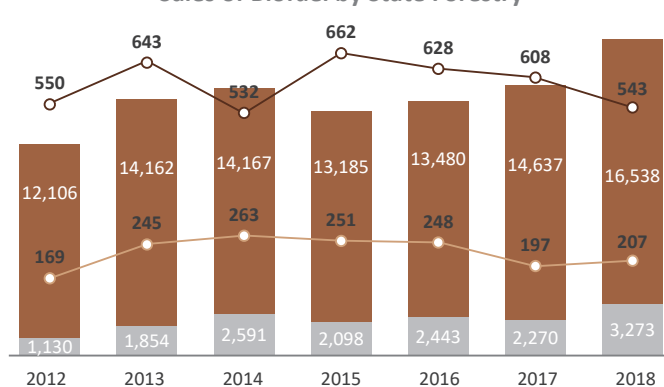
In 2018, VĮ Valstybinių miškų urėdija sold 3.3 million cubic meters of round timber, i. e. 9.9% less in comparison with 2017. Despite the decline in round timber sales, the sales revenue of round timber amounted to EUR 169 million, increasing by 13.2% due to the average price increase of 10 EUR/m³, which reached 50 EUR/m³ in 2018. The price of biofuel also increased, mostly the average price of logging waste, which reached 16 EUR/m³ and increased by 40.5%. Prices of all heat groups firewood grew by 25.7% and varied from 28 EUR/m³ for III heat group firewood to 38 EUR/m³ for I heat group firewood.

The increased prices resulted in a significant growth of sales revenue of 9.9%. The main production - raw wood - accounted for 93.4% of the total revenue structure and increased by 12.6% compared to 2017. Sales of industrial wood and fuel wood also decreased - sales of industrial wood amounted to 2.8 million tonnes cubic meters (8.2% less than in 2017), and 0.5 million tonnes cubic meters of fuel wood (10.8% less). Nonetheless, sales revenue grew to EUR 152.4 million (+13.2%) and EUR 16.5 million (+13%), respectively.

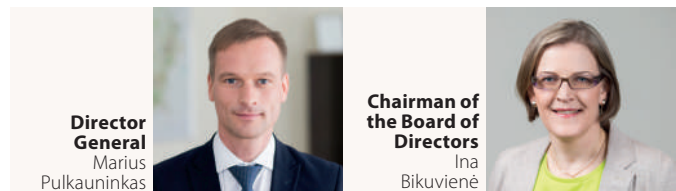
As in the previous year, in 2018, the largest amount of round timber was purchased by UAB Juodeliai (346.2 thousand cubic meters or 10.4% of total sales) and by UAB IKEA Industry Lietuva (278.5 thousand cubic meters or 8.4% of the total sales) and UAB Targirė (263.3 thousand cubic meters or 7.9% of the sales). Major wood buyers in Lithuania buy 7-11% of the total amount of round timber each.

The decrease in sales volumes of the main production also resulted in a decrease in sales costs. General and administrative expenses also decreased, amounting to EUR 58.7 million. It was 6.7% lower than in 2017. Similarly, the cost of ecological and social activities also decreased by 6.6%, while other expenses decreased by as much as 23.0%. Increasing sales revenue and lower costs resulted in the Company earning EUR 25.3 million in net profit, which was merely EUR 5.2 million in 2017. Adjusted net profit amounted to EUR 49 million, increasing by 86.4% compared to 2017.

Sales of Biofuel by State Forestry



- Sales revenue of fuel wood (EUR '000)
- Sales revenue of logging waste (EUR '000)
- Sales of fuel wood ('000 tonnes)
- Sales of logging waste ('000 tonnes)



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017** | 2018 | CHANGE |
|--|------------------|------------------|----------------|
| Sales revenue | 164,039 | 180,353 | +9.9% |
| Cost of goods sold | 65,814 | 60,793 | -7.6% |
| Gross profit (loss) | 98,225 | 119,560 | +21.7% |
| Cost of sales | 4,251 | 3,894 | -8.4% |
| General and administrative expenses | 88,035 | 86,692 | -1.5% |
| Results of other activities | 592 | 230 | -61.1% |
| Net financial items | 161 | 87 | -45.7% |
| Profit (loss) before taxes | 6,692 | 29,292 | +337.7% |
| Corporation tax | 1,499 | 4,030 | +168.9% |
| Net profit (loss) | 5,194 | 25,262 | +386.4% |
| Adjusted net profit (loss) | 26,276 | 48,972 | +86.4% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017** | 31 DEC 2018 | CHANGE |
| Non-current assets¹ | 1,314,293 | 1,278,454 | -2.7% |
| Current assets | 72,935 | 109,704 | +50.4% |
| Cash and cash equivalents | 39,091 | 73,263 | +87.4% |
| Deferred charges and accrued income | 3,610 | 2,897 | -19.8% |
| TOTAL ASSETS | 1,390,838 | 1,391,054 | 0.0% |
| Equity² | 1,362,015 | 1,356,926 | -0.4% |
| Grants and subsidies | 15,264 | 15,559 | +1.9% |
| Provisions | 2,185 | 2,442 | +11.8% |
| Amounts payable and other liabilities | 11,267 | 16,121 | +43.1% |
| Amounts payable after one year and other non-current liabilities | 608 | 0 | -100.0% |
| Financial liabilities | 599 | 0 | -100.0% |
| Amounts payable within one year and other current liabilities | 10,659 | 16,121 | +51.2% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 107 | 7 | -93.7% |
| Total equity and liabilities | 1,390,838 | 1,391,054 | 0.0% |

| RATIOS ¹ | 31 DEC 2017** | 31 DEC 2018 | CHANGE |
|---------------------|---------------|-------------|-------------|
| ROA | 2.0% | 3.5% | +1.6 p. p. |
| ROE | 2.0% | 3.6% | +1.6% |
| D/E | 0.0% | 0.0% | 0.0% |
| EBITDA | 18,502 | 40,142 | +117.0% |
| EBITDA margin | 11.3% | 22.3% | +11.0 p. p. |
| Net profit margin | 16.0% | 27.2% | +11.1 p. p. |

| RETURN TO THE STATE (EUR '000) | 2017** | 2018 | CHANGE |
|--|---------------|---------------|---------------|
| Assigned profit contributions | 4,508 | 22,142 | +391.1% |
| Property and raw material tax | 24,803 | 27,895 | +12.5% |
| Total contributions and non-standard taxes to the State | 29,311 | 50,036 | +70.7% |

| INFORMATION ABOUT EMPLOYEES | 2017** | 2018 | CHANGE |
|---|--------|-------|---------|
| Number of employees | 2,992 | 2,824 | -5.6% |
| Number of executives | 3 | 5 | +66.7% |
| Average monthly salary of executives (gross, EUR) | 2,100 | 5,869 | +179.5% |

INSTITUTION REPRESENTING THE STATE
Ministry of Environment of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|--|
| Director General | Marius Pulkauninkas |
| Chairman of the Board of Directors | Ina Bikuviene |
| Members of the Board of Directors | Gediminas Jasinevičius* Mantas Šukevičius* Normantas Marius Dvareckas* Alditas Saulius* Agnė Jakstienė Asta Čepienė |

*Independent member

** – Aggregated data of 42 reorganised forest enterprises and VĮ Valstybinis miškotvarkos institutas are provided for 2017.

¹ – The book values of non-current assets and equity of VĮ Valstybinių miškų urėdija were increased by forest value calculated using the discounted cash flow method, which, based on the assessment, was EUR 1,178.4 million in 2018 and EUR 1,201.1 million in 2017. The ratios were calculated on the basis of the increased values of non-current assets and equity.

In 2018, forestry enterprises participated in the Baltpool biofuel raw materials exchange and concluded transactions for the sale of 10,320 tne (for almost EUR 1.6 million). In 2017, the transactions of forestry enterprises amounted to 10,941 tne for EUR 1.5 million. **As a year ago, the major part of the transactions - 97.8% of the total transactions concluded at Baltpool biofuel raw materials exchange were concluded by three regional branches: Švenčionėliai, Varėna (merged with Valkininkai as of 2018) and Tauragė.** Significant differences in sales of biofuel raw materials between regional branches are partly because these three branches have their own biofuel production and transport capacity.

The return to the State budget of VĮ Valstybinių miškų urėdija for the results of 2018 amounted to EUR 50.0 million, which is 70.7% or EUR 20.7 million more than a year ago: the profit contribution amounted to EUR 22.1 million, compared to EUR 4.5 million in 2017. It accounted for 44.3% of the total contribution to the State budget by the Company, which increased due to the increase of net profit and resulted in the increase of the return to owner. Compared to the results of 2017, the growth of each non-standard tax was steady and reached 12.4%: in 2018, the Company paid 2% for the use of state-owned property in trust, i.e. EUR 2.6 million. Meanwhile, compulsory deductions (15%) from sales of raw wood and uncut forest (raw material tax) amounted to EUR 25.3 million. Non-standard taxes are included in the calculation of the Company's contributions to the State budget, as they are not levied on private forest managers.

At the beginning of 2018, 73.8% of Lithuanian forest area comprised Group IV (farmed) forests, and 13.3% of the total area comprised Group III (protective) forests. The remainder of the forest is sanctuary (Group I, accounting for 1.2%) and special-purpose areas (Group II, accounting for 11.7%), where commercial forest activities are prohibited. Forests of national importance, which on 1 January 2018 amounted to 1,102 thousand ha, occupy half (50.2%) of Lithuania's forest area. 40.5% or 888 thousand ha of the forest area are owned by private owners who amounted to 250 thousand and who managed 3.4 ha of forest on average as of 1 January 2018. 9.4% of the forest area is reserved for restitution. Comparison to foreign countries: Latvia's state-owned forests occupy an area of 1.4 million ha and in Sweden it amounts to 3.1 million ha (14% of Sweden's total forest area).

Investments and construction of forest roads

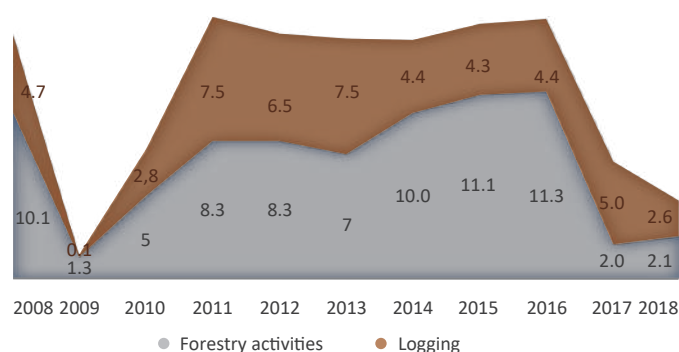
During the period of 2008–2017, the forestry enterprises allocated EUR 12.2 million per year for investment in forestry activities (construction, reconstruction, repair and maintenance of inland forests of local importance). During the period 2011–2016, the forestry enterprises allocated the largest amount of investments, which amounted to exceeded EUR 14 million, up to almost EUR 16 million of own funds. A significant decrease in investments is recorded since 2017, when the reorganisation procedures of 42 forestry enterprises and VĮ Valstybinių miškų urėdijos institutas were started. The investment of **VĮ Valstybinių miškų urėdija using own funds amounted to EUR 4.7 million in 2018**, including EUR 2.1 million for logging and EUR 2.6 million for forestry farming activities.

According to the data of VĮ Valstybinių miškų urėdija, the Company maintains the road network of about 34.5 thousand km. The total cost of road construction (reconstruction), repair (overhaul and current) and maintenance in state-owned forests in 2018 amounted to EUR 15.4 million. It increased by 13.4% compared to 2017 when it amounted to EUR 13.6 million.

With the help of the funding from the Road Maintenance and Development Program in 2018, VĮ Valstybinių miškų urėdija constructed and reconstructed 36.4 km of roads using EUR 1.6 million of the program funds; repaired 2.8 km of roads using EUR 19.6 thousand of the program funds. In 2017, the repair outcome was significantly higher: using EUR 166.4 thousand of the Road Maintenance and Development Program funds, 32.2 km of roads were repaired.

| OWN FUNDS ALLOCATIONS: | 2017 | 2018 | CHANGE |
|--|-------------|-------------|--------------|
| Construction and reconstruction of forest roads (EUR '000) | 1,254.5 | 1,790.3 | 42.7% |
| Constructed and reconstructed roads, km | 26.3 | 21.1 | -19.8% |
| Amount per kilometre, EUR '000/km | 47.7 | 84.8 | 77.9% |
| Repair (current repair) of forest roads (EUR, '000) | 2,214.7 | 2,648.7 | 19.6% |
| Repaired roads (current repair), km | 849.4 | 677.9 | -20.2% |
| Amount per kilometre, EUR '000/km | 2.6 | 3.9 | 49.9% |
| Maintenance of forest roads (grader, snow removal, etc.), EUR '000 | 5,203.0 | 6,176.0 | 18.7% |
| Maintained (graded, cleaned of snow, etc.) roads, km | 12,880.3 | 12,194.0 | -5.3% |
| Amount per kilometre, EUR '000/km | 0.40 | 0.51 | 25.4% |

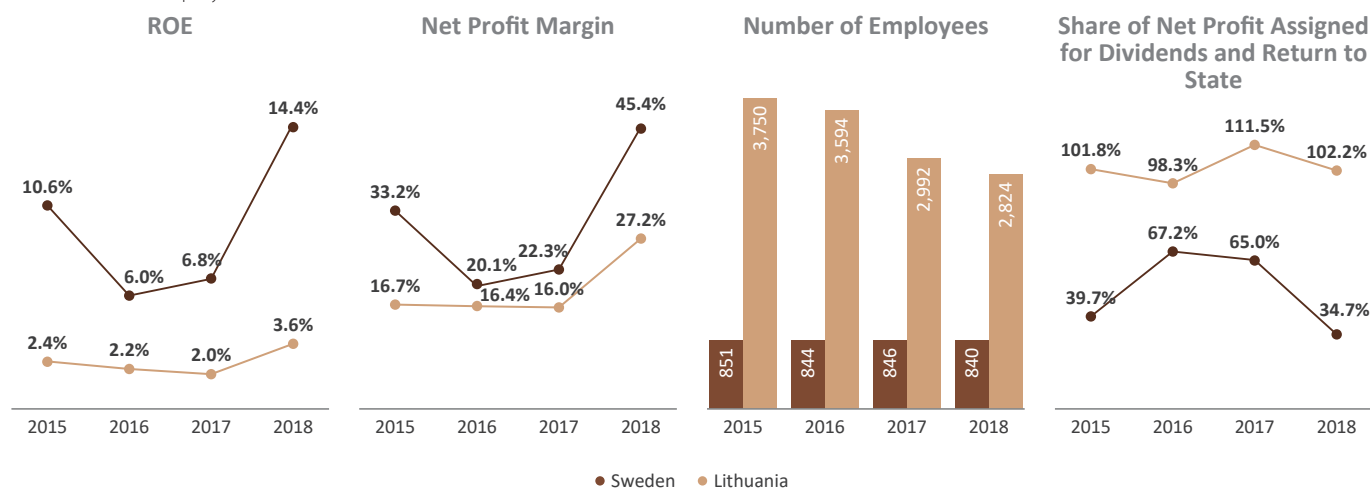
Investments (Own Funds) (EUR million)



In 2018, VĮ Valstybinių miškų urėdija, using its own funds, constructed and reconstructed 21.1 km, repaired 677.9 km and maintained (grader, snow removal, etc.) 12.2 thousand km of forest roads, corresponding to EUR 1.8 million, EUR 2.6 million and EUR 6.2 million accordingly. Compared to 2017, the amount allocated for construction and reconstruction per kilometre increased significantly (from EUR 47.7 thousand per kilometre in 2017 to EUR 84.8 thousand per kilometre in 2018) and the amount allocated for repair per kilometre increased from EUR 2.6 thousand to EUR 3.9 thousand, i.e. by 49.9%.

In 2018, 63 km of forest roads were constructed (reconstructed) and 1,254 km of forest roads were repaired in state-owned forests. In 2018, the Company repaired 717.5 km of forest roads in private and state-owned forests under the General Forestry Financing Program. A total of EUR 3.1 million of the General Forestry Financing Program funds was spent.

According to Sveaskog AB¹, the forestry co-ordinator in Sweden and Sweden's largest forest owner, the company reached positive net profit in 2018. Comparing 2017, the result was significantly better and net profit increased by 128.9%. This was determined by the sales revenue growth, accounting for 12.3%, and the positive change in forests value. The high performance also resulted in an increase by 22.2% in the dividend pay-out. Compared to the results of VĮ Valstybinių miškų urėdija operating in Lithuania, Sveaskog AB assigned dividends for 2018 accounted for 34.7% of the net profit, while VĮ Valstybinių miškų urėdija return to the State amounted to EUR 50.0 million, accounting for 102.2% of the Company's net profit. ROE of VĮ Valstybinių miškų urėdija reached 3.6% and was significantly lower compared to that of Sveaskog AB, which was 14.4%; yet it was noticed that the results of both companies increased. It was also reflected by the significant increase of net profit margin. Given that the Swedish company owns 3.1 million ha of productive forest land, which accounts for 14% of the total forest area in Sweden, the number of employees was 840 in 2018, while VĮ Valstybinių miškų urėdija that manages more than 50% of the total forest area in Lithuania, i.e. 1.1 million ha of forest area, had 2,824 employees as of the last day of the year. This is due to the fact that the Swedish company outsources most of its services.



Source: VĮ Valstybinių miškų urėdija and Sveaskog AB financial results of 2015–2018

¹ When comparing the performance of Swedish and Lithuanian forest enterprises, differences in the tax environment are not taken into account (for example, whether Swedish forest companies are subject to raw material and property taxes). Possible limitations of comparability:

-ROE due to potentially different accounting methods used to calculate and include the value of forests in the companies' balance sheets.

-Net profit due to incorporation of forest value. When a company recognises the value of forests in its balance sheet, changes in value are reflected in the profit (loss) account, whereas a company that does not have forests included in the balance sheet does not recognise those changes.

-Commercial forest areas due to a potentially varying definition of a commercial forest by companies.

VĮ Registry centras

www.registrucentras.lt



Maintenance of the Real Estate Cadastre, the Real Estate and other registers, development and maintenance of related information systems, property valuation, and issue of certificates

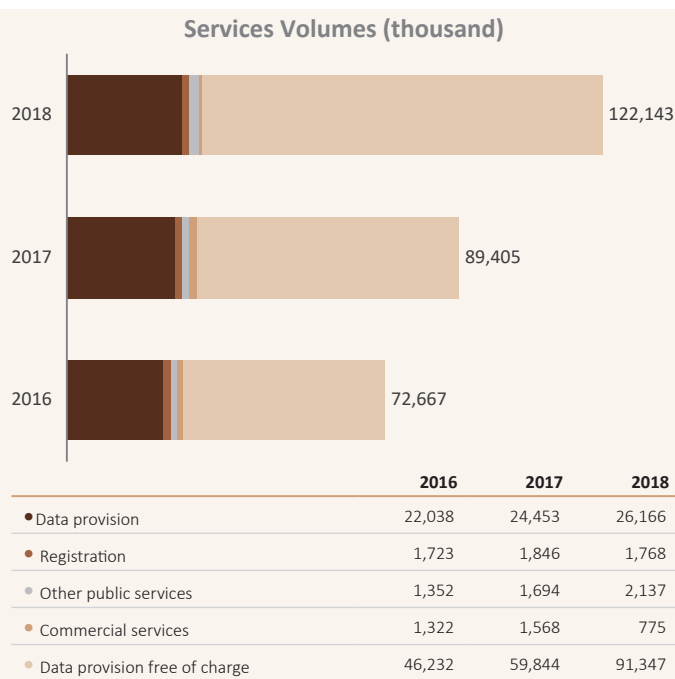
Special obligations: the Real Estate Register; the Register of Legal Entities; the Address Register; the Population Register; the Registers of Rights (the Mortgage Register of the Republic of Lithuania, the Register of Property Seizure Acts, the Register of Wills, the Register of Powers of Attorney, the Register of Contracts, the Register of Marriage Settlements, the Register of Legally Incapable Persons and Persons with Limited Legal Capacity); eHealth Services and Co-operation Infrastructure information system.

- **↑ Volumes of services rendered were up by 36.6% and amounted to 122.1 million units**
- **↑ Adjusted net profit rocketed by 114.3% and reached EUR 2,167.3 thousand**
- **↑ Return on equity went up to 11.1%**

Major events:

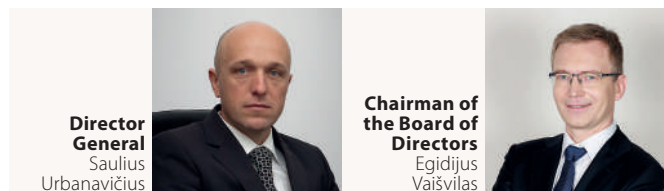
- **January** saw the implementation of the solution for the provision of electronic land cadastre data files via the GeoMatininkas subsystem of the Real Estate Register.
- **In June**, there were new interfaces developed for the Mortgage Register and the Register of Property Seizure Acts to link them with the Real Estate Register and the Road Vehicle Register, and amendments were implemented on the electronic auction system allowing any organisation, which had entered into a contract with Registry centras, to call an auction.
- **In September**, a decision was taken to cease the activities of the loss-making Litlex database.

During the reference period, the Company provided 32.7 million service units more to residents, businesses and the public sector than in 2017. The highest growth was recorded in the free data provision services with their volumes growing by 31.5 million units and equalling 91.3 million units because of the gratuitous data provision to public bodies. Due to considerable growth, the share of these services increased to 74.8% in the total structure. A significant part (21.4%) in the services structure was represented by the data provision services, which increased by 6.8% and totalled 26.1 million units.



Despite the rising volumes of the Company's activities, its sales revenue remained stable amounting to EUR 39.1 million. Since the primary objective of the Company is carrying out special obligations – rendering public services, the latter account for around 86-89% of the revenue, while the commercial services take around 11-14% share respectively. **During the reference period, the revenue from commercial activities were down by EUR 407.3 thousand or 8.6% and totalled EUR 4,333.4 thousand.** This squeeze was mostly affected by a EUR 454.4 thousand or 17.2% drop in the revenue from cadastral surveys on real estate objects, with this type of revenue representing 50.3% in the commercial revenue structure in 2018.

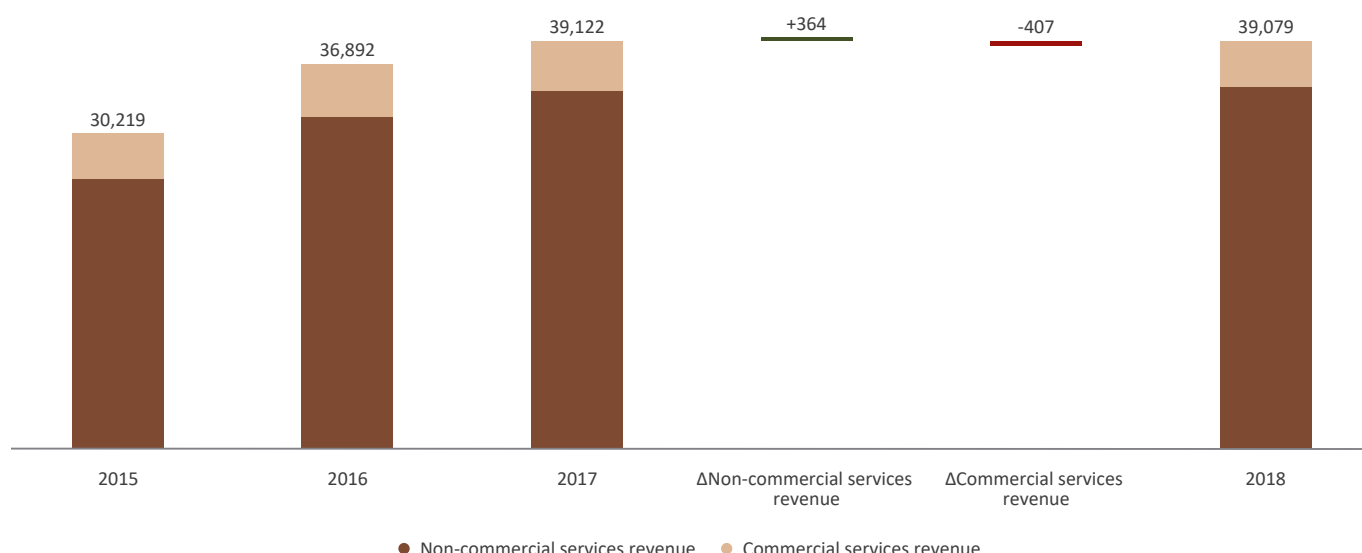
The revenue from the Real Estate Register, which represented 68.1% in the structure of the revenue from public services, took a EUR 111.6 thousand hit due to stagnation, which had been felt in the real estate market since the middle of the year. Nevertheless, the growth of revenue from non-commercial services was estimated at EUR 364.4 thousand. The growth was determined by the revenue from the information system 'E.sąskaita', which more than doubled, as well as a EUR 156.7 thousand rise in the revenue from the information system of the participants of legal persons and an 11.8% increase of the revenue from the Mortgage Register.



| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|---|---------------|----------------|
| Sales revenue | 39,122 | 39,079 | -0.1% |
| Cost of goods sold | 27,504 | 26,533 | -3.5% |
| Gross profit (loss) | 11,618 | 12,547 | +8.0% |
| Cost of sales | 1 | 0 | -100.0% |
| General and administrative expenses | 10,733 | 10,579 | -1.4% |
| Results of other activities | 68 | 342 | +401.2% |
| Net financial items | -27 | 23 | - |
| Profit (loss) before taxes | 926 | 2,333 | +151.9% |
| Corporation tax | 160 | 411 | +157.3% |
| Net profit (loss) | 766 | 1,922 | +150.8% |
| Adjusted net profit (loss) | 1,012 | 2,167 | +114.3% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 24,110 | 21,561 | -10.6% |
| Current assets | 5,528 | 8,723 | +57.8% |
| Cash and cash equivalents | 2,580 | 5,759 | +123.2% |
| Deferred charges and accrued income | 350 | 368 | +5.0% |
| Total assets | 29,989 | 30,652 | +2.2% |
| Equity | 19,084 | 19,892 | +4.2% |
| Grants and subsidies | 1,123 | 1,442 | +28.4% |
| Provisions | 2,977 | 3,363 | +13.0% |
| Amounts payable and other liabilities | 6,732 | 5,921 | -12.0% |
| Amounts payable after one year and other non-current liabilities | 941 | 367 | -61.0% |
| <i>Financial liabilities</i> | <i>846</i> | <i>319</i> | <i>-62.2%</i> |
| Amounts payable within one year and other current liabilities | 5,791 | 5,554 | -4.1% |
| <i>Financial liabilities</i> | <i>610</i> | <i>570</i> | <i>-6.6%</i> |
| Accrued expenses and deferred income | 74 | 34 | -54.1% |
| TOTAL equity and liabilities | 29,989 | 30,652 | +2.2% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 3.4% | 7.1% | +3.8 p. p. |
| ROE | 5.4% | 11.1% | +5.7 p. p. |
| D/E | 7.6% | 4.5% | -3.2 p. p. |
| EBITDA | 4,017 | 5,430 | +35.2% |
| EBITDA margin | 10.3% | 13.9% | +3.6 p. p. |
| Net profit margin | 2.6% | 5.5% | +3.0 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 1,111 | 1,462 | +31.6% |
| Property tax | 288 | 288 | 0.0% |
| Total contributions and non-standard taxes to the State | 1,399 | 1,750 | +25.1% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 1,611 | 1,645 | +2.1% |
| Number of executives | 5 | 4 | -20.0% |
| Average monthly salary of executives (gross, EUR) | 3,449 | 4,244 | +23.0% |
| INSTITUTION REPRESENTING THE STATE | Ministry of Transport and Communications of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Saulius Urbanavičius | | |
| Chairman of the Board of Directors | Egidijus Vaišvilas* | | |
| Members of the Board of Directors | Ingrida Miknevičienė Ina Bielskė* Darius Kuliešius Andrius Byčkovas* | | |

* Independent member

Sales Revenue (EUR '000)



The costs, which added up to EUR 37.1 million in 2018, were down by EUR 1.1 million against the costs incurred by the Company in 2017. The cost of goods sold accounted for EUR 26.5 million in the cost structure with the former taking a 3.5% hit; whereas the general and administrative expenses, which fell by 1.4%, equalled EUR 10,578.8 thousand. **The largest part of the Company's costs included payroll and social insurance costs, which accounted for more than 66% of the total costs sustained by the Company.** The costs incurred in relation to the gratuitous data provision amounted to EUR 6 million, while the amount reimbursed from the State budget totalled EUR 317 thousand.

Due to a significant drop in costs and the rising revenue from other activities as well as the positive result of the financing activities, the Company's net result was up by EUR 1,155.8 thousand with the adjusted net profit equalling EUR 2.2 million at the end of the reference period. The EBITDA growth reached 35.2% accordingly with the indicator equalling EUR 5.4 million. The return on equity rose from 5.4% in 2017 to 11.1% in 2018, whereas the growth of the net profit margin was 3 percentage points with the ratio standing at 5.5%. **Improving performance resulted in 25.1% growth of the return to the State, which is attributable a 31.6% rise in the assigned profit contribution for the performance achieved in 2018.** The property tax has not changed since 2017 standing at EUR 288.4 thousand.

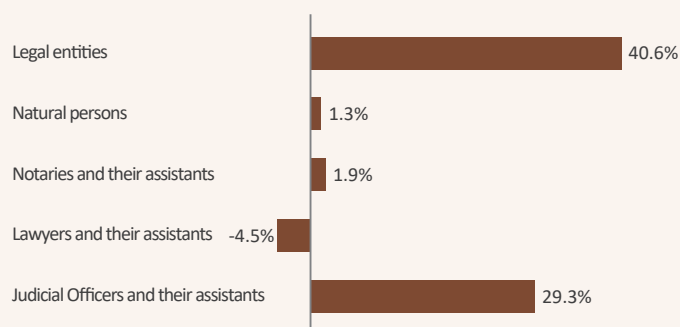
The Company allocated EUR 2.5 million for its investments during the reference period, while the investments had totalled EUR 2.9 million in 2017. Investments from own funds represented 50% of the total amount invested in 2018 and totalled EUR 1,250 thousand. The Company acquired EUR 972 thousand worth of assets using the European Union funds using EUR 940 thousand to upgrade the Population Register. Assets worth EUR 292 thousand were acquired from the State budget funds, of which EUR 109 thousand was used for the upgrades of the Information System of the Participants of Legal persons, and EUR 183 thousand was allocated for the acquisition of the data storage for the eHealth information system.

The Company's fixed assets, which totalled EUR 21.6 million at the end of the reference period, were down by 10.6%. However, the rise of current assets was measured at 57.8% due to a EUR 3,179.4 thousand increase of cash and cash equivalents, which accounted for 66.0% in the total current asset structure. **During the reference period, the return on assets was 7.1%, whereas the debt-to-equity ratio dropped from 7.6% to 4.5%** due to a 62.2% hit in non-current financial liabilities and a repaid financial debt.

Services Volumes by Services Users Groups (thousand)

| The title | 2017 | 2018 |
|--|---------------|----------------|
| Legal entities | 80,203 | 112,760 |
| Natural persons | 3,233 | 3,276 |
| Notaries and their assistants | 5,492 | 5,596 |
| Lawyers and their assistants | 313 | 299 |
| Judicial Officers and their assistants | 164 | 212 |
| Total: | 89,405 | 122,143 |

Change in the Number of Services Users in 2018



During the course of its business, the Company renders services to natural persons and legal entities. **In 2018, the most prominent growth was observed in the volumes of services rendered to legal entities as the growth rate was measured at 40.6%. Of all the services rendered to legal entities, the public sector services took an 82.8% share,** which represented 76.5% in the total service structure and equalled 93.4 million units of services. Growth was recorded in all segments of service recipients with the exception of advocates and their assistants, who had the number of services drop by 4.5% with the services amounting to 299 thousand units, as against 313 thousand units a year ago.

The number of employees saw a 2.1% rise at the Company during the reference period, whereas the number of executives dropped from 5 to 4 executives. **The average salary of executives increased by 23.0% and amounted to EUR 4,244.** This was affected by the fact that, when the Company had been granted a status of a state enterprise of strategic importance to the national security in 2018, its leader had a higher coefficient set for the fixed component of their monthly salary. The average salary saw a 2.6% rise. Despite that, the total salary pot was down from EUR 20.2 million to EUR 19.8 million.

Processing of the register data on road transport vehicles of the Republic of Lithuania and driver registry of road vehicles of the Republic of Lithuania, registration of motor vehicles and their trailers, examination of drivers, issuance of driving licenses

Special obligations: registration of road transport vehicles (RTV); issuance of driving licenses; processing of the register on road transport vehicles of the Republic of Lithuania; examination of persons seeking to acquire a right to drive road vehicles; processing of the driver registry of road vehicles of the Republic of Lithuania.

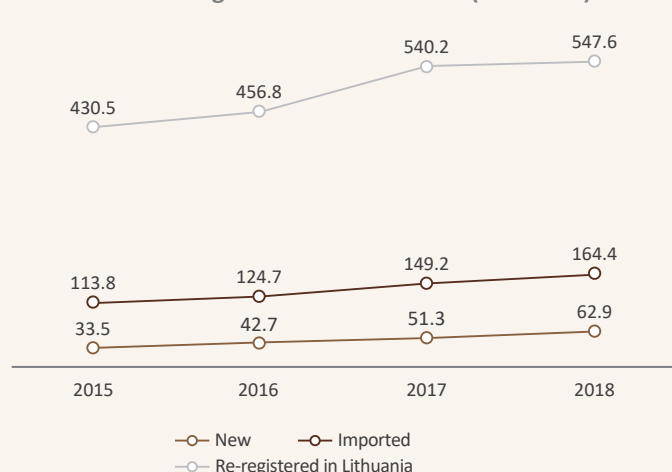
- **↑ Vehicle registration volume increased by 9.2%**
- **↑ The adjusted net profit growth was 36.7% and amounted to EUR 4,044.6 thousand**
- **↓ Assigned profit contribution decreased by 35.5% and amounted to EUR 3,071.4 thousand**

Major events:

- The reorganisation of the Company's branches was carried out in 2018 (instead of 10 branches, 6 remained). This facilitated the management of the Company and shortened the duration of decision-making.

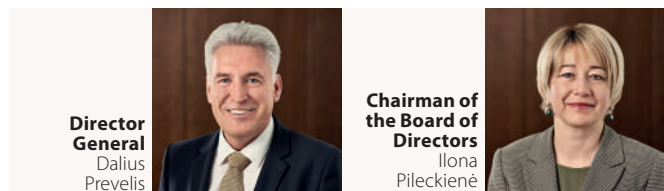
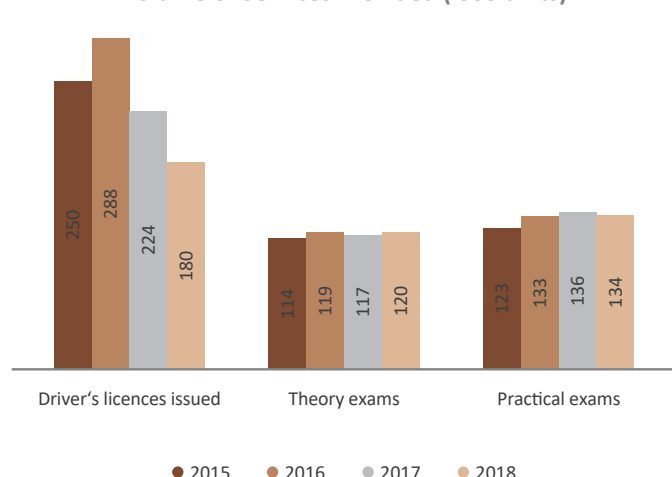
As part of its activities in 2018, the Company carried out 883.6 thousand transactions of customer vehicle registration, the volume of which increased by 9.2%, in comparison with 2017. The largest increase, by 10.2%, was in the volume of registration services of vehicles imported from abroad, which amounted to 164.4 thousand units.

Vehicle Registration Transactions (thousand)



The volume of new vehicle registration services increased by 22.6% and amounted to 62.9 thousand units, which was mainly caused by changes in the international market and an increase in vehicle re-exports amounting to about 27.5% of all registered new vehicles, based on the Company's data. The re-registration transactions of vehicles registered in Lithuania grew slightly (by 1.4%) and amounted to 547.6 thousand. A coherent annual growth of the number of vehicle registration and re-registration transactions was positively influenced by Lithuanian legal and tax base favourable to foreign citizens and businesses established by foreign nationals in Lithuania, allowing registration of vehicles in Lithuania with the possibility of operating them in foreign countries, including third countries outside the European Economic Community.

Volume of Services Provided ('000 units)



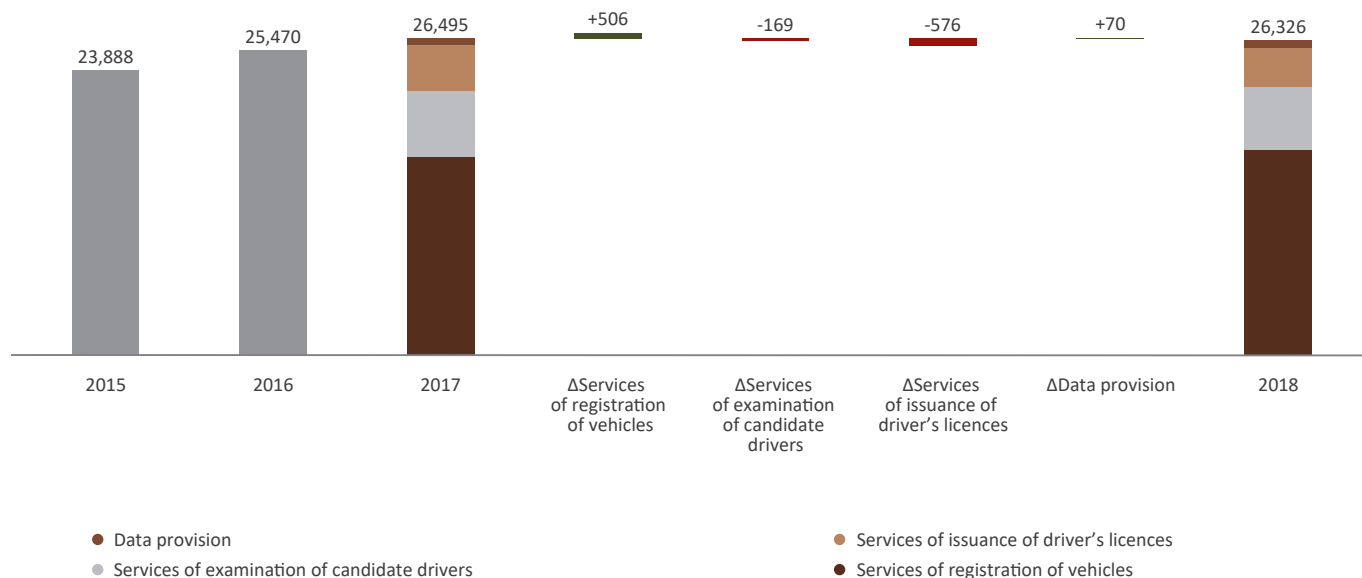
| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|---------------|---------------|
| Sales revenue | 26,495 | 26,326 | -0.6% |
| Cost of goods sold | 19,277 | 17,989 | -6.7% |
| Gross profit (loss) | 7,217 | 8,338 | +15.5% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 3,963 | 3,893 | -1.8% |
| Results of other activities | 87 | 101 | +16.2% |
| Net financial items | 6 | 66 | +977.3% |
| Profit (loss) before taxes | 3,347 | 4,612 | +37.8% |
| Corporation tax | 522 | 700 | +34.0% |
| Net profit (loss) | 2,825 | 3,912 | +38.5% |
| Adjusted net profit (loss) | 2,958 | 4,045 | +36.7% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 7,499 | 6,934 | -7.5% |
| Current assets | 15,122 | 15,541 | +2.8% |
| Cash and cash equivalents | 9,161 | 7,302 | -20.3% |
| Deferred charges and accrued income | 133 | 139 | +4.4% |
| TOTAL ASSETS | 22,754 | 22,614 | -0.6% |
| Equity | 22,095 | 21,335 | -3.4% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 150 | 104 | -30.2% |
| Amounts payable and other liabilities | 505 | 1,152 | 128.3% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 505 | 1,152 | +128.3% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 5 | 23 | +340.0% |
| Total equity and liabilities | 22,754 | 22,614 | -0.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 13.7% | 17.8% | +4.1 p. p. |
| ROE | 14.2% | 18.6% | +4.4 p. p. |
| D/E | 0.0% | 0.0% | 0.0 p. p. |
| EBITDA | 4,865 | 5,967 | +22.6% |
| EBITDA margin | 18.4% | 22.7% | +4.3 p. p. |
| Net profit margin | 11.2% | 15.4% | +4.2 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 4,761 | 3,071 | -35.5% |
| Property tax | 156 | 156 | 0.0% |
| Total contributions and non-standard taxes to the State | 4,917 | 3,227 | -34.4% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 566 | 555 | -1.9% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,830 | 3,119 | +10.2% |
| INSTITUTION REPRESENTING THE STATE | The Ministry of the Interior of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Dalius Prevelis | | |
| Chairman of the Board of Directors | Ilona Pileckienė | | |
| Members of the Board of Directors | Vainius Butinas Laimis Jančiūnas* Gintaras Nakutis* Vytautas Pliuskus* Povilas Ruškus Aurimas Tomas Staškevičius* Paulius Skardžius Kęstutis Širvaitis* Irina Urbonė | | |

*Independent member

During the reporting period, the volume of accepted theory exams also increased, which amounted to 119.6 thousand at the end of the year (2.0% more than in 2017), while the volume of practical exams on for the operation skills of motor vehicles decreased by 2.0% and amounted to 133.6 thousand exams. Since 2016, the number of issued driving licenses has been decreasing as well: in 2017, it decreased by 22.2%; in 2018, the number of issued driving licenses amounted to 180.3 thousand, which was 19.5% less, compared to 2017. This is due to the deadline set to 2017 for changing of old-version driving licenses to the new one, which resulted in 14.9% growth in 2016.

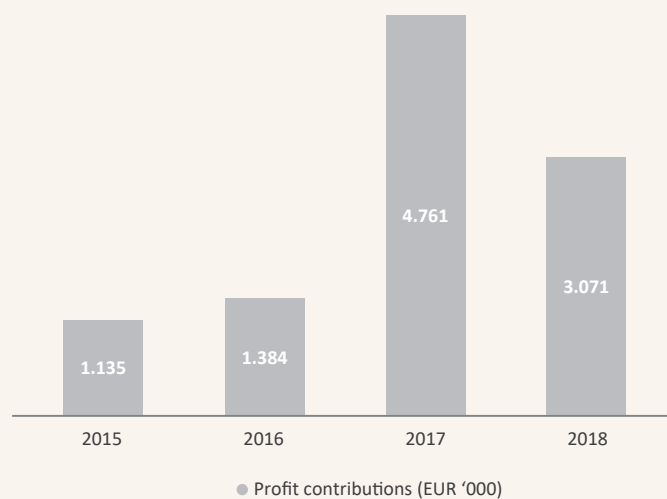
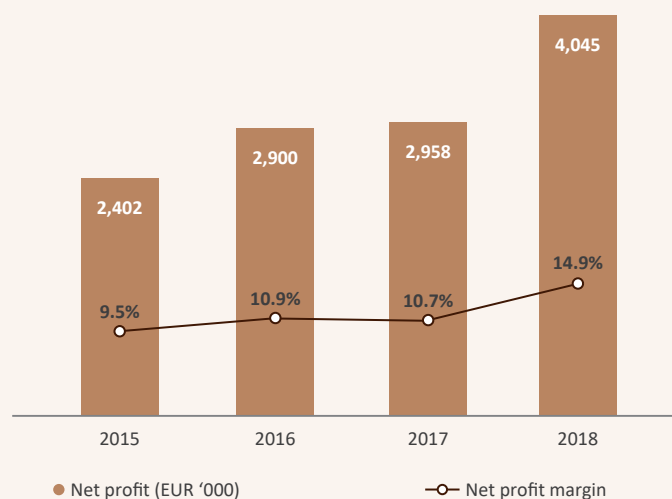
A positive trend has been observed in the provision of services, with an increasing volume of e-services rendered. In 2018, compared with 2017, the number of vehicles registered online increased by 39.7% and amounted to 13.1% of the total volume of e-services. Compared with 2017, the number of applications for a driving license submitted online increased by 65.2%; however, it merely amounted to 8.1% of the total volume of e-services. The number of customers applying online to obtain or change their driving license is directly linked to the availability of medical certificate data, a valid customer's facial image and a personal signature image from related information systems.

Sales Revenue (EUR '000)



During the reporting period, the change in the Company's sales revenue was not significant: it decreased by 0.6% from EUR 26,494.6 thousand to EUR 26,326.5 thousand. The decrease is related to lower revenue from driver examination services, which decreased by EUR 168.9 thousand, and lower revenue from issuance of driving licenses, which decreased by 14.9% or EUR 575.8 thousand. The decline in revenue is directly related to the decline in service volume. Cost of goods sold amounted to EUR 17,988.8 thousand and its decrease was more rapid (6.7%) due to the decrease in the purchase price of license plates by EUR 993.8 thousand.

The rapid decrease in the cost of goods sold resulted in the growth of net result by 36.7%, which amounted to EUR 4,044.6 thousand at the end of the reporting period, upon assessment of the property tax payable by the Company. The growth was also significantly influenced by other operating income, which increased by 16.2% or EUR 14.1 thousand due to compensation of damage to the Company's property from insurance companies. Increase in revenue from the financial activities by EUR 59.6 thousand due to the fine imposed for non-compliance with contract terms for suppliers and service providers also had a positive effect on the growth of net result.



Due to the above reasons, EBITDA of the Company increased by 22.6% and amounted to EUR 5,966.6 thousand in 2018. Financial return ratios increased accordingly: the growth of ROE was 4.4 p. p. and amounted to 18.6% while the growth of net profit was 4.2 p. p. and amounted to 15.4% at the end of the reporting period. Despite the improving net result, the assigned profit contribution for the results of the reporting period decreased by 35.5% and amounted to EUR 3,071.4 thousand. During the reporting period, the Company's equity decreased significantly - by

3.4%, having the accounting value of EUR 21,335.0 thousand at the end of 2018. The change in equity was determined by the growth in the Company's owner equity by EUR 89.3 thousand (on assets derived from trust), the growth of profit of the reporting year by EUR 1,065.4 thousand, the decrease in construction reserves by EUR 1,795.5 thousand, and the decrease in reserves for social purposes by EUR 140.8 thousand.

AB Smiltynės perkėla

www.keltas.lt


Passenger and vehicle transportation by ferries across the Curonian Lagoon to/from the Curonian Spit

- **↓ Company's net profit fell by 23.7%**
- **↑ EUR 330.0 thousand more was allocated for investments**
- **↑ Number of vehicles ferried in 2018 rose by 6.0%, while the growth of the number of passengers and cyclists ferried was 17.5%**

Major events: Major events:

- **On 27 July 2018**, a contract was signed for the lease and use of the land area and the adjacent embankment located near the Sea Museum.

By virtue of the law, the Company has been vested with carrying out free passenger and vehicle transfer by ferries via Klaipėda State Seaport funded by the Lithuanian Road Administration under the Ministry of Transport and Communications. According to the data for 2018, the free transfer concession was offered to 270.7 thousand vehicles, i.e. 2.1% less than in 2017.

During the course of its business in the reference period, the Company ferried 2,570 thousand passengers; this was 17.5% more than a year ago. The number of vehicles ferried also rose and totalled 723 thousand vehicles – 6% more than in 2017. The growing demand for the ferry services was determined by the hot summer season in 2018 and the increased interest of people in holidays across Neringa.

Although the rise of the number of passengers ferried was more substantial in the sales revenue structure, the revenue from vehicle ferries was the one representing a considerable part thereof. 85.6% of the total operating revenue included the revenue from vehicle ferries with the revenue from passenger ferries making up the remaining 14.4%. The operating revenue accounted for 95.4% of the total revenue structure. The increasing volume of operations and the prices higher by 4% on average caused **the Company to earn EUR 4,953.1 thousand in sales revenue in 2018, which was 2.4% up against 2017.**

Despite the growing sales revenue, the Company's net profit amounted to EUR 527.3 thousand, which compared with the net profit for 2017 (EUR 691.0 thousand), decreased by 23.7% or EUR 63.6 thousand. The decline was mostly affected by higher costs sustained by the Company, which saw a rise of EUR 296 thousand (7%) in 2018 compared with 2017. The cost growth was significantly influenced by the rise of cost of goods sold by 0.2% due to the rising fuel costs and greater fleet payroll and ferry maintenance expenses. The growth of the general and administrative expenses reached 10.0% because of higher staff, legal and other advisory service and employee health insurance costs. The cost of sales saw more modest growth of 3.3%.

At the end of 2018, the value of the Company's assets stood at EUR 9,677.0 thousand, which was an 11.3% rise over the year. The increase was mainly down to the rise of the value of current assets by 47.7% due to trade debtor's item in relation to the Smiltynė vessel sold and its hire with the item amounting to EUR 1,072.5 thousand at the end of the reference period. Because the depreciation costs were higher in 2018 than the investments in fixed assets, the value of the assets declined by 3.3% and totalled EUR 5,924.4 thousand. The Company's equity, which saw a EUR 4.4 thousand worth of increase because of the increased legal reserve, accounted for 73.1% of the total assets of the Company at the end of 2018.

In 2018, the Company allocated EUR 382 thousand for investment in fixed assets and building work in progress, which was funded using own funds. The infrastructure management works drew 64.1% of all investments, i.e. EUR 245.0 thousand. In 2017, the Company had allocated a significantly lower amount for investments equalling EUR 52.0 thousand.

At the end of the reference period, the Company's debt-to-equity ratio decreased by 0.7 percentage points to 12.3% due to the shrinking non-current financial liabilities.

The return on equity dropped by 2.5 percentage points down to 7.5%. The net profitability also slumped by 3.6 percentage points and amounted to 10.6%. The amount of dividends assigned for the performance in 2018 saw a 24.1% drop and accounted for EUR 393.1 thousand, compared with EUR 517.6 thousand assigned in 2017. The fall of all of the above indicators resulted from the shrinking net profit.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|---------------|
| Sales revenue | 4,836 | 4,953 | +2.4% |
| Cost of goods sold | 2,633 | 2,900 | +10.2% |
| Gross profit (loss) | 2,203 | 2,053 | -6.8% |
| Cost of sales | 447 | 462 | +3.3% |
| General and administrative expenses | 961 | 1,057 | +10.0% |
| Results of other activities | 43 | 101 | +136.4% |
| Net financial items | -21 | -9 | +56.3% |
| Profit (loss) before taxes | 818 | 627 | -23.4% |
| Corporation tax | 127 | 99 | -21.9% |
| Net profit (loss) | 691 | 527 | -23.7% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 6,127 | 5,924 | -3.3% |
| Current assets | 2,509 | 3,705 | +47.7% |
| Cash and cash equivalents | 2,290 | 2,436 | +6.4% |
| Deferred charges and accrued income | 56 | 48 | -14.3% |
| Total assets | 8,691 | 9,677 | +11.3% |
| Equity | 7,072 | 7,076 | +0.1% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 697 | 578 | -17.1% |
| Amounts payable and other liabilities | 922 | 873 | -5.3% |
| Amounts payable after one year and other non-current liabilities | 248 | 0 | -100.0% |
| <i>Financial liabilities</i> | 248 | 0 | -100.0% |
| Amounts payable within one year and other current liabilities | 674 | 873 | +29.6% |
| <i>Financial liabilities</i> | 674 | 873 | +29.6% |
| Accrued expenses and deferred income | 0 | 1,150 | - |
| Total equity and liabilities | 8,691 | 9,677 | +11.3% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 7.6% | 5.7% | -1.9 p. p. |
| ROE | 9.9% | 7.5% | -2.5 p. p. |
| D/E | 13.0% | 12.3% | -0.7 p. p. |
| EBITDA | 2,097 | 1,820 | -13.2% |
| EBITDA margin | 43.4% | 36.8% | -6.6 p. p. |
| Net profit margin | 14.3% | 10.6% | -3.6 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 518 | 393 | -24.1% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 78 | 84 | +7.7% |
| Number of executives | 3 | 3 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,901 | 2,906 | +0.2% |

SHAREHOLDERS

| | |
|----------------------|--------|
| State-owned interest | 98.99% |
| Other shareholders | 1.01% |

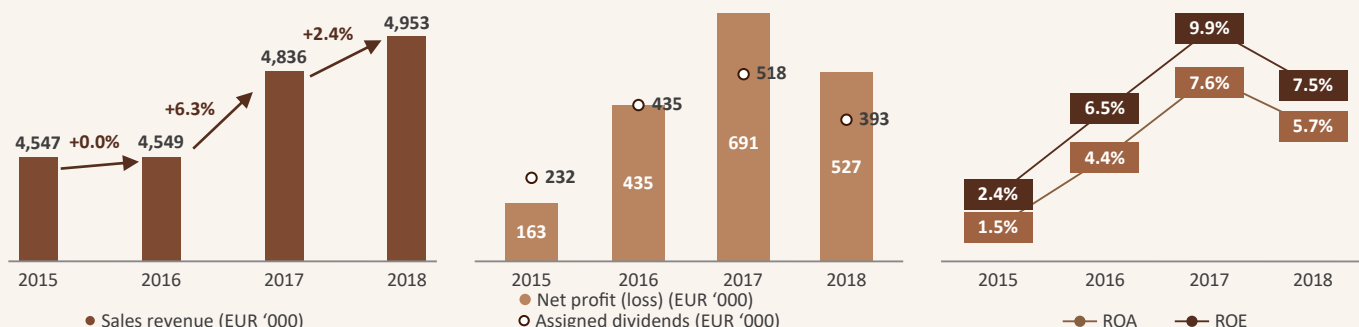
INSTITUTION REPRESENTING THE STATE

Ministry of Transport and Communications of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|---|
| Director General | Mindaugas Čiakas (Acting Director General) |
| Chairman of the Board of Directors | Valdemaras Vaičekas* |
| Members of the Board of Directors | Jovita Razgutė Kęstutis Motiejūnas* |

*Independent member



VĮ Vidaus vandens kelių direkcija

www.vvkd.lt



Marking and cleaning of inland waterway of state importance; regulation of the riverbed with hydrotechnical structures (embankments) to form a defined parameters waterway; execution of hydrographic works, mapping of the hydrographic network of the Republic of Lithuania; servicing and maintenance of inland waterway infrastructure; shipbuilding and repair

Special obligations performed: implementation of the program 'Enabling transportation by waterways'.

- **↑ Sales revenue increased by 12.1% in 2018**
- **↑ EBITDA grew and amounted to EUR 89 thousand**
- **↑ The loss of EUR 525 thousand was incurred**

Major events:

- The company has launched a new service - accommodation at a guard ship in the inland harbour of Uostadvaris.
- By the Resolution No 563 of the Government of the Republic of Lithuania of 13 June 2018, the Company's equity capital was increased by EUR 3,099 thousand.

The functions of the Company require the infrastructure (ports, marinas) operated by the Company, which is used for servicing and repairing technical vessels that maintain inland waterways. **The company currently manages 2 ports and 5 marinas on a trust basis.** Also, the Company has the only technical maintenance base for inland waterway vessels in Lithuania for repair and maintenance purposes, as well as a ship hoist (slip), which can be used to bring ships onshore.

In 2018, the length of waterways operated by the Company increased by 13.0% and reached 429.7 km, the number of repaired embankments increased from 14 in 2017 to 18 in 2018. **Shallow removal rates in 2018 were lower than in 2017** and did not reach the planned results due to extremely low water levels and consequently restricted work areas. In 2018, 285 thousand m³ of shallows were removed, which is 24.4% less than in 2017.

During the accounting period, the Company's sales revenue stood at EUR 248.2 thousand, which was 14.8% or EUR 32.2 thousand less than during the same period in 2017. **The revenue from commercial activities accounted for 93.1% or EUR 231 thousand of the Company's total revenue for the year and increased by 12.1% compared to 2017.** The majority of the remaining revenue consisted of non-standard operating funds, which included EUR 30 thousand from the sale of unused assets.

In 2018, EBITDA was EUR 89.1 thousand. This represents an increase of EUR 67 thousand compared to last year. This is also reflected in the 27.7 p. p. higher EBITDA margin, which stood at 38.6% at the end of the year.

The Company received EUR 1,987.0 thousand from the State budget financing for the implementation of the program in 2018. In 2017 the State financing was lower by 6.3% or EUR 119.0 thousand. These appropriations were recorded in the accounts as subsidies to compensate for expenses incurred and are not reflected in the profit (loss) statement.

In 2018, the cost of goods sold by the Company was EUR 756.7 thousand or 13.3% higher than in 2017, when the cost of goods sold amounted to EUR 668 thousand. The largest share of expenses was depreciation of non-current assets, which amounted to EUR 625.1 thousand and increased by EUR 21 thousand or 3.4% compared to the previous accounting period. There was also an increase in employee holiday reserve costs (EUR 35.4 thousand), which are not offset by the State budget funds, and wage costs (EUR 96.1 thousand) that were not compensated for lack of payroll financing.

During the reporting period, the Company's adjusted net loss decreased by 6.4% or EUR 36.1 thousand and amounted to EUR 524.7 thousand. Significant impact on the Company's losses was done by the depreciation of large non-current assets used for the implementation of the program (EUR 621 thousand), which was not financed from the State budget.

The better performance is reflected in the less negative financial results: ROE increased by 0.4 p. p. to -2.9%, while ROA reached to -1.9%. This was mainly due to the increased equity capital by the Governmental resolution.

During the accounting period, the number of employees decreased by 27.6% or 27 employees in the Company. This was mostly due to the changes in the Company's organisation structure, the issue of replacing aging workers and attracting new professionals.

During the reference period, the average monthly salary of executives increased by 45.0% and amounted to EUR 3,144. The increase was determined by the Order of the Minister for Transport and Communications raising the coefficient of the fixed part of a monthly salary of a new executive of the state enterprise important for ensuring national security of category I by 75%, resulting in the coefficient of 22.22.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|-------------|-------------|---------------|
| Sales revenue | 206 | 231 | +12.1% |
| Cost of goods sold | 668 | 757 | +13.3% |
| Gross profit (loss) | -462 | -526 | +13.9% |
| Cost of sales | 68 | 8 | -88.2% |
| General and administrative expenses | 56 | 20 | -64.3% |
| Results of other activities | 4 | 18 | +350.0% |
| Net financial items | 6 | -1 | - |
| Profit (loss) before taxes | -576 | -537 | -6.8% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | -576 | -537 | +6.8% |
| Adjusted net profit (loss) | -561 | -525 | +6.4% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|----------------|
| Non-current assets | 28,070 | 26,937 | -4.0% |
| Current assets | 76 | 188 | +146.3% |
| Cash and cash equivalents | 21 | 92 | +336.2% |
| Deferred charges and accrued income | 0 | 4 | - |
| Total assets | 28,146 | 27,129 | -3.6% |
| Equity | 17,115 | 19,610 | +14.6% |
| Grants and subsidies | 7,824 | 7,427 | -5.1% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 3,207 | 92 | -97.1% |
| Amounts payable after one year and other non-current liabilities | 22 | 0 | -100.0% |
| <i>Financial liabilities</i> | 22 | 0 | -100.0% |
| Amounts payable within one year and other current liabilities | 3,185 | 92 | -97.1% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 28,146 | 27,129 | -3.6% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | -2.0% | -1.9% | +0.1 p. p. |
| ROE | -3.3% | -2.9% | +0.4 p. p. |
| D/E | 0.1% | 0.0% | -0.1 p. p. |
| EBITDA | 22 | 89 | +297.8% |
| EBITDA margin | 10.9% | 38.6% | +27.7 p. p. |
| Net profit margin | -272.2% | -227.1% | +45.1 p. p. |

| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
|--|-----------|-----------|---------------|
| Assigned profit contributions | 0 | 0 | - |
| Property tax | 18 | 14 | -20.1% |
| Total contributions and non-standard taxes to the State | 18 | 14 | -20.1% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 98 | 71 | -27.6% |
| Number of executives | 2 | 1 | -50.0% |
| Average monthly salary of executives (gross, EUR) | 2,168 | 3,144 | +45.0% |

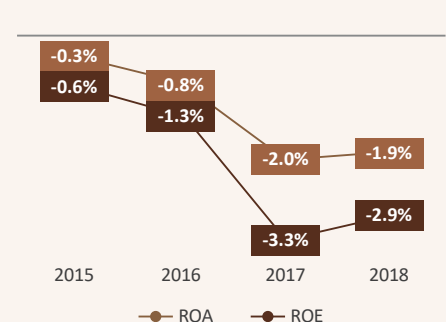
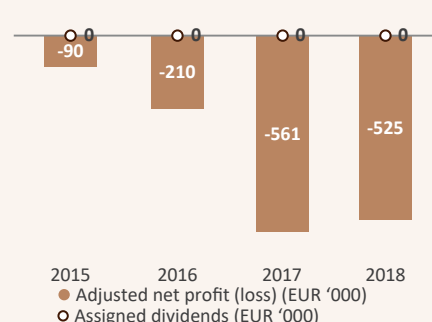
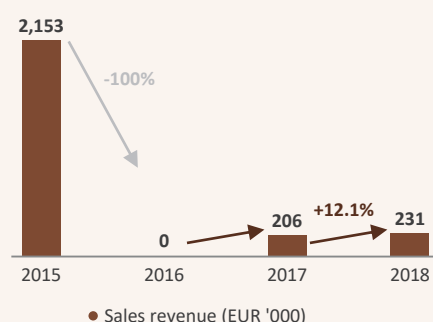
INSTITUTION REPRESENTING THE STATE

Ministry of Transport and Communications of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|---|
| Director General | Vladimiras Vinokurovas |
| Chairman of the Board of Directors | Evaldas Tamelis* |
| Members of the Board of Directors | Manfred Seitz* Indrė Bernotaitė Justinas Jarusevičius* Reinhard Vorderwinkler* |

*Independent member



UAB Projektų ekspertizė

www.proex.lt



Engineering and related technical consultancy, full and partial design review for new buildings to be built and for buildings to be repaired, and building examination

- ↑ Sales revenue grew by 11.3% and reached EUR 721.2 thousand
- ↓ Net profit shrank by 20.1% and was EUR 56.8 thousand
- ↓ Dividends assigned to the State slumped by 25.5% during the year

Major events:

Following Resolution No 758 of the Government of the Republic of Lithuania, on 14 November 2018, UAB Projektų ekspertizė took over of the assets, rights and obligations of UAB Valstybinė projektų ir sąmatų ekspertizė.

During the course of its business in 2018, the Company performed 410 building design reviews, which was 3.5% more than in 2017. 66.3% of all reviews included full technical design and technical working design reviews with the count of 194 and 78 reviews accordingly. A considerable proportion (14.9%) of the Company's activities consisted of partial working design reviews, with their number increasing by 70.0% over the year and totalling 61 at the end of the year.

During the reference period, the Company's sales revenue amounted to EUR 721.2 thousand, which was 11.3% more than a year ago when the business had been carried out by two separate companies: UAB Projektų ekspertizė ir UAB Valstybinė projektų ir sąmatų ekspertizė. The revenue growth estimated EUR 73.5 thousand was driven by a rise of the sales revenue of UAB Projektų ekspertizė by 22.9% or EUR 113.8 thousand despite a 27.4% or EUR 41.9 thousand drop in the sales revenue of UAB Valstybinė projektų ir sąmatų ekspertizė. The revenue growth was also affected by the winning bids in 2018 with contracts awarded by the Lithuanian Road Administration under the Ministry of Transport and Communications, valued at EUR 54.1 thousand, and AB Litgrid, valued at EUR 30.0 thousand. The Company also participated in the tenders held by the central purchasing body, where it was awarded the services for the reviews of apartment block renovation (modernisation) across many Lithuanian cities for EUR 29.7 thousand.

Over the reference period, the Company's costs rose by 15.3% or EUR 86.9 thousand and stood at EUR 656.1 thousand at the end of the year. The growth was down to a 27.0% rise in the cost of goods sold, which experienced a significant increase (by 39.6% equivalent to EUR 66.7 thousand) in expert and production staff wages, including holiday pay accruals. A 3% or EUR 8.3 thousand rise in the general and administrative expenses, which stood at EUR 285.1 thousand, also had an impact.

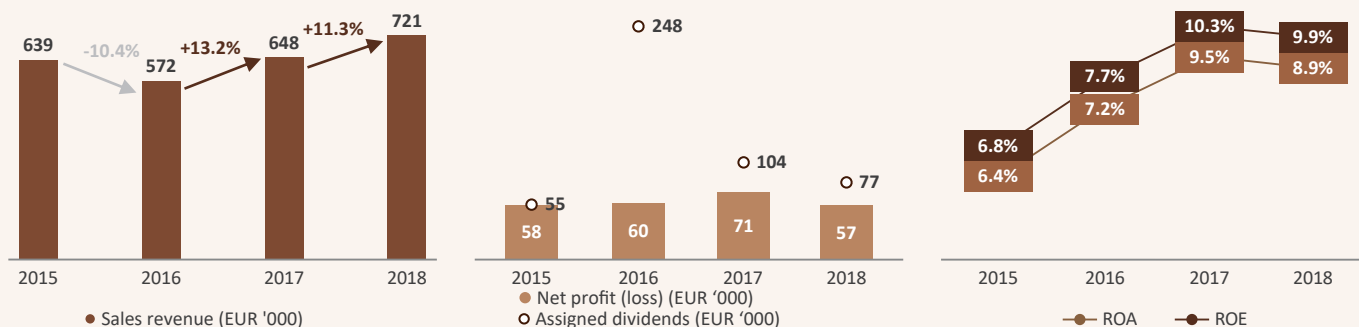
Faster growing costs of the Company resulted in a net profit squeeze of 20.1% or EUR 14.3 thousand with the net profit equalling EUR 56.8 thousand in 2018. The Company's EBITDA indicator saw a respective drop amounting to EUR 79.2 thousand, while the EBITDA had reached EUR 93.9 thousand in 2017.

During the reference period, the Company's equity took a 9.9% hit equivalent to EUR 59.8 thousand and stood at EUR 542.1 thousand at the end of the year. This was mostly affected by a squeeze of retained earnings estimated at 36.5% or EUR 61 thousand. After UAB Projektų ir sąmatų ekspertizė was merged into UAB Projektų ekspertizė, the number of the Company's shares rose by 1,817 shares and totalled 9,975 ordinary shares with the aggregate value EUR 288.9 thousand. The ROE and ROA fell to 9.9% and 8.9% respectively.

Worse performance affected the Company's dividends assigned to the State. For the performance in 2018, EUR 77.2 thousand were assigned in dividends, while back in 2017 the two companies operating alongside each other had assigned 25.5% more, i.e. EUR 103.5 thousand.

| PROFIT (LOSS) STATEMENT (EUR '000) | | 2017* | 2018 | CHANGE |
|--|--|--------------|----------------------|---------------|
| Sales revenue | | 648 | 721 | +11.3% |
| Cost of goods sold | | 292 | 371 | +27.0% |
| Gross profit (loss) | | 204 | 350 | -1.5% |
| Cost of sales | | 0 | 0 | - |
| General and administrative expenses | | 277 | 285 | +3.0% |
| Results of other activities | | 5 | 4 | -20.0% |
| Net financial items | | 1 | 1 | +100.0% |
| Profit (loss) before taxes | | 84 | 70 | -16.7% |
| Corporation tax | | 13 | 13 | +2.4% |
| Net profit (loss) | | 71 | 57 | -20.1% |
| BALANCE SHEET (EUR '000) | | 31 DEC 2017* | 31 DEC 2018 | CHANGE |
| Non-current assets | | 417 | 311 | -25.6% |
| Current assets | | 250 | 284 | +13.9% |
| Cash and cash equivalents | | 165 | 220 | +34.0% |
| Deferred charges and accrued income | | 6 | 2 | -67.2% |
| Total assets | | 673 | 597 | -11.3% |
| Equity | | 602 | 542 | -9.9% |
| Grants and subsidies | | 0 | 0 | - |
| Provisions | | 0 | 0 | - |
| Amounts payable and other liabilities | | 71 | 55 | -23.0% |
| Amounts payable after one year and other non-current liabilities | | 0 | 0 | - |
| <i>Financial liabilities</i> | | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | | 71 | 55 | -23.0% |
| <i>Financial liabilities</i> | | 0 | 0 | - |
| Accrued expenses and deferred income | | 0 | 0 | - |
| Total equity and liabilities | | 673 | 597 | -11.3% |
| RATIOS | | 31 DEC 2017* | 31 DEC 2018 | CHANGE |
| ROA | | 9.5% | 8.9% | -0.5 p. p. |
| ROE | | 10.3% | 9.9% | -0.4 p. p. |
| D/E | | 0.0% | 0.0% | - |
| EBITDA | | 94 | 79 | -15.7% |
| EBITDA margin | | 14.5% | 11.0% | -3.5 p. p. |
| Net profit margin | | 11.0% | 7.9% | -3.1 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | | 2017* | 2018 | CHANGE |
| Assigned dividends (share of the State) | | 104 | 77 | -25.5% |
| INFORMATION ABOUT EMPLOYEES | | 2017* | 2018 | CHANGE |
| Number of employees | | 23 | 22 | -4.3% |
| Number of executives | | 3 | 3 | 0.0% |
| Average monthly salary of executives (gross, EUR) | | 2,233 | 2,433 | +8.9% |
| SHAREHOLDERS | | | | |
| State-owned interest | | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | | |
| Ministry of Environment of the Republic of Lithuania | | | | |
| MANAGEMENT (1 JUL 2019) | | | | |
| Director General | | | Arvydas Kuralavičius | |

*The table presents the aggregated data of the reorganised companies: UAB Projektų ekspertizė ir UAB Valstybinė projektų ir sąmatų ekspertizė, for 2017.



VĮ Statybos produkcijos sertifikavimo centras

www.spssc.lt



Certification and technical assessment of construction products, certification of a sound class in buildings, small wastewater treatment plant testing, construction engineering and legal training, and development of building energy performance programmes

Special undertakings: certification of managers in main areas of technical construction activities, legal recognition and maintenance of the register; certification of construction contractors and contractors of building and design expert examination; legal recognition and maintenance of the register; certification of energy certification experts and maintenance of the register.

- **↑ Sales revenue grew by 17.4% and reached EUR 1,249.7 thousand**
- **↓ Operating costs dropped by 2.3%**
- **↑ Adjusted net profit rose to EUR 288.9 thousand**

During the course of its business in the reference period, the Company issued 213 certificates of conformity for the internal production control of construction products, of which 92 were issued in accordance with the harmonised European technical specifications. 66% of the certificates were issued to Lithuanian customers. Comparing with 2017, there were 21.1% less or 57 fewer certificates issued. In addition, the year saw 6 application recorded for the National technical assessments to be prepared, 15 wastewater treatment plant tests done, 32,677 building and standard apartment energy performance certificates registered, and 3,202 qualification certificates of the Managers in the Main Areas of Technical Construction Activities issued to applicants (231% more than in 2017). Up to 80% of the Company's services are rendered to Lithuanian customers with the remainder going mostly to Belarusian, Polish and Russian customers.

The operating revenue from the Company's ordinary and extraordinary activities totalled EUR 1,249.7 thousand in 2018. **Compared with 2017, the revenue from public administration services skyrocketed, i.e. by 49.1% or EUR 197.5 thousand. So, despite a 1.8% drop in the commercial operating revenue, the sales revenue saw a 17.4% rise.** The public administration services represented 48% of the total sales revenue, which was earned from the certification of construction engineers and planning managers (EUR 330.7 thousand), certification of building EPC professionals and register maintenance (EUR 162.9 thousand), and certification of construction contractors (EUR 106.1 thousand). Nonetheless, the largest part in the revenue structure was attributable to the revenue earned from product certification and identification of building sound class, which accounted for 35.9% or EUR 448.3 thousand of the total sales revenue and fell under the category of commercial services.

Despite the rising volume of jobs, the Company's costs took a 2.1% hit and equalled EUR 916.4 thousand at the end of the year. The fall of the general and administrative expenses represented 14.7% amounting to EUR 271.7 thousand at the end of the reference period. A 4.1% rise in the cost of goods sold did not have a significant effect on the total cost structure.

There was an increase in the adjusted net profit by 1.5 times, equalling EUR 288.9 thousand, recorded. Such a change was mainly determined by a EUR 197.5 thousand rise in the revenue from public administration services, which did not incur substantial costs to be earned. As a result, during the year, the Company's EBITDA indicator grew by 1.3 times and stood at EUR 356.6 thousand at the end of 2018, while the net profitability rose by 12.4 percentage points and was 23.1%.

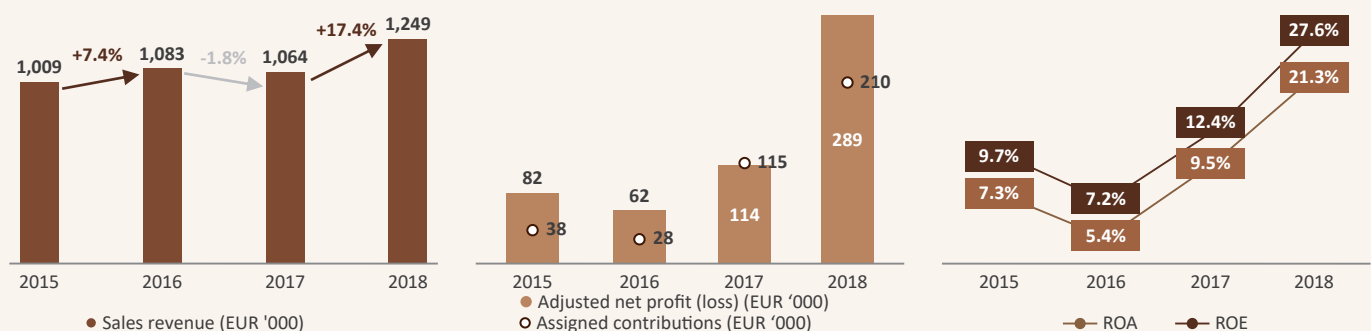
The reporting period also saw a significant rise in the Company's ratios of financial return. **The return on equity, which reached 27.6%, grew by 15.3 percentage points, while the return on assets, having grown by 11.9 percentage points, totalled 21.3% at the end of the year.**

The increased profit of the Company had a positive impact on the return to the State too. The Company's profit contribution assigned to the State budget for the performance in 2018 went up by 82.2% and reached EUR 210.3 thousand, while back in 2017 the contribution had equalled EUR 115.4 thousand. The tax paid for the use of entrusted state property increased by EUR 1.5 thousand during the year.

The boost in the Company's equity by 17.3% or EUR 166.4 thousand was mostly determined by EUR 186.6 thousand increase in the Company's retained earnings, which amounted to EUR 326.1 thousand at the end of the year.

During the reference year, the (gross) average monthly salary of executives saw a 15.0% rise and was EUR 3,241 euro, while it had been EUR 2,818 in 2017. The rise was mostly affected by the variable salary component, which increased by 10 percentage points amounting to 45.0% and a EUR 2,000 bonus paid in 2018 for the performance in 2017.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|--------------|----------------|
| Sales revenue | 1,064 | 1,250 | +17.4% |
| Cost of goods sold | 619 | 645 | +4.1% |
| Gross profit (loss) | 445 | 605 | +36.0% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 318 | 272 | -14.7% |
| Results of other activities | 4 | 2 | -33.4% |
| Net financial items | 1 | 1 | -46.2% |
| Profit (loss) before taxes | 131 | 336 | +156.9% |
| Corporation tax | 23 | 54 | +138.4% |
| Net profit (loss) | 108 | 282 | +160.8% |
| Adjusted net profit (loss) | 114 | 289 | +153.6% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 216 | 243 | +12.5% |
| Current assets | 1,031 | 1,186 | +15.1% |
| Cash and cash equivalents | 725 | 870 | +20.0% |
| Deferred charges and accrued income | 15 | 16 | +9.7% |
| Total assets | 1,262 | 1,446 | +14.6% |
| Equity | 962 | 1,128 | +17.3% |
| Grants and subsidies | 76 | 70 | -8.2% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 222 | 246 | +10.8% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 222 | 246 | +10.8% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 2 | 1 | -11.8% |
| Total equity and liabilities | 1,262 | 1,446 | +14.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 9.5% | 21.3% | +11.9 p. p. |
| ROE | 12.4% | 27.6% | +15.3 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 157 | 357 | +127.0% |
| EBITDA margin | 14.8% | 28.5% | +13.8 p. p. |
| Net profit margin | 10.7% | 23.1% | +12.4 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 115 | 210 | +82.2% |
| Property tax | 7 | 9 | +21.7% |
| Total contributions and non-standard taxes to the State | 122 | 219 | +78.7% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 29 | 29 | 0.0% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,818 | 3,241 | +15.0% |
| INSTITUTION REPRESENTING THE STATE | Ministry of Environment of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Valdemaras Gauronskis | | |



UAB Būsto paskolų draudimas

www.bpd.lt



Mortgage insurance of apartment blocks and residential houses, and management of insured mortgages for the modernisation of apartment blocks

- Sales revenue fell by 13.7% and equalled EUR 620.7 thousand
- Net profit fell by 3.5% to EUR 57.7 thousand
- Liabilities dropped by 16.9%

Major events:

- During the reference period, the Company repaid a part – EUR 1.3 million – of the on-lent loan to the State.

In times of difficulty, the Company offered assistance to individuals, who had their mortgage insured with the Company, and helped them comply with their mortgage commitments to the banks. Thereby the Company helped 2 thousand families retain housing and provided assistance in retaining their housing to over 3 thousand families. **Since 28 January 2016, the Company's licence for its main insurance business has been revoked. Following the revocation, the Company is no longer entitled to enter into new insurance contracts; however, it continues to fulfil its obligations under the previously concluded insurance contracts.** The Company has been placed under the duty to assign its rights and obligations under its insurance contracts to other economic entities authorised to undertake relevant activities, by 31 January 2021.

The Company's sales revenue totalled EUR 620.7 thousand and took a 13.7% hit against the results for 2017. The decline was significantly affected by the revenue from signed premiums, which amounted to 87.4% of the sales revenue or EUR 542.6 thousand and, in comparison with the performance for 2017, decreased by 15.9%.

Despite the significant drop in the cost of goods sold by 48.2% and an 8.5% squeeze in the general and administrative expenses, the Company's net profit fell by 3.5% and added up to EUR 57.7 thousand. The decline was determined not only by a squeeze in the sales revenue but also 30.1% worse performance of the financing and investing activities because of a significant drop in the revenue from other long-term investments and loans.

The EBITDA changed accordingly being negative EUR -377.2 thousand in 2018 against EUR -571.1 thousand in 2017. The return on equity amounted to 1.6% and return on assets amounted to 0.3%.

At the end of 2018, the Company's assets totalled EUR 16,140.8 thousand. If compared with 2017, a drop of 14.0% or EUR 2,627.8 thousand was recorded. This was mostly affected by a decline of receivables related to the intended recourse as well as the annual revaluation of investment real estate.

At the end of 2018, the Company's investments in fixed assets added up to EUR 1.9 million, of which EUR 1.4 million was invested in real estate that had been auctioned off. The remaining investment worth EUR 0.5 million was intended for the administrative premises used for the insurance company's purposes.

In 2018, the Company's liabilities diminished by 16.9% against the previous year. These changes were caused by the EUR 1.3 million worth of loan repaid to the State and a decline of insurance-related liabilities. The on-balance-sheet changes were determined by the loan repayment deadline, i.e. 2019, which caused the Company's non-current liabilities to the Ministry of Finance (with 2.27-3.19% annual interest) to be reclassified into current ones that represented 91.4% in the current liabilities' structure. All of the Company's non-current liabilities relate to its insurance activities, i.e. its liabilities towards policyholders. The above changes led to the reduction of the Company's financial dependency (D/E) ratio down to 174.4%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 719 | 621 | -13.7% |
| Cost of goods sold | 480 | 249 | -48.2% |
| Gross profit (loss) | 239 | 372 | +55.6% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 842 | 771 | -8.5% |
| Results of other activities | 18 | 9 | -52.8% |
| Net financial items | 645 | 451 | -30.1% |
| Profit (loss) before taxes | 60 | 61 | +1.2% |
| Corporation tax | 0 | 3 | - |
| Net profit (loss) | 60 | 58 | -3.5% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|----------------|
| Non-current assets | 17,782 | 14,337 | -19.4% |
| Current assets | 985 | 1,800 | +82.7% |
| Cash and cash equivalents | 732 | 1,709 | +133.6% |
| Deferred charges and accrued income | 2 | 5 | +200.0% |
| Total assets | 18,769 | 16,141 | -14.0% |
| Equity | 3,597 | 3,654 | +1.6% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 3,566 | 2,836 | -20.5% |
| Amounts payable and other liabilities | 11,593 | 9,638 | -16.9% |
| Amounts payable after one year and other non-current liabilities | 9,556 | 2,666 | -72.1% |
| <i>Financial liabilities</i> | 6,372 | 0 | -100.0% |
| Amounts payable within one year and other current liabilities | 2,037 | 6,973 | +242.3% |
| <i>Financial liabilities</i> | 1,317 | 6,372 | +383.8% |
| Accrued expenses and deferred income | 13 | 12 | -7.8% |
| Total equity and liabilities | 18,769 | 16,141 | -14.0% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | 0.3% | 0.3% | 0.0 p. p. |
| ROE | 1.7% | 1.6% | -0.1 p. p. |
| D/E | 213.8% | 174.4% | -39.4 p. p. |
| EBITDA | -571 | -377 | +34.0% |
| EBITDA margin | -79.4% | -60.8% | +18.7 p. p. |
| Net profit margin | 8.3% | 9.3% | +1.0 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 0 | 0 | - |

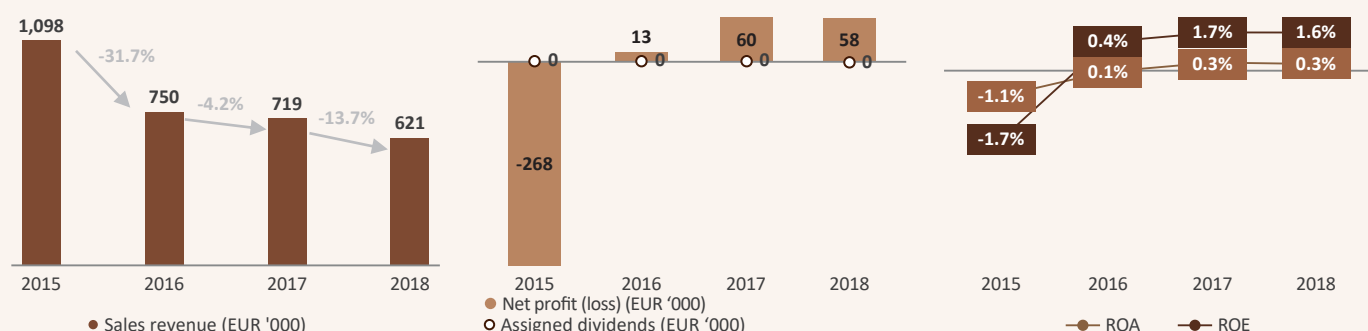
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 27 | 25 | -7.4% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,796 | 1,799 | +0.2% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|--|--|
| Ministry of Finance of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|---|
| Director | Marijus Jūris Mikalauskas |
| Chairman of the Board of Directors | Sigitas Žutautas* |
| Members of the Board of Directors | Žaneta Kovaliova* Darius Indriūnas* Sigitas Mitkus Aušra Vičkačkienė |

*Independent member



VĮ Indėlių ir investicijų draudimas

www.iidraudimas.lt



Insures deposits of depositors and liabilities towards investors in accordance with the procedure established by the laws and other legislation, manages the Deposit Insurance Fund, the Liabilities to Investors Insurance Fund and the Resolution Fund, as well as carries out other duties established by the laws

Special obligations: managing the Deposit Insurance Fund; managing the Liabilities to Investors Insurance Fund; managing the Resolution Fund.

- **↑ Fund pool held by the funds managed by the Company increased by 12.6% and amounted to EUR 65.0 million**
- **↑ The Company's adjusted net profit grew by 4.2% and equalled EUR 49.9 thousand**
- **↑ EBITDA rose by 15.6%**

Major events:

- In August 2018, the Company had an Application Management System introduced. It lets natural and legal persons submit their applications and information necessary for the insurance payment to be made electronically to the Company.
- Year 2018 saw 2 insured events take place: Credit Union Centro taupomoji kasa went bankrupt on 16 January followed by Credit Union Taupkasė on 13 February. The depositors of these credit institutions were paid EUR 29.2 million worth of insurance payments in total.
- Following the CJEU judgment, the case-law of the Supreme Court of Lithuania concerning the future bonds and shares of bankrupt AB bank Snoras, and the interpretations provided by the European Law Department under the Ministry of Justice of the Republic of Lithuania, on 29 August 2018, the Company started making insurance payments to all holders of future shares and bonds of bankrupt AB bank Snoras, who received almost EUR 7.4 million worth of such payments by the end of 2018.

In 2018, the assets of the funds managed by the Company totalled EUR 202.1 million, compared with EUR 239.3 million worth of assets held by these funds in 2017. The shrinking assets of the funds were caused by EUR 36.8 million worth of insurance payments made from the Deposit Insurance Fund in 2018 and the adjusted creditor's claim (EUR 27.5 million), i.e. adjustment of receivables from the bankruptcy proceedings of managed credit institutions.

The funds managed by the Company received a total sum of EUR 44.6 million in earnings over the reference period, while the earnings had totalled EUR 70.5 million a year ago. The drop was down to 43.5% lower insurance premiums due to the reduced deposit insurance premium rates and 33.7% lower revenue from managed events. The insurance payments totalled EUR 36.8 million or 1.2% less than in 2017. Nevertheless, the Company exceeded the indicators provided in its strategic plan by 2.2% in terms of the total revenue. **In addition, the funds pooled by the funds managed by the Company were up by 12.6% or EUR 7.3 million with the pool equalling to EUR 65 million at the end of the year.**

During the reference period, the Company's revenue from fund management made up EUR 675.5 thousand, which was a 37.3% or EUR 183.5 thousand rise against 2017, and they represented 93.6% in the total revenue structure. This followed from the rising fund management fees, which were equal to the fund management costs. The greatest part of the costs, i.e. 75.9% or EUR 513.2 thousand, represented the Company's personnel costs, which grew by EUR 139.7 thousand against 2017. The revenue from other activities included a car sold by the Company for EUR 6.5 thousand. And the result from financing activities was attributable to the interest received for investments in securities. The result declined, due to the falling yields of government securities, by 10.6% or EUR 4.6 thousand with the item equalling to EUR 38.8 thousand at the end of the year.

Despite the situation in the financial markets where yields of low-risk financial instruments were close to zero, the Company generated revenue from inventing its equity. This helped ensure the growth of profitability against 2017. **In 2018, the adjusted net profit amounted to EUR 49.9 thousand and was approximately 4.2% higher than in 2017.**

Pursuant to Article 43 of the Law, all of the Company's recognised profit for 2017 – EUR 43.4 thousand – was included in the legal reserve. The profit recognised for 2018 – EUR 45.4 thousand – also went to the legal reserve.

In 2018, the value of the Company's equity totalled EUR 15,924 thousand, which represented a EUR 45.3 thousand or 0.3% increase since the beginning of the year. Most of the Company's equity (56.5%) consisted of the owner's capital, which stood at EUR 8,995.4 thousand. The remaining part consisted of the legal reserve (43.2%), which was up by EUR 43.3 thousand over the year and made up EUR 6,883.2 thousand, and the retained earnings reaching EUR 45.4 thousand, i.e. 0.3% of the total equity.

The Company's financial ratios experienced slight changes in 2018 with the return on assets and the return on equity remaining unchanged and both standing at 0.3%. **The Company's EBITDA indicator rose by 15.6% and reached EUR 32.6 thousand at the end of the year.** The EBITDA margin saw a minor drop by 0.9 percentage points and the net profit margin was down by 2.3 percentage points. This was affected the growth of sales revenue, which was higher than the profit rise.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 492 | 675 | +37.3% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 492 | 675 | +37.3% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 492 | 675 | +37.3% |
| Results of other activities | 0 | 7 | - |
| Net financial items | 43 | 39 | -10.4% |
| Profit (loss) before taxes | 43 | 45 | +4.6% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | 43 | 45 | +4.6% |
| Adjusted net profit (loss) | 48 | 50 | +4.2% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|----------------|
| Non-current assets | 2,488 | 7,227 | +190.4% |
| Current assets | 13,428 | 8,758 | -34.8% |
| Cash and cash equivalents | 12,433 | 8,139 | -34.5% |
| Deferred charges and accrued income | 4 | 3 | -27.9% |
| Total assets | 15,920 | 15,987 | +0.4% |
| Equity | 15,879 | 15,924 | +0.3% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 42 | 63 | +51.8% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 42 | 63 | +51.8% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 15,920 | 15,987 | +0.4% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 0.3% | 0.3% | 0.0 p. p. |
| ROE | 0.3% | 0.3% | 0.0 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 28 | 33 | +15.6% |
| EBITDA margin | 5.7% | 4.8% | -0.9 p. p. |
| Net profit margin | 9.7% | 7.4% | -2.3 p. p. |

| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------|----------|-------------|
| Assigned profit contributions | 0 | 0 | - |
| Property tax | 5 | 5 | 0.0% |
| Total contributions and non-standard taxes to the State | 5 | 5 | 0.0% |

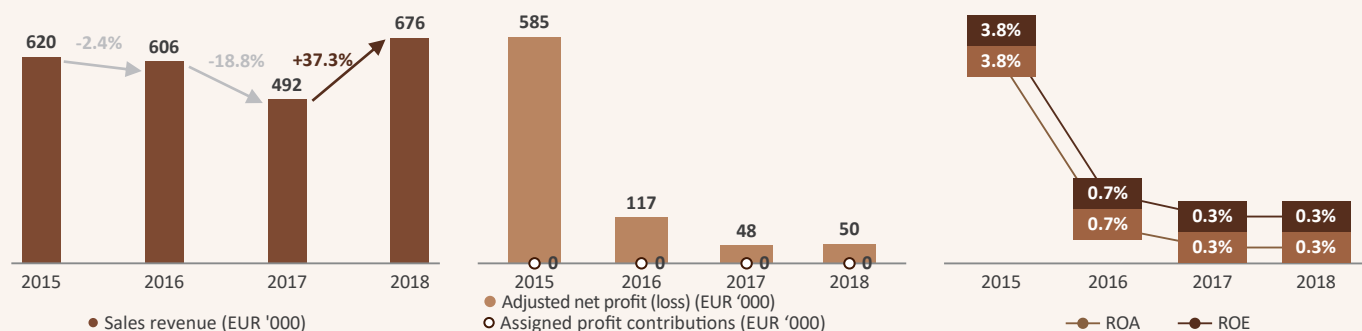
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 21 | 22 | +4.8% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 3,682 | 3,908 | +6.1% |

INSTITUTION REPRESENTING THE STATE

Ministry of Finance of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

Director General Aurelija Mažintienė



VĮ Lietuvos prabavimo rūmai

www.lpr.lrv.lt



Precious metal assaying, control analysis, hallmarking, striking marks, expert examination, identification of characteristics, issuing quality certificates, and other activities

Special obligations: public supervision of precious metals and gems, including: (1) hallmarking of precious metals, gems, their products and semi-finished products, waste and scrap; (2) supervision of compliance of economic operators' activities related to precious metals and gems with the requirements set forth by the Law on State Supervision of Precious Metals and Gemstones of the Republic of Lithuania.

- **↑ Sales revenue grew by 2.5% and reached EUR 593.6 thousand**
- **↓ Adjusted net profit fell by 23%**
- **↓ Return to the State slumped by 74.7% and was EUR 246 thousand**

During the course of its business in the reference period, the Company struck 0.98 million marks on precious metal products weighing 1.93 tonnes in total. **2018 saw 769.8 thousand gold, silver, platinum and palladium products assayed** comparing with 758.8 thousand verified in 2017. In addition, the Company's Gem Testing Laboratory carried out 35.7 thousand expert examinations on products with gemstones during the reporting year, i.e. 2.2 thousand sessions more than last year.

In 2018, the revenue from operating activities **reached EUR 593.6 thousand and was EUR 14.3 thousand or 2.5% higher than during the last reporting year**. This was mainly down to the increased volume of jobs. The largest part of the revenue consisted of the earnings from the hallmarking of, striking marks on and the marking of precious metals and their products, which saw a 2.1% rise and represented 67% or EUR 397.8 in the sales revenue structure. The remaining revenue was generated from the hallmarking of gems and their products with the revenue growing by 3.2% or EUR 6.1 thousand.

The rising volumes of jobs increased the Company's costs accordingly with the latter rising by 5.2% over the year and reaching EUR 573.1 thousand, while they had amounted to EUR 544.5 thousand in 2017. In this sum, EUR 300.6 thousand was attributable to the cost of goods sold, which rose by 2.9%, and an 8% rise in the general and administrative expenses with the expenses totalling EUR 272.5 thousand (less the reimbursed costs using the budget funds worth EUR 83.8 thousand (as against the reimbursed costs reaching EUR 96.5 thousand in 2017)). The largest share (54.6%) of the general and administrative expenses included payroll and related costs, which made up EUR 148.8 thousand after reimbursement. Payroll costs also accounted for a significant part of the cost of goods sold – 73%, which, compared with 2017, was an 11% rise. The growth of payroll costs was affected by the rising salaries of employees and the bonuses paid to the workers.

Although the Company's revenue was growing, but the rising costs attributable to lower cost reimbursement had a negative impact on the Company's adjusted net profit. **At the end of the year, the adjusted net profit reached EUR 55.6 thousand, while it had been EUR 72.2 thousand in 2017.** The Company's EBITDA indicator, which stood at EUR 84.4 thousand, also decreased respectively, while a year ago it had reached EUR 111 thousand. The fall of the Indicator was also affected by an 18.1% fall in depreciation and amortisation from EUR 74.0 thousand in 2017 down to EUR 60.6 thousand in 2018.

The Company's equity totalled EUR 3,489.6 thousand at the beginning of the financial year and EUR 2,580.7 thousand at the end of the year (i.e. the equity decreased by 26%). A EUR 908.9 thousand decline was mostly affected by the profit contributions paid by the Company. In addition, it is worth noting that the Company's cash and cash equivalents for 2018 exceeded the turnover for the past two years with the value of the former amounting to EUR 1,354.0 thousand, despite the fact that it represents a 19.9% drop over the year.

In 2018, the Company invested EUR 66 thousand in its fixed assets. This money was used to acquire a micro-analytical balance, an X-ray fluorescence spectrometer, a UV-VIS spectrometer, and an EXA genuine diamond detector.

The poorer adjusted profit result had an adverse effect on the Company's ratios of return on equity and on assets, which declined by 0.2 percentage points with each of them equalling 1.8%.

A significant difference of the assigned profit contribution was down to the Laws Amending Articles 12 and 15 of the Law on State and Municipal Enterprises of the Republic of Lithuania, which had come into effect in 2017 and placed the Company under the obligation to pay an 80% contribution on its distributable profit. By the end of 2017, the Company had had accumulated EUR 1,161.8 thousand in retained earnings. Therefore, the profit contribution for the previous year had amounted to EUR 929.4 thousand. Less this contribution paid and taking account of the profit earned over the reference period, the value of the Company's distributable profit for 2018 amounted to EUR 254.6 thousand, of which EUR 203.7 thousand was attributable to the profit contribution, which was 78.1% lower than in 2017.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 579 | 594 | +2.5% |
| Cost of goods sold | 292 | 301 | +2.9% |
| Gross profit (loss) | 287 | 293 | +2.1% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 252 | 273 | +8.0% |
| Results of other activities | 2 | 3 | +50.0% |
| Net financial items | 8 | 3 | -55.8% |
| Profit (loss) before taxes | 45 | 27 | -39.2% |
| Corporation tax | 9 | 8 | -12.6% |
| Net profit (loss) | 36 | 20 | -45.6% |
| Adjusted net profit (loss) | 72 | 56 | -23.0% |

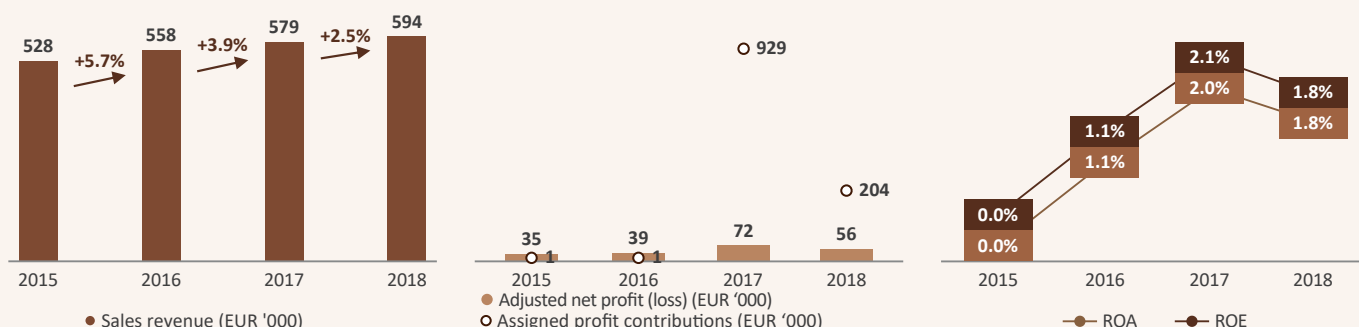
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 1,230 | 783 | -36.4% |
| Current assets | 2,315 | 1,846 | -20.3% |
| Cash and cash equivalents | 1,691 | 1,354 | -19.9% |
| Deferred charges and accrued income | 1 | 1 | -23.1% |
| Total assets | 3,546 | 2,629 | -25.9% |
| Equity | 3,490 | 2,581 | -26.0% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 57 | 49 | -13.8% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 57 | 49 | -13.8% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 3,546 | 2,629 | -25.9% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 2.0% | 1.8% | -0.2 p. p. |
| ROE | 2.1% | 1.8% | -0.2 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 111 | 84 | -24.0% |
| EBITDA margin | 19.2% | 14.2% | -4.9 p. p. |
| Net profit margin | 12.5% | 9.4% | -3.1 p. p. |

| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
|--|------------|------------|---------------|
| Assigned profit contributions | 929 | 204 | -78.1% |
| Property tax | 42 | 42 | -0.2% |
| Total contributions and non-standard taxes to the State | 971 | 246 | -74.7% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 27 | 25 | -7.4% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,919 | 3,005 | +2.9% |

| INSTITUTION REPRESENTING THE STATE | |
|--|---------------------|
| Ministry of Finance of the Republic of Lithuania | |
| MANAGEMENT (1 JUL 2019) | |
| Director General | Gintautas Bagotyrus |



VĮ Turto bankas

www.turtas.lt



Centralised management of the state-owned real estate, privatisation of shares owned by the State and municipalities, recovery of debts to the State and loans conveyed under a contract of agency, state guarantees and other proprietary liabilities settlement

Special obligations performed: recovery of debts to the State; privatisation of shares owned by the State; lending of state-owned administrative real estate; sale of real estate; liquidation of assets; other special obligations assigned by the laws.

- ↑ Assets managed by the Company increased to EUR 226.3million
- ↑ Adjusted net profit grew and reached EUR 216.8 thousand
- ↓ D/E ratio dropped and equalled 0.1%

Major events:

On 26 February 2018, the contract for the purchase of the Business Management Information System and the Operational Real Estate Management Information System was signed and the first contract on the digital Building Information Modelling (BIM) was signed by Turto bankas in the Lithuanian public sector.

At the end of 2018, VĮ Turto bankas managed the state-owned shares of 58 companies (38 in 2017), five of which were state-owned enterprises. 11 companies were included in the privatisation list, 8 companies were under liquidation or bankruptcy proceedings or these were state-owned enterprises not included in the privatisation list, and 39 companies whose shares were transferred as ownerless assets. **While implementing the function of centralised management of the state-owned real estate, at the end of the accounting period, the Company managed the property worth EUR 226.3 million. The value of the managed property amounted to EUR 108.3 million last year.** Also, over 700 auctions were announced during the year (34% more than in 2017), selling 202 properties for EUR 8.2 million. The transactions concluded for the sale of state-owned land plots belonging to municipal buildings amounted to EUR 1.7 million (19% more than in 2017). The debts recovered amounted to EUR 7.1 million (EUR 10.1 million in 2017).

During the accounting period, the Company's sales revenue grew by 56.1% or EUR 1 958.4 thousand and amounted to EUR 5,449.2 thousand at the end of the year. The growth in sales revenue was significantly influenced by the revenue from management and maintenance of the administrative state-owned real estate, which accounted for 35.4% in the common revenue structure.

Increased volume of work resulted in the total increase of expenses by 50.4% or EUR 1,787.9 thousand, amounting to EUR 5,341.1 thousand at the end of the year. Cost of goods sold, which accounted for 83.2% in the total cost structure, grew by 57.4% and amounted to EUR 4,442.5 thousand. This change was influenced by the increased number of employees (by 17.4% or 25 persons), which resulted in the increase of employee remuneration and related expenses by 23.6%, as well as the volume of managed real estate, which in turn increased the Company's depreciation and amortisation expenses by EUR 854.7 thousand or 5.6 times, amounting to EUR 1,040.2 thousand at the end of the year. General and administrative expenses, which accounted for 16.8% of the total expenses, grew by 22.9% or EUR 167.5 thousand, amounting to EUR 898.6 thousand at the end of the year. The growth was mainly influenced by the increase in operating expenses of assets under management (3.4 times, up to EUR 278.5 thousand) and other expenses (21.1%, up to EUR 450.9 thousand).

EBITDA of the Company increased 2.4 times during the accounting period and reached EUR 1,489.2 thousand. **Increased work volume also had a positive impact on the Company's adjusted net profit, which increased by EUR 123.3 thousand and amounted to EUR 216.8 thousand at the end of the year.**

At the end of 2018, the Company's assets amounted to EUR 283.7 million, compared to EUR 194.8 million at the end of 2017. The increase of 45.6% or EUR 88.9 million was caused by an increase in the controlled investment assets that grew 2.8 times.

During the reporting period, the Company's equity increased by 162% or EUR 107.5 million and amounted to EUR 173.8 million at the end of the year. This was mostly influenced by a 1.8-fold (by EUR 107,742.4 thousand) increase in centrally managed capital equivalent to the State assets, which accounted for 96.7% of the total equity.

In 2018, the Company's liabilities decreased by 14.6% and totalled EUR 109.7 million at the end of the year; in 2017, it reached EUR 128.4 million. **This was influenced by repaid loans, which also led to a decline in the Company's D/E ratio by 30.2 p. p., accounting for 0.1% at the end of the year.**

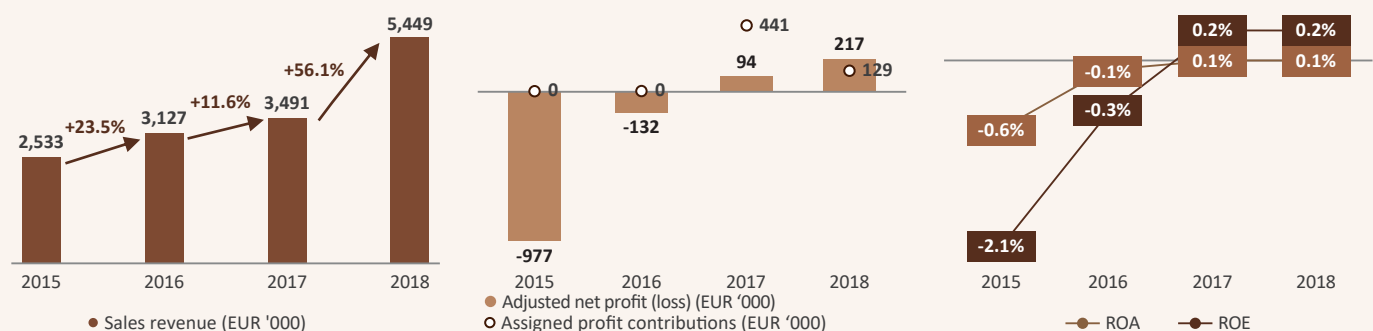
During the reporting period, financial return of the Company remained unchanged: ROE was 0.2% and ROA was 0.1%. Net profit increased by 1.3 p. p. to 4% at the end of the year.

During 2018, the Company's allocated profit contribution decreased by 70.8% or EUR 312.1 thousand and amounted to EUR 128.6 thousand. This was influenced by a decrease of EUR 367.3 thousand in retained earnings, which amounted to EUR 151.3 thousand at the end of the year. Property tax to the State increased by 4.0% or EUR 3 thousand, accounting for EUR 77.1 thousand.

The Company's investments in fixed assets corresponding to equity totalled EUR 108.8 thousand in 2018. The largest share of investments (32.2% or EUR 35 thousand) was made up of Acquisition of nominal user licenses for the Labbis 4. PRO information system and investments in other fixed assets (54.2% or EUR 59 thousand).

| PROFIT (LOSS) STATEMENT (EUR '000) | | | |
|--|---|----------------|----------------|
| | 2017 | 2018 | CHANGE |
| Sales revenue | 3,491 | 5,449 | +56.1% |
| Cost of goods sold | 2,822 | 4,443 | +57.4% |
| Gross profit (loss) | 669 | 1,007 | +50.5% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 731 | 899 | +22.9% |
| Results of other activities | 0 | 0 | - |
| Net financial items | 102 | 60 | -41.0% |
| Profit (loss) before taxes | 39 | 168 | +329.9% |
| Corporation tax | 9 | 17 | +97.6% |
| Net profit (loss) | 31 | 151 | +394.4% |
| Adjusted net profit (loss) | 94 | 217 | +131.7% |
| BALANCE SHEET (EUR '000) | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 69,803 | 174,445 | +149.9% |
| Current assets | 124,331 | 107,954 | -13.2% |
| Cash and cash equivalents | 28,349 | 35,662 | +25.8% |
| Deferred charges and accrued income | 638 | 1,276 | +100.0% |
| Total assets | 194,771 | 283,675 | +45.6% |
| Equity | 66,316 | 173,769 | +162.0% |
| Grants and subsidies | 41 | 193 | +370.1% |
| Provisions | 20 | 22 | +12.2% |
| Amounts payable and other liabilities | 128,384 | 109,679 | -14.6% |
| Amounts payable after one year and other non-current liabilities | 38,297 | 28,646 | -25.2% |
| Financial liabilities | 0 | 151 | - |
| Amounts payable within one year and other current liabilities | 90,088 | 81,033 | -10.1% |
| Financial liabilities | 20,101 | 0 | -100.0% |
| Accrued expenses and deferred income | 10 | 12 | +16.3% |
| Total equity and liabilities | 194,771 | 283,675 | +45.6% |
| RATIOS | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 0.1% | 0.1% | 0.0 p. p. |
| ROE | 0.2% | 0.2% | 0.0 p. p. |
| D/E | 30.3% | 0.1% | -30.2 p. p. |
| EBITDA | 444 | 1,489 | +235.6% |
| EBITDA margin | 12.7% | 27.3% | +14.6 p. p. |
| Net profit margin | 2.7% | 4.0% | +1.3 p. p. |
| RETURN TO THE STATE (EUR '000) | | | |
| | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 441 | 129 | -70.8% |
| Property tax | 74 | 77 | +4.0% |
| Total contributions and non-standard taxes to the State | 515 | 206 | -60.0% |
| INFORMATION ABOUT EMPLOYEES | | | |
| | 2017 | 2018 | CHANGE |
| Number of employees | 144 | 169 | +17.4% |
| Number of executives | 1 | 2 | +100.0% |
| Average monthly salary of executives (gross, EUR) | 4,120 | 3,880 | -5.8% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Finance of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Mindaugas Sinkevičius | | |
| Chairman of the Board of Directors | Darius Indriūnas* | | |
| Members of the Board of Directors | Viktorija Trimbel*, Vidmantas Šiugždinis*, Lina Frejūtė, Algirdas Stumbrys | | |

*Independent member



UAB Viešųjų investicijų plėtros agentūra

www.vipa.lt



Implements and manages financial instruments designed for public sector investment and modernisation of public infrastructure and public services

Special obligations: implements financial incentives (loans, financial suretyship services, financial leasing services and/or financial guarantees, investment in capital and other) funded through a variety of funding sources (EU investment funds, the Company's equity, investments of international financial institutions and private sector investment and/or funds attracted otherwise) directly, through financial intermediaries, investment platforms and/or otherwise; acts as a National Development Body in the field of promoting the development of urban or urbanised areas, renovation and development of housing, public infrastructure and the infrastructure of public interest, and energy efficiency.

- **↑ Cost of goods sold increased by 14.9% and reached EUR 717.1 thousand**
- **↓ Net profit fell by 70.4%**
- **↓ Company's return to the State slumped by 53.4% during the year**

Major events:

- **On 3 July 2018**, UAB Viešųjų investicijų plėtros agentūra (hereinafter the VIPA) and AB Energijos skirstymo operatorius jointly set up the Energy Efficiency Finance Platform.
- Under Resolution No 1046 of the Government of the Republic of Lithuania, **on 17 October 2018**, the VIPA was charged with undertaking the activities of the National Development Body in the field of promoting the development of urbanised areas, renovation and development of housing and public infrastructure, and energy efficiency.
- Under the Decision of the Bank of Lithuania of **3 December 2018**, UAB Viešųjų investicijų plėtros agentūra was included in the list of National Development Bodies.

During the reference period, the Company managed EUR 520 million worth of funds for the financing of public infrastructure, of which EUR 148.6 million included the attracted private and public funds for the development of investment projects and instruments, while in 2017 the Company had managed EUR 314.3 million and attracted EUR 50 million worth of investments respectively. 2018 saw EUR 0.5 million worth of State aid granted for energy-efficiency measures. Since 2015, there have been 238 contracts for the renovation (modernisation) of apartment blocks concluded with 1 of them made in 2018. The value of loans paid out during 2018 estimated at EUR 0.4 million, while the number stood at EUR 78.6 million during the period between 2015 and 2018. The Company implemented 231 projects in total, of which 8 were implemented in 2018.

During the reference period, the Company earned EUR 1,704.2 thousand in revenue, which was 2% or EUR 35 thousand less than a year ago. The major part of revenue (95.6% or EUR 1,629.3 thousand) comprised the management fees received from the operating activities with the fees seeing a 2.5% drop if compared with 2017. The remaining part of revenue included the revenue from other activities as well as financing and investing activities.

During the course of its business in 2018, the VIPA sustained EUR 1,922 thousand in costs, of which 8.6% or EUR 165.5 thousand was financed using the EU's technical assistance funds, 4.3% or EUR 83.7 thousand was covered by the international project funds, while other funding sources added up to 1.99% or EUR 38.3 thousand. After the financing, the Company's costs accounted for EUR 1,634.5 thousand, which was 8.7% or EUR 130.3 thousand more than last year. **Over the year, the Company's cost of goods sold increased by 14.9% and reached EUR 717 thousand, whilst the general and administrative expenses grew by 7.8% or EUR 64.9 thousand.** The major part of the costs (60.4%) were the wage and social insurance costs, which saw a 27.3% rise during the year and reached EUR 986.6 thousand because of 30.8% growth in the total number of employees (12 more people). One of the reasons behind the rise of the number of employees was the Anti-Corruption Coordination and Control Working Group formed. **The cost growth led to a significant squeeze of the Company's net profit, which declined to EUR 69.6 thousand over the year, i.e. by 70.4% or EUR 165.7 thousand.**

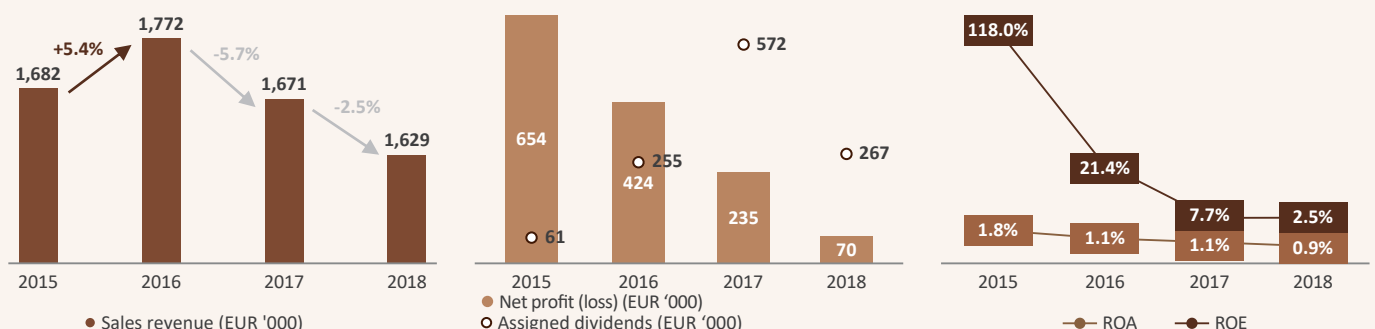
EBITDA slumped by 59.6% and accounted for EUR 149.7 thousand at the end of the year, while it had been EUR 370.5 thousand during the previous reference period. Worse performance is also reflected in the Company's financial ratios of return: the drop in the return on equity, with the ratio standing at 2.5%, equalled 5.2 percentage points, while the return on assets was 0.2 percentage points less and comprised 0.9%. The fall of all of the above indicators resulted mainly from the shrinking net profit. The net profitability stood at 4.3% per cent, and its depletion equalled 9.8 percentage points.

The dividends assigned to the State for the performance in 2018 saw a 53.4% slump and accounted for EUR 266.5 thousand at the end of the year against EUR 572.1 thousand assigned a year ago (for the performance in 2017).

Over the year, the Company's assets increased and added up to EUR 11,854 thousand. Such a significant change was attributable to the funds received at the end of the year – EUR 9 million for the increase of share capital. This also determined the growth of the liabilities for the reference year to EUR 9,282.2 thousand, while they had equalled merely EUR 151.2 thousand a year ago. The share capital was increased in April 2019.

| PROFIT (LOSS) STATEMENT (EUR '000) | | | |
|--|--|---------------|------------------|
| | 2017 | 2018 | CHANGE |
| Sales revenue | 1,671 | 1,629 | -2.5% |
| Cost of goods sold | 624 | 717 | +14.9% |
| Gross profit (loss) | 1,047 | 912 | -12.9% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 837 | 902 | +7.8% |
| Results of other activities | 66 | 70 | +5.1% |
| Net financial items | 2 | 5 | +113.5% |
| Profit (loss) before taxes | 278 | 85 | -69.5% |
| Corporation tax | 43 | 15 | -64.6% |
| Net profit (loss) | 235 | 70 | -70.4% |
| BALANCE SHEET (EUR '000) | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 324 | 321 | -0.9% |
| Current assets | 2,881 | 11,523 | +299.9% |
| Cash and cash equivalents | 1,282 | 9,945 | +675.9% |
| Deferred charges and accrued income | 8 | 10 | +29.9% |
| Total assets | 3,213 | 11,854 | +268.9% |
| Equity | 3,045 | 2,567 | -15.7% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 13 | 4 | -66.2% |
| Amounts payable and other liabilities | 151 | 9,282 | +6,039.0% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 151 | 9,282 | +6,039.0% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 4 | 0 | -100.0% |
| Total equity and liabilities | 3,213 | 11,854 | +268.9% |
| RATIOS | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 1.1% | 0.9% | -0.2 p. p. |
| ROE | 7.7% | 2.5% | -5.2 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 371 | 150 | -59.6% |
| EBITDA margin | 22.2% | 9.2% | -13.0 p. p. |
| Net profit margin | 14.1% | 4.3% | -9.8 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR'000) | | | |
| | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 572 | 267 | -53.4% |
| INFORMATION ABOUT EMPLOYEES | | | |
| | 2017 | 2018 | CHANGE |
| Number of employees | 39 | 51 | +30.8% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,325 | 2,759 | +18.7% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Finance of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Gvidas Dargužas | | |
| Chairman of the Board of Directors | Gvidas Dargužas | | |
| Members of the Board of Directors | Raimonda Lauraitytė Kristina Vaskeliene Nepaskirtas | | |
| Chairman of the Supervisory Board | Arūnas Čiulada* | | |
| Supervisory Board | Lina Liubauskaitė Raimonda Eidžiūnė Raimondas Rapkevičius* | | |

*Independent member



VĮ Mūsų amatai

www.musuamatai.com



Employment of convicts to preserve and develop their employment skills and prepare them for employment after their release

Special obligations: to improve employment rates of inmates; to maintain and develop (improve) employment (professional) skills of convicts and prepare them for employment after their release.

- Sales revenue fell by 12% and stood at EUR 6.1 million
- Profits down to EUR 502 thousand in the net loss in 2018
- ROE was negative equalling -10.4%

Major events:

2018 saw the Company's share capital increased from the funds of the budget of the Republic of Lithuania by EUR 684.4 thousand for the purpose of the reconstruction of the production building (EUR 434.4 thousand) and the modernisation of the production base (EUR 250 thousand).

The Company operates in three branches: Praveniškės, Marijampolė, and Alytus. Each of them has different products manufactured or services rendered. The average number of employed convicts rose by 2.7% in 2018 and totalled 1,343, compared with 1,308 convicts employed in 2017.

In 2018, the Company's sales revenue stood at EUR 6,076.2 thousand, which was 12.0% or EUR 830.7 thousand less than during the previous reference period. The revenue from the Company's operating activities (i.e. sales of furniture, metal products and sewn items) accounted for 69.6% of the total revenue earned and reached EUR 4,320.0 thousand, while the services rendered (i.e. laundry, transportation and fitting services) generated 30.0% of the Company's revenue.

The reference period saw a drop in the Company's cost of goods sold by 6.1% with the cost equalling EUR 5,517.9 thousand. The decline was determined by a 27.3% or EUR 697.0 thousand decrease in the costs of materials and raw materials, which amounted to EUR 1,858.5 thousand. Although the cost of goods sold fell, the Company's operating costs increased by 14.7% or EUR 135.2 thousand and reached EUR 1,055.4 thousand, of which 75.1% represented the general and administrative expenses. The growth was significantly influenced by a 30.5% (EUR 158.2 thousand) increase of wage costs along with social insurance contributions, which amounted to EUR 676.3 thousand at the end of the year.

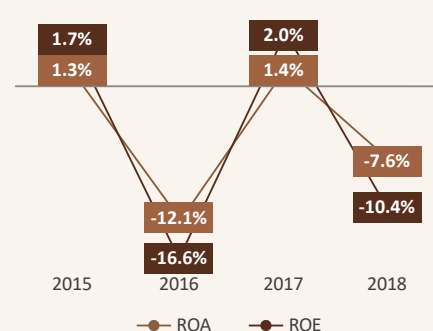
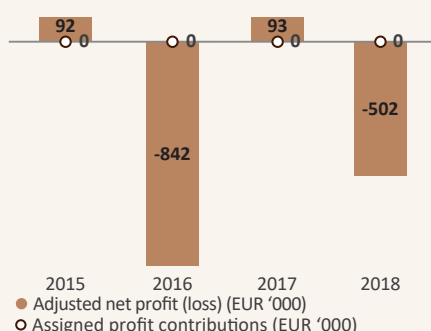
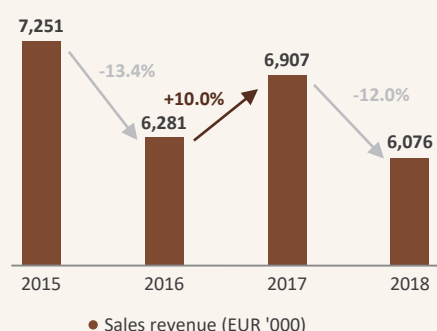
The slower cost downtrend had an adverse impact on the Company's net result. **During the year, the Company suffered EUR 502.0 thousand in adjusted loss when back in 2017 the Company's operations had been profitable and brought EUR 93 thousand in adjusted net profit.**

In 2018, the Company allocated EUR 484.0 thousand for the acquisition of fixed assets, the majority of which, 89.7% or EUR 434.0 thousand, was intended for the reconstruction of the production building.

The Company's worse performance also had an impact on its financial ratios: the return on equity and on assets decreased by 12.4 and 8.9 percentage points respectively. **Both ratios became negative during the reference year with the return on equity equalling -10.4% at the end of the year, while the return on assets, -7.6%.**

The debt-to-equity ratio remained almost unchanged and amounted to 6%. However, the Company's EBITDA dropped down to EUR -455.3 thousand at the end of the reference period. **The downtrend of the results is also reflected by the net profitability ratio, which was equalled -8.3%.**

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|--------------|---------------|
| Sales revenue | 6,907 | 6,076 | -12.0% |
| Cost of goods sold | 5,876 | 5,518 | -6.1% |
| Gross profit (loss) | 1,031 | 558 | -45.9% |
| Cost of sales | 183 | 263 | +43.9% |
| General and administrative expenses | 737 | 792 | +7.5% |
| Results of other activities | -11 | -1 | +90.2% |
| Net financial items | -14 | -11 | +24.3% |
| Profit (loss) before taxes | 86 | -509 | - |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | 86 | -509 | - |
| Adjusted net profit (loss) | 93 | -502 | - |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 3,405 | 3,634 | +6.7% |
| Current assets | 3,220 | 3,032 | -5.8% |
| Cash and cash equivalents | 428 | 447 | +4.4% |
| Deferred charges and accrued income | 2 | 1 | -58.8% |
| Total assets | 6,627 | 6,666 | +0.6% |
| Equity | 4,735 | 4,911 | +3.7% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 1,891 | 1,756 | -7.2% |
| Amounts payable after one year and other non-current liabilities | 21 | 12 | -39.8% |
| <i>Financial liabilities</i> | 21 | 12 | -39.8% |
| Amounts payable within one year and other current liabilities | 1,871 | 1,743 | -6.8% |
| <i>Financial liabilities</i> | 263 | 284 | +8.2% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 6,627 | 6,666 | +0.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 1.4% | -7.6% | -8.9 p. p. |
| ROE | 2.0% | -10.4% | -12.4 p. p. |
| D/E | 6.0% | 6.0% | +0.1 p. p. |
| EBITDA | 132 | -455 | - |
| EBITDA margin | 1.9% | -7.5% | -9.4 p. p. |
| Net profit margin | 1.3% | -8.3% | -9.6 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 0 | 0 | - |
| Property tax | 7 | 7 | 0.0% |
| Total contributions and non-standard taxes to the State | 7 | 7 | 0.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 122 | 118 | -3.3% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,745 | 1,929 | +10.5% |
| INSTITUTION REPRESENTING THE STATE | Prison Department under the Ministry of Justice of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Gintaras Žandaravičius (Acting Director General) | | |



UAB Lietuvos kinas

www.lietuvoskinas.lt



Film production, distribution, rental, public screening, cinema advertising and educational film activities, and lease and operations of own real estate

- ↑ Income from the rental of space increased by 4.1%
- ↓ Company's profit slumped by 87.7%
- ↓ Return on equity fell to 3.2%

Major events:

• On 5 December 2018, the Government of the Republic of Lithuania passed Resolution No 1212 to wind up Private Limited Liability Company Lietuvos kinas.

In 2018, the Company's main activities – film rentals and screening – generated 74.3%, i.e. EUR 16.0 thousand, less revenue than in 2017. **The Company's major source of revenue was the rental of space, which earned 97.4% of the total revenue of the Company. Compared with 2017, this type of revenue grew by 4.1% or EUR 12.0 thousand.** There is a trend emerging that the Company's revenue from film rental and screening and other film-related services constitute a decreasing part in the total revenue structure, which is contrary to the revenue from the rental of space. Despite the fact that the space rental services allow earning additional income, at the same time such services are distancing the Company away from its key film business.

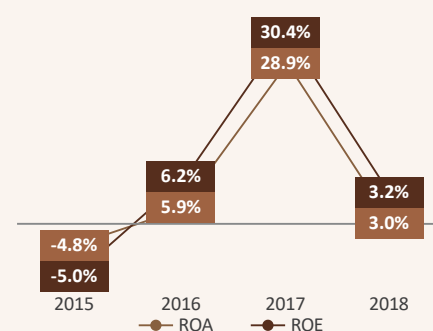
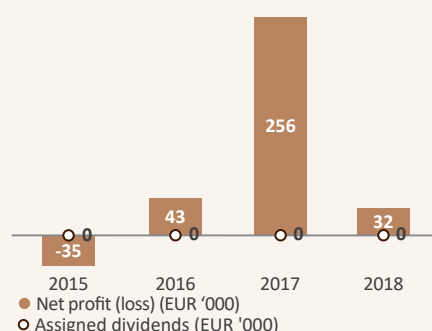
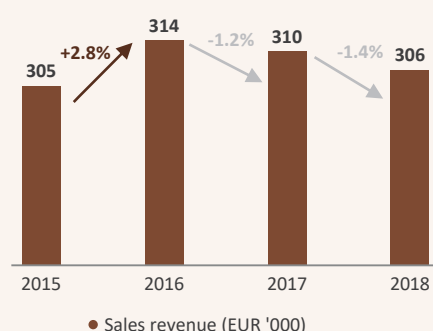
What is more, significantly less revenue (98.9% or EUR 240.0 thousand less than in the previous reference period) was earned from other activities. This change was considerably affected by the contract for the sale of buildings and other civil engineering structures in Klaipėda city, signed in 2017, valued at EUR 301.0 thousand.

Low sales revenue from film rentals and screening, which accounted for 1.8% in the total sales revenue structure in 2018, were also determined by the fact that the Lithuanian film recordings, which were part of the Company's film archive, were shown for small fees, i.e. between EUR 35.0 and EUR 100.0 per single film screening comparing with the rights to hold a single screening of foreign films costing EUR 200.0 upwards. This is to the detriment of the rationale behind commercial use unless suffering a loss.

During the reference period, the Company earned 87.7% or EUR 224.0 thousand less in revenue than a year ago, totalling EUR 31.5 thousand. The significantly lower revenue of the Company led to the fact that EBITDA for 2018 equalled EUR 54.2 thousand, i.e. it was as much as 80.8% lower than in 2017.

The Company's ratios of return also declined accordingly: the ROE dropped by 27.2 percentage points over the year and amounted to 3.2%, whilst the decline in the return on assets (ROA) equalled 25.9 percentage points with the ratio standing at 3.0%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Sales revenue | 310 | 306 | -1.4% |
| Cost of goods sold | 204 | 185 | -9.4% |
| Gross profit (loss) | 106 | 121 | +14.2% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 81 | 83 | +3.1% |
| Results of other activities | 240 | 1 | -99.6% |
| Net financial items | 3 | 0 | -92.9% |
| Profit (loss) before taxes | 268 | 39 | -85.5% |
| Corporation tax | 12 | 7 | -40.5% |
| Net profit (loss) | 256 | 32 | -87.7% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 311 | 295 | -5.1% |
| Current assets | 708 | 752 | +6.2% |
| Cash and cash equivalents | 674 | 717 | +6.3% |
| Deferred charges and accrued income | 1 | 1 | 0.0% |
| Total assets | 1,019 | 1,048 | +2.8% |
| Equity | 969 | 1,001 | +3.3% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 50 | 47 | -6.8% |
| Amounts payable after one year and other non-current liabilities | 14 | 15 | +5.8% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 37 | 32 | -11.5% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,019 | 1,048 | +2.8% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 28.9% | 3.0% | -25.9 p. p. |
| ROE | 30.4% | 3.2% | -27.2 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 282 | 54 | -80.8% |
| EBITDA margin | 91.1% | 17.7% | -73.3 p. p. |
| Net profit margin | 82.5% | 10.3% | -72.2 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 0 | 0 | 0.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 7 | 6 | -14.3% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,696 | 1,963 | +15.7% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Culture of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Arūnas Stoškus |



VĮ Lietuvos paminklai

www.lpaminklai.lt



Implements the programmes assigned by the Department of Cultural Heritage, i.e. management and maintenance of cultural heritage objects, implementing and overseeing project solutions, and drafting special territorial planning documents

Special obligations: preparing special territorial planning documents; making arrangements for the implementation of Heritage Management programmes assigned by the Department of Cultural Heritage under the Ministry of Culture.

- ↑ Sales revenue grew by 9.4%
- ↑ Adjusted net profit grew by EUR 11.7 thousand and reached EUR 24.0 thousand
- ↑ Return to the State increased to EUR 133.4 thousand

Major events:

- Under Resolution No 701 of the Government of the Republic of Lithuania of 18 July 2018, the Company's equity was increased by EUR 255.9 thousand, and the legal reserve was increased by EUR 25.6 thousand.
- Following Resolution No 1092 of the Government of the Republic of Lithuania of 31 October 2018, the structures part of the Siesikai manor, Ukmergė District Municipality, Daugailiai Village, owned by the Company, were transferred to Ukmergė District Municipal Administration.

During the reference period, the Company, following the instruction of the Department of Cultural Heritage under the Ministry of Culture, undertook management works on 68 cultural heritage objects, prepared 21 special territorial planning documents for the protection of immovable cultural heritage, marked 169 cultural heritage objects protected by the State and continued the projects financed using the funds from the State budget and from the EU structural funds.

Over 2018, the Company's sales revenue was up by 9.4% or EUR 619.1 thousand and reached EUR 7,173.9 thousand at the end of the year. This was mainly attributable to a 20.7% rise in the revenue from building construction, reconstruction and other jobs, which accounted for 86.5% or EUR 6,208.7 thousand of the total sales revenue at the end of the year. The Company received most of its revenue from the Department of Cultural Heritage and for 2 investment projects of state cultural institutions. The revenue did not include the earnings, totalling EUR 966.1 thousand, from the reconstruction works on 2 objects as the works were financed from the EU structural funds.

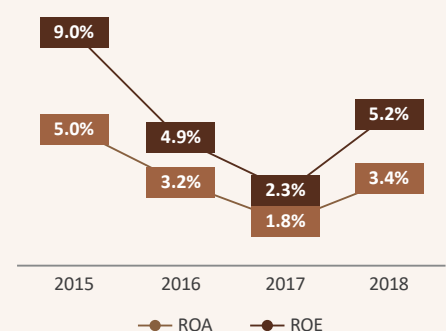
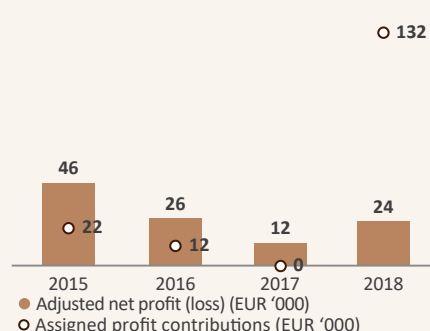
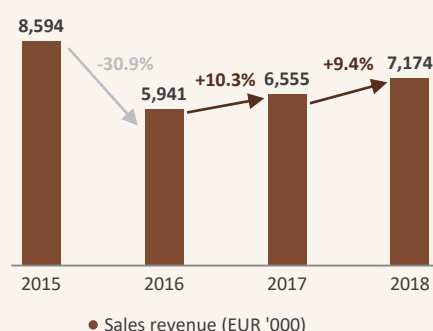
The cost of goods sold adding up to EUR 6,646.2 thousand saw a 9.9% rise. The major part (93.4% of the total cost of goods sold) comprised the costs of management, reconstruction, emergency and other works on objects acquired by the Department of Cultural Heritage, which saw a 20.7% rise, while the wage costs declined from EUR 403.7 thousand down to EUR 271.7 thousand in the costs of goods sold. The general and administrative expenses slightly increased by 1.8%. A large part of these expenses involved wage costs representing 56.9% in the general and administrative expense structure.

The rising volumes of jobs and higher earnings generated had a positive impact on the Company's adjusted net result. During the year, the Company's adjusted net profit almost doubled amounting to EUR 24 thousand at the end of the year, as against EUR 12.3 thousand a year ago.

Positive performance of the Company is also reflected in its ratios of return: the return on equity rose by 2.9 percentage points equalling 5.2%, while the return on assets stood at 3.2% in the reference period. The ROE growth was affected not only by the rise of net profit but the decrease of the value of the Company's equity during the year by 26.7% or EUR 142.2 thousand, with the value standing at EUR 390.6 thousand at the end of the year. This drop was significantly affected by the Siesikai manor, with its book value standing at EUR 164.9 thousand, which had been transferred to Ukmergė District Municipality.

A considerable rise in the return to the shareholders in 2018, which equalled EUR 131.8 thousand, was determined by the profit contribution assigned to the State for the performance achieved in 2018 amounting to EUR 131.8 thousand (no contribution had been assigned for the performance in 2017). The growth was also affected by the retained profit, which was increased at the time of profit distribution for 2017 because of the transfers from other reserves totalling EUR 317.1 thousand. The Company's property tax did not change and stood at EUR 1.6 thousand.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|-------------------|-------------|------------------|
| Sales revenue | 6,555 | 7,174 | +9.4% |
| Cost of goods sold | 6,046 | 6,646 | +9.9% |
| Gross profit (loss) | 509 | 528 | +3.7% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 493 | 502 | +1.8% |
| Results of other activities | 0 | 0 | -74.7% |
| Net financial items | 0 | 1 | +610.5% |
| Profit (loss) before taxes | 15 | 26 | +71.9% |
| Corporation tax | 4 | 3 | -16.7% |
| Net profit (loss) | 11 | 23 | +106.6% |
| Adjusted net profit (loss) | 12 | 24 | +95.1% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 188 | 9 | -95.1% |
| Current assets | 487 | 742 | +52.4% |
| Cash and cash equivalents | 417 | 626 | +50.2% |
| Deferred charges and accrued income | 2 | 4 | +155.0% |
| Total assets | 676 | 755 | +11.7% |
| Equity | 533 | 391 | -26.7% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 143 | 364 | +154.7% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 143 | 364 | +154.7% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 676 | 755 | +11.7% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 1.6% | 3.2% | +1.6 p. p. |
| ROE | 2.3% | 5.2% | +2.9 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 39 | 39 | +0.3% |
| EBITDA margin | 0.6% | 0.5% | -0.1 p. p. |
| Net profit margin | 0.2% | 0.3% | +0.1 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 0 | 132 | - |
| Property tax | 2 | 2 | 0.0% |
| Total contributions and non-standard taxes to the State | 2 | 133 | +8,446.3% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 45 | 40 | -11.1% |
| Number of executives | 4 | 2 | -50.0% |
| Average monthly salary of executives (gross, EUR) | 2,432 | 2,420 | -0.5% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Department of Cultural Heritage of the Republic of Lithuania under the Ministry of Culture | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Vydmantas Drumsta | | |



UAB Lietuvos monetų kalykla

www.kalykla.lt


LIETUVOS MONETŲ KALKYKLA

Production of circulation and collector coins of the Republic of Lithuania and foreign countries, State decorations, orders and medals, etc.

- ↓ Volumes of the Company's services fell by 4.6%
- ↓ Sales volumes decreased by 24.1% and equalled EUR 5.9 million
- ↓ Company's financial liabilities declined by EUR 277.0 thousand

Major events:

- In 2018, the Company minted a series of collector coins dedicated to the Centennial of the State of Lithuania.
- The Company also minted silver coins for the Georgian national bank for the first time ever.

In 2018, the Company minted 4.6% fewer coins than in 2017, i.e. 227.0 thousand coins and commemorative 2-euro coins. 2018 saw the output worth EUR 5,363.5 thousand produced, which was 29.7% less than in 2017.

In 2018, the Company's sales revenue comprised EUR 5,946.8 million and, compared with the results of 2017, took a 24.1% hit. Although the revenue from collector (commemorative) coins grew by 26.3% or EUR 931.0 thousand, however, the revenue decline was mostly affected by lower sales of circulation and collector circulation coin output. In 2017, sales of these coins had generated EUR 3,515.1 thousand, while the number stood at merely EUR 279.2 thousand in the reference year, which was 92.1% less. Taking account of the decline in the demand for circulation coins in 2018, the Company diverted its production capacities towards other activities, which partially offset the loss of revenue from the production of circulation coins. The reference period shows considerable growth of revenue reaching 188.0% or EUR 380.8 thousand recorded in retail and the sales of precious and other metals as well as other goods and services, which had been determined by the growing sales of output designed for the Centennial of Lithuania.

In 2018, the Company's general and administrative expenses totalled EUR 675.6 thousand and they were 21.0% higher than in 2017 (EUR 558.6 thousand). Staff turnover and additional costs associated with the use of assets caused additional operational costs to be incurred. The growth of the cost-to-sales revenue ratio from 96.1% to 100.8% was determined by the un revenue and cost growth led to a negative net result – a loss of EUR 44.7 thousand, compared with the profit reaching EUR 305.8 thousand in 2017. The profit squeeze resulted in adverse changes in the ratios of return. The return on capital and on assets fell by 6.6 (down to -0.8%) and 5.2 (down to -0.7%) percentage points respectively. As in the previous years, for the performance in 2018, the Company did not award any dividends.

During the reference year, the Company complied with its obligations under the terms and conditions provided for in the long-term credit agreements, thereby reducing its non-current liabilities by 20.4%. In addition, the Company's current liabilities contracted significantly (by 85.2%) over the year. This was mostly down to the discharged liabilities, which had generated a prepayment of EUR 1.2 million received back in 2017. The majority of the remaining current liabilities included the arrears to credit institutions (EUR 77.0 thousand) and holiday pay accruals (EUR 80.5 thousand). The declining financial liabilities led to a decrease in the Company's D/E ratio, which stood at 7.0%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 7,836 | 5,947 | -24.1% |
| Cost of goods sold | 7,007 | 5,305 | -24.3% |
| Gross profit (loss) | 829 | 642 | -22.6% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 559 | 676 | +21.0% |
| Results of other activities | 24 | 3 | -89.8% |
| Net financial items | 14 | -11 | - |
| Profit (loss) before taxes | 308 | -43 | - |
| Corporation tax | 3 | 2 | -17.7% |
| Net profit (loss) | 306 | -45 | - |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|---|--------------|--------------|---------------|
| Non-current assets | 3,606 | 3,353 | -7.0% |
| Current assets | 3,874 | 2,527 | -34.8% |
| Cash and cash equivalents | 297 | 760 | +156.2% |
| Deferred charges and accrued income | 23 | 49 | +112.5% |
| Total assets | 7,503 | 5,929 | -21.0% |
| Equity | 5,422 | 5,377 | -0.8% |
| Grants and subsidies | 0 | 0 | - |
| Amounts payable and other liabilities | 2,082 | 552 | -73.5% |
| Amounts payable after one year and other non-current liabilities | 377 | 300 | -20.4% |
| Financial liabilities | 377 | 300 | -20.4% |
| Amounts payable within one year and other current liabilities | 1,705 | 252 | -85.2% |
| Financial liabilities | 277 | 77 | -72.2% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 7,503 | 5,929 | -21.0% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 4.5% | -0.7% | -5.1 p. p. |
| ROE | 5.8% | -0.8% | -6.6 p. p. |
| D/E | 12.1% | 7.0% | -5.1 p. p. |
| EBITDA | 568 | 245 | -56.9% |
| EBITDA margin | 7.2% | 4.1% | -3.1 p. p. |
| Net profit margin | 3.9% | -0.8% | -4.7 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 0 | 0 | - |

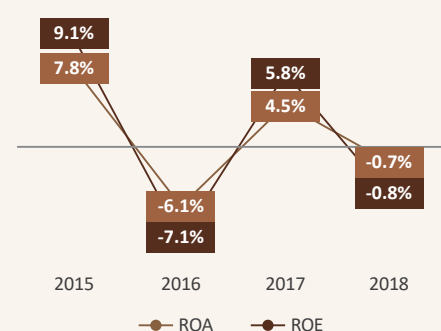
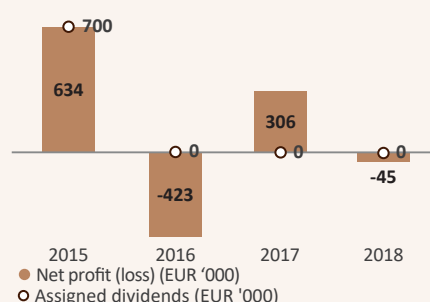
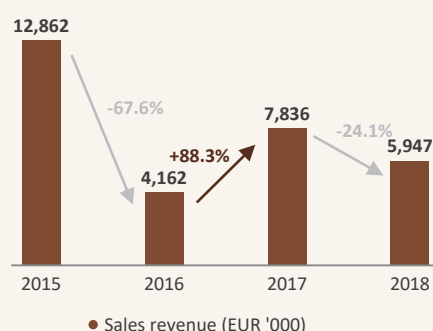
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 59 | 55 | -6.8% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,309 | 2,265 | -1.9% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|------------------------------------|--|
| Bank of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|--|
| Director General | Saulius Liuga (Acting Director General) |
| Chairman of the Board of Directors | Linas Čereška* |
| Members of the Board of Directors | Vaidas Cibas Kristina Mažeikytė* Eimundas Mačiulis* Algirdas Neciunskas |

*Independent member



VĮ Distancinių tyrimų ir geoinformatikos centras GIS-Centras

www.gis-centras.lt



Maintenance and development of the Lithuanian spatial information infrastructure and management of georeferencing cadastral spatial data

Special obligations: Functions of the manager of the Lithuanian Spatial Information Infrastructure portal (LEI portal); functions of the manager of the Georeferencing Cadastre (GRPK).

- Sales revenue dropped by 35.6% and equalled EUR 1,008.4 thousand
- Adjusted net profit grew by 9.1% and reached EUR 178.7 thousand
- Average monthly salary of executives increased by 42.4% and amounted to EUR 3,905

Major events:

On 19 June 2019, the Cabinet of Ministers approved the proposal of the Ministry of Agriculture to have Valstybės žemės fondas (the State Land Fund), Žemės ūkio informacijos ir kaimo verslo centras (the Agricultural Information and Rural Business Centre) (AIRBC) and Distancinių tyrimų ir geoinformatikos centras (the National Centre for Remote Sensing and Geoinformatics) GIS-Centras merged into a single institution called Žemės ūkio ir erdvinės informacijos centras (the Agricultural and Spatial Information Centre) with the procedures to be completed by July 2020.

During the course of its business in 2018, the Company earned EUR 1,008.6 thousand in revenue from commercial activities, which was 35.6% or EUR 557.5 thousand less than in 2017 because of declining job volumes. The major part of the revenue (92.3% or EUR 930.1 thousand) included the income from the services rendered such as: LitPOS (permanent stations of the Global Positioning System laid out across Lithuania, data transmission network and data processing centre) maintenance and management and state border mapping, with the remaining part of the revenue (7.7% or EUR 77.5 thousand) attributable to the revenue from selling cartographical products in a map store. The Company's main business was focused on the state-delegated functions, which cannot bring profits to the Company and which have their costs reimbursed from the State budget (such costs amounted to EUR 980.9 thousand during the reference period and were not included in the financial statement).

The shrinking job volumes lowered the Company's cost of goods sold accordingly with the cost slumping by 74.5% or EUR 7.2 thousand over the year and totalling EUR 119.1 thousand. This was mostly affected by an 83.8% (EUR 342.2 thousand) drop in the cost of the GIS services sold. During the reference period, the Company's operating costs were down by 24.8% or EUR 224.1 thousand and stood at EUR 679.2 thousand at the end of the year. This was mostly down to a EUR 108.2 thousand drop (down to EUR 544.6 thousand) in payroll and related tax costs, which split into the two items mentioned below. In the general and administrative expense structure, they saw a 17.1% or EUR 107.8 thousand drop and totalled EUR 523.1 thousand, while the above costs, which fall under the cost of goods sold, experienced insignificant changes, i.e. 1.3% or EUR 0.3 thousand. The change was mostly attributable to a 7.2% (6 people) decrease in the employee count.

Significantly shrinking general and administrative expenses led to the growth of the adjusted net profit by 9.1% with such profit reaching EUR 178.5 thousand at the end of the year. The Company's EBITDA indicator, which stood at EUR 237.2 thousand, also increased respectively, while a year ago it had equalled EUR 225.5 thousand.

During the reference period, the Company's assets were down by 4.3% or EUR 123.1 thousand and totalled EUR 2,771.5 thousand at the end of the year. This was mostly down to the depreciation costs of fixed assets. The adverse development in equity, i.e. 12.8% or EUR 87.8 thousand decline, was affected by a EUR 118.0 thousand decrease of the value of retained earnings.

The value of grants and subsidies in 2018 reached EUR 1,605.7 thousand as against EUR 1,787.6 thousand at the end of 2017. The decrease emerged because of the acquisition of intangible assets using the subsidies of a newly launched EU project INSPIRE2 worth EUR 315.1 thousand.

The growth of net profit had a positive impact on the Company's ratios of return: the return on equity grew by 2.5 percentage points and equalled 27.9%, while the growth of the return on assets was 0.8 percentage points with the ratio standing at 6.3%. The Company's net profitability saw a respective increase (by 7.3 percentage points) with the ratio equalling 17.7% at the end of the year.

The return to the State amounted to EUR 213.9 thousand at the end of 2018, while the assigned profit contribution reached EUR 212.5 thousand comparing with EUR 265.2 thousand worth of profit contribution assigned for the performance in 2017. This was affected by a 40% decrease in the distributable profit with the profit equalling EUR 177.4 thousand at the end of the year.

Over the year, the average gross monthly salary of executives increased by 42.4% to reach EUR 3,905 at the end of the year, while it had averaged EUR 2,742 in 2017. This resulted from the bonuses paid to the long-standing head and the deputy totalling EUR 3,710 to the head, and EUR 3,339 to the deputy, as well as the considerable redundancy payments made.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|------------|---------------|
| Sales revenue | 1,566 | 1,008 | -35.6% |
| Cost of goods sold | 466 | 119 | -74.5% |
| Gross profit (loss) | 1,099 | 889 | -19.1% |
| Cost of sales | 27 | 26 | -5.2% |
| General and administrative expenses | 876 | 653 | -25.4% |
| Results of other activities | 0 | 0 | - |
| Net financial items | 0 | 0 | - |
| Profit (loss) before taxes | 196 | 210 | +7.0% |
| Corporation tax | 34 | 33 | -3.2% |
| Net profit (loss) | 162 | 177 | +9.2% |
| Adjusted net profit (loss) | 164 | 179 | +9.1% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Non-current assets | 1,938 | 1,732 | -10.7% |
| Current assets | 947 | 1,017 | +7.3% |
| Cash and cash equivalents | 812 | 651 | -19.8% |
| Deferred charges and accrued income | 9 | 23 | +154.9% |
| Total assets | 2,895 | 2,772 | -4.3% |
| Equity | 683 | 596 | -12.8% |
| Grants and subsidies | 1,788 | 1,606 | -10.2% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 424 | 570 | +34.6% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 424 | 570 | +34.6% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 2,895 | 2,772 | -4.3% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 5.5% | 6.3% | +0.8 p. p. |
| ROE | 25.5% | 27.9% | +2.5 p. p. |
| D/E | 0% | 0% | - |
| EBITDA | 226 | 237 | +5.2% |
| EBITDA margin | 14.4% | 23.5% | +9.1 p. p. |
| Net profit margin | 10.4% | 17.7% | +7.3 p. p. |

| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
|--|------------|------------|---------------|
| Assigned profit contributions | 265 | 213 | -19.9% |
| Property tax | 1 | 1 | 0.0% |
| Total contributions and non-standard taxes to the State | 267 | 214 | -19.8% |

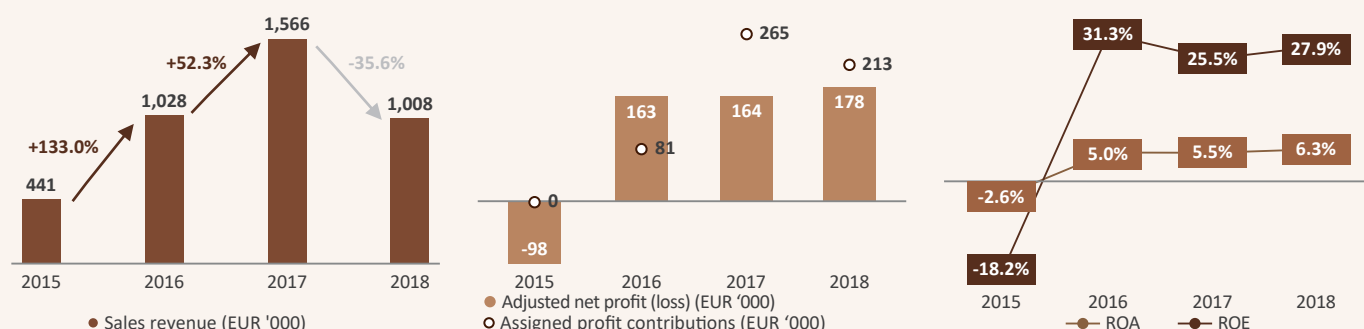
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 83 | 77 | -7.2% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,742 | 3,905 | +42.4% |

INSTITUTION REPRESENTING THE STATE

The Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

Director General Žilvinas Stankevičius



AB Detonas

www.detonas.eu


Blasting and drilling works across Lithuania

- ↑ Sales revenue grew by 5.2%
- ↓ The company's assets shrank by 7.5%
- ↑ Return to the State increased by 33.2%

Major events:

- In 2018, following Decree No 3-224 of the Minister of Transport and Communications of the Republic of Lithuania, the Company's share capital was reduced by EUR 500 thousand.
- In October 2018, the Company was issued with a licence for the management of hazardous waste.

During the course of its business in 2018, the Company burst open 1,775.5 thousand m³ of dolomite rock, which was 7.7% or 127 thousand m³ more than in 2017. The volumes of limestone blasting also grew by 17.0% or 96.2 thousand m³ and reached 661.0 thousand m³ at the end of the year.

The increasing volumes of blasting works determined a 5.2% growth in sales revenue with the revenue equalling EUR 3,400.8 thousand in 2018. The revenue earned from the dolomite and limestone rock crushed at the six existing quarries accounted for 98.9% in the total revenue structure. The growth of the operating revenue was also attributable to one successful major public tender – the demolition works of 18 buildings completed in Rukla.

In 2018, the Company incurred EUR 2,761 thousand in costs, which was 5.7% more than in 2017. The cost of goods sold increased by 3.9% due to the rising volumes of jobs and the price increase of goods and services. The general and administrative expenses also rose by 11.4% and this was mainly due to higher personnel costs and the rewards to independent members of the board of directors.

Compared to the performance in 2017, the Company's net profit improved by 5.3% and stood at EUR 623.9 thousand. The rise of profitability was down to the decrease of taxable profit resulting from an ongoing investment project, higher volumes of completed jobs and rational management of internal financial and human resources.

The Company's assets shrank by 7.5% over 2018 and totalled EUR 4,015 thousand at the end of the year. This was mainly attributable to a 29.5% drop in the current assets, which had accounted for 27.3% of the book value of all of the Company's assets, resulting from the funds paid to the State following the decrease of the share capital – cash and cash equivalents went down by EUR 389.0 thousand over 2018.

The Company's investments in 2018, which were financed using own funds, stood at EUR 606.4 thousand against EUR 271.1 thousand that had been invested in 2017. The majority of them, EUR 601.6 thousand, were directed towards tangible assets with 94% of them allocated for the emulsion explosive production technology to be built, which was scheduled to be launched across all quarries from 2020.

Better performance is also reflected in the Company's financial ratios of return: **the return on equity, which amounted to 16.1%, rose by 0.6 percentage points, while the growth of the return on assets was 0.5 percentage points and accounted for 14.9% at the end of the year.**

Because of an increase in costs, the Company's EBITDA stood at EUR 864.7 thousand in 2018, which was EUR 10.1 thousand less than in 2017. The EBITDA margin, compared to 2017, fell by 1.6 percentage points and amounted to 25.4%.

The Company's return to the State for the reporting year increased by 33.2% and amounted to EUR 550.4 thousand, in comparison to EUR 413.1 thousand which had been paid for 2017. This is mostly attributable to the improved financial results of the Company.

The average salary of executives rose by 16.1% over the year and stood at EUR 3,325.0 per month. This was significantly affected by the variable component of the director's salary, which could make up to 50.0% of the fixed component of the monthly salary. Since the indicators had been achieved for all quarters, the maximum variable component was awarded to the director's salary.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|--------------|
| Sales revenue | 3,232 | 3,401 | +5.2% |
| Cost of goods sold | 1,978 | 2,056 | +3.9% |
| Gross profit (loss) | 1,254 | 1,345 | +7.3% |
| Cost of sales | 2 | 1 | -46.7% |
| General and administrative expenses | 632 | 704 | +11.5% |
| Results of other activities | 64 | 28 | -56.6% |
| Net financial items | 0 | 1 | +400.0% |
| Profit (loss) before taxes | 685 | 668 | -2.4% |
| Corporation tax | 92 | 44 | -51.8% |
| Net profit (loss) | 593 | 624 | +5.3% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 2,786 | 2,917 | +4.7% |
| Current assets | 1,508 | 1,087 | -27.9% |
| Cash and cash equivalents | 876 | 487 | -44.4% |
| Deferred charges and accrued income | 47 | 10 | -78.6% |
| Total assets | 4,342 | 4,015 | -7.5% |
| Equity | 4,032 | 3,742 | -7.2% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 14 | - |
| Amounts payable and other liabilities | 310 | 272 | -16.6% |
| Amounts payable after one year and other non-current liabilities | 0 | 8 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 310 | 251 | -19.2% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 4,342 | 4,015 | -7.5% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 14.4% | 14.9% | +0.5 p. p. |
| ROE | 15.4% | 16.1% | +0.6 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 875 | 865 | -1.2% |
| EBITDA margin | 27.1% | 25.4% | -1.6 p. p. |
| Net profit margin | 18.3% | 18.3% | 0.0 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 413 | 550 | +33.2% |

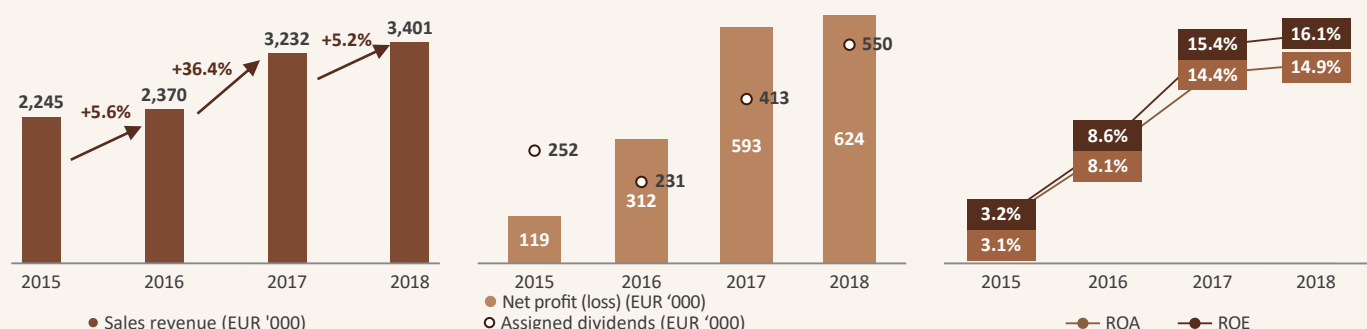
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 65 | 67 | +3.1% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,863 | 3,325 | +16.1% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of Transport and Communications of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|--------------------------------------|
| Director | Vytautas Lunskus |
| Chairman of the Board of Directors | Mantas Šukevičius* |
| Members of the Board of Directors | Liutauras Šlajus Arvydas Darulis* |

*Independent member



AB Problematika

www.problematika.lt



Laboratory testing and analysis of road-building materials, products and articles, technical quality control and maintenance of roads and their structures, certification of road-building materials and control (licensing supervision) of compliance of such materials (products) with legislative requirements, and other activities

- Sales revenue fell by 25.9% and stood at EUR 5.1 million
- Net profit shrank by 60.6%
- The Company assigned 7.7% more in dividends for the performance in 2018

Major events:

- Following Decree No 3-229 of the Minister of Transport and Communications of the Republic of Lithuania of **11 May 2018**, the Company's share capital was reduced by EUR 1.5 million.
- On **1 April 2018**, the Cadastral Survey Division was established in Šiauliai. It has the objective to enter the market and build a potential customer base.
- The Company's new management structure was approved at the board meeting on **8 March 2018**.

At the end of 2018, the Company's sales revenue was 25.9% or EUR 1,799.9 thousand lower than last year and added up to EUR 5,137.7 thousand. During the reference period, the Company's revenue from the road quality control and laboratory testing comprised 86.3% of the Company's total revenue from ordinary activities, which shrank by 22.7%. The other significant part of revenue was received from the transport information system services, amounting to EUR 615.2 thousand and representing 12.0% of the total revenue. Compared with 2017, transport information system services revenue decreased by 44.8%. The decline in the revenue was mostly determined by the lower volumes of services rendered, smaller number of published tenders and awarded contracts, and the price fall because of robust competition in the area of road maintenance services. In addition, following the expiry of the contract for the maintenance of information stations for road weather conditions, the revenue in the Transport Information System Division also saw a decline.

Compared with 2017, the Company's costs slumped by 13.6% or EUR 697.0 thousand. Most of the costs (59.9%) were attributable to staff costs – EUR 2,658 thousand, which was a drop by 6.2% or EUR 168.0 thousand over the year. The rise of the general and administrative expenses by 16.0% resulted from an 8.3% increase of depreciation and amortisation costs.

In 2018, the Company's operations were profitable and brought EUR 618.2 thousand in net profit. However, compared with 2017, the net profit shrank by 60.6% or EUR 950.9 thousand. This was mostly affected by a decline in the sales revenue attributable to the reduced volumes of jobs.

Over 2018, the Company invested EUR 1,113.0 thousand in its fixed assets, which was 63.1% or EUR 1,900.0 thousand less than during the previous reference period. The Company made an investment of EUR 1,008.0 thousand using own funds, and the remaining EUR 105.0 thousand, by way of leasing.

The reduction of the Company's share capital by EUR 1.5 million cancelling the respective state-owned holding of ordinary registered shares led to a 25.3% decrease of an equity. These significant changes are also reflected in the Company's asset structure – the Company shrank the amount of cash and cash equivalents to EUR 1.2 thousand, the Company's assets saw a 22.5% decline and totalled EUR 7,412.5 thousand in 2018.

The Company's financial liabilities shot up to EUR 306.5 thousand during the reference period. The rise of such liabilities led accordingly to the increase of the D/E ratio, which reached 4.9% in 2018, while the Company had not had any financial liabilities in 2017.

The EBITDA ratio slumped by 50.0% and accounted for EUR 1,070.5 thousand as against EUR 2,140.5 thousand in 2017. Worse performance is also reflected in the Company's financial ratios of return: the drop in the return on equity, with the ratio standing at 8.4%, equalled 11.1 percentage points, while the return on assets fell by 10.4 percentage points and comprised 7.3%.

Although the Company earned less in net profits than in 2017, the State was assigned 7.4% or EUR 92.3 thousand more in dividends. An 8.4% return on capital achieved in 2018 put the Company under the obligation to award 70.0% of distributable profits in dividends, i.e. EUR 1,022.1 thousand, along with EUR 314.4 thousand from the remaining retained earnings.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|---------------|
| Sales revenue | 6,938 | 5,138 | -25.9% |
| Cost of goods sold | 4,227 | 3,394 | -19.7% |
| Gross profit (loss) | 2,710 | 1,744 | -35.7% |
| Cost of sales | 11 | 4 | -64.2% |
| General and administrative expenses | 892 | 1,035 | +16.0% |
| Results of other activities | -1 | 3 | - |
| Net financial items | 27 | 21 | -22.9% |
| Profit (loss) before taxes | 1,833 | 729 | -60.2% |
| Corporation tax | 263 | 110 | -58.1% |
| Net profit (loss) | 1,569 | 618 | -60.6% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Non-current assets | 5,880 | 6,583 | +12.0% |
| Current assets | 3,619 | 799 | -77.9% |
| Cash and cash equivalents | 2,687 | 1 | -100.0% |
| Deferred charges and accrued income | 68 | 30 | -55.4% |
| Total assets | 9,567 | 7,413 | -22.5% |
| Equity | 8,395 | 6,269 | -25.3% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 1,171 | 1,144 | -2.3% |
| Amounts payable after one year and other non-current liabilities | 0 | 78 | - |
| Financial liabilities | 0 | 78 | - |
| Amounts payable within one year and other current liabilities | 1,171 | 1,065 | -9.0% |
| Financial liabilities | 0 | 228 | - |
| Accrued expenses and deferred income | 1 | 0 | -100.0% |
| Total equity and liabilities | 9,567 | 7,413 | -22.5% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | 17.7% | 7.3% | -10.4 p. p. |
| ROE | 19.5% | 8.4% | -11.1 p. p. |
| D/E | 0.0% | -4.9% | +4.9 p. p. |
| EBITDA | 2,141 | 1,071 | -50.0% |
| EBITDA margin | 30.9% | 20.8% | -10.1 p. p. |
| Net profit margin | 22.6% | 12.0% | -10.6 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Assigned dividends (share of the State) | 1,244 | 1,337 | +7.4% |

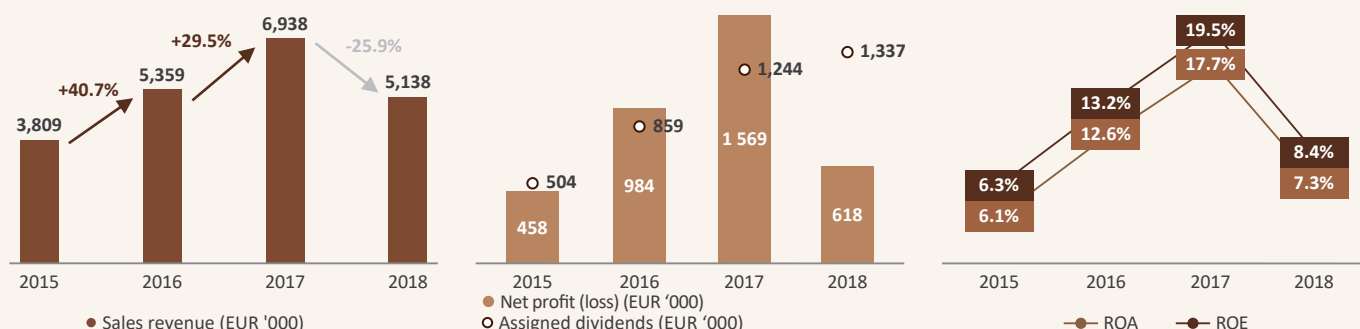
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 107 | 99 | -7.5% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 3,300 | 3,300 | 0.0% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of Transport and Communications of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|--------------------|
| Director General | Artūras Palekas |
| Chairman of the Board of Directors | Arvydas Darulis* |
| Members of the Board of Directors | Rolandas Oginskas* |

*Independent member



UAB Universiteto vaistinė

www.universitetoaistine.eu



Retail trade in medicines, medicinal substances and narcotic and psychotropic medications, production of extemporaneous and dermatological medicines, production of eye drops, etc.

- ↑ Sales revenue grew by 10.7%
- ↑ EUR 75.9 thousand net profit was earned in 2018
- ↑ Return to the State increased by EUR 29.1 thousand and equalled EUR 57 thousand

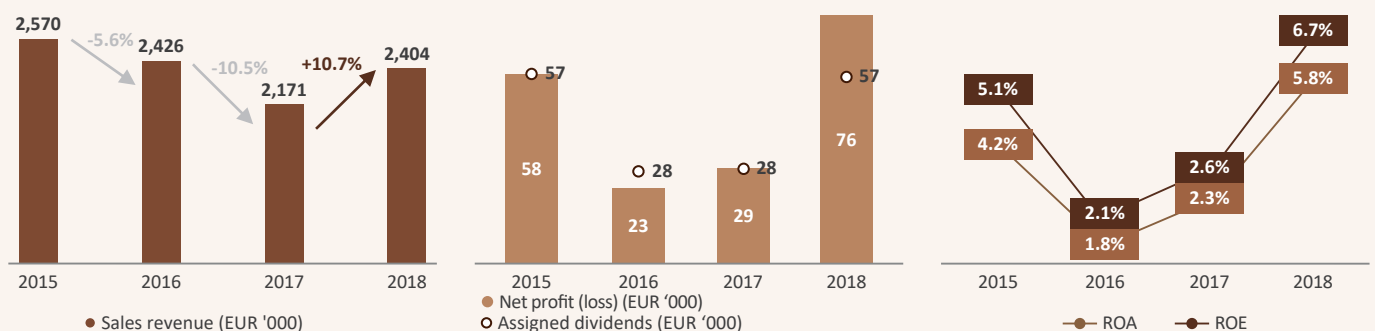
The rising scope of services in 2018 pushed the Company's sales revenue up by 10.7% or EUR 232.8 thousand. Over the reference year, the Company generated its revenue from medicines, medical aids and cosmetics, all sold across its five outlets, as well as medicines produced, and narcotic medicines sold in three of its outlets. In 2018, the Company was also handling e-prescriptions, which improved the quality of the Company's services.

Compared with 2017, when the costs had amounted to EUR 2,138 thousand, there was a 7.6% rise equalling EUR 175.8 thousand recorded, i.e. up to EUR 2,313.8 thousand. This was mainly down to the rising cost of goods sold, which saw a 12.4% rise up to EUR 1,708.7 thousand, due to the growth of business volumes. The general and administrative expenses declined by 2.0% against the previous reference period with the decline having been affected by staff reduction leading to the drop in wage-related costs. The total annual payroll of the Company declined from EUR 336.9 thousand down to EUR 327.5 thousand because of the mentioned 11.8% drop in the number of staff and redundancy payments made, while the average salary of employees was EUR 875 and the average gross monthly salary of executives rose by 6.1% to reach EUR 1,768.

2018 saw the net profit almost double, which equalled EUR 75.9 thousand. Because of the rising profit of the Company, the indicators of return on equity and assets also increased by 4.1 percentage points (up 6.7%) and 3.5 percentage points (up 5.8%) respectively. EBITDA increased by 1.6 times over the year from EUR 36.8 thousand to EUR 96.0 thousand.

During the reference period, the Company's equity grew by 4.3% or EUR 48.0 thousand, which had increased by EUR 75.9 thousand due to the net profit for the current year but had declined by EUR 27.9 thousand because of the dividends transferred for 2017.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--------------|--------------|-----------------|
| Sales revenue | 2,171 | 2,404 | +10.7% |
| Cost of goods sold | 1,521 | 1,709 | +12.4% |
| Gross profit (loss) | 651 | 695 | +6.9% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 618 | 605 | -2.0% |
| Results of other activities | 0 | 0 | - |
| Net financial items | 0 | 0 | - |
| Profit (loss) before taxes | 33 | 90 | +171.2% |
| Corporation tax | 4 | 14 | +242.9% |
| Net profit (loss) | 29 | 76 | +160.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 718 | 716 | -0.2% |
| Current assets | 539 | 628 | +16.4% |
| Cash and cash equivalents | 207 | 262 | +26.4% |
| Deferred charges and accrued income | 6 | 5 | -8.6% |
| Total assets | 1,263 | 1,349 | +6.8% |
| Equity | 1,106 | 1,154 | +4.3% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 157 | 195 | +24.5% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 157 | 195 | +24.5% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,263 | 1,349 | +6.8% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.3% | 5.8% | +3.5 p. p. |
| ROE | 2.6% | 6.7% | +4.1 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 37 | 96 | +160.9% |
| EBITDA margin | 1.7% | 4.0% | +2.3 p. p. |
| Net profit margin | 1.3% | 3.2% | +1.8 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 28 | 57 | +104.3% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 34 | 30 | -11.8% |
| Number of executives | 4 | 4 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,667 | 1,768 | +6.1% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Health of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Rima Losinskaja |



AB Giraitės ginkluotės gamykla

www.ggg-ammo.lt

Production and sale of modern different-calibre ammunition

- **↑ Volume of products sold rose by 38.5%**
- **↑ Net profit increased to EUR 1.2 million**
- **↓ Company's liabilities fell by 7.5%**

Over the reference period, the volume of products sold rose by 38.5%. In 2018, military output represented 47.0%, while civil production, 48.0% of the total output sold.

In 2018, the Company earned EUR 9,407.6 thousand in sales revenue from operating activities, i.e. 36.4% or EUR 2,508.3 thousand more than a year ago, while maintaining its revenue growth trend. This was mainly down to the rising volume of output sales. Over the reference period, the Company also earned income from other activities. It earned EUR 229.0 thousand from the sale of non-current assets, which were no longer used in its business.

The cost of goods sold grew by 33.8% respectively and reached EUR 6,887.7 thousand at the end of the year. The primary and other materials making up ammunition accounted for 72.0% of the total costs of goods sold. Hence, the growth of product sales saw a rise in the production costs associated with those goods accordingly.

The rapid growth of product sales had a positive impact on the Company's net profit. **Over the year, the profit increased 1.9 times and amounted to EUR 1,175.3 thousand, as against EUR 406.0 thousand in 2017.**

The Company's cash balance in the bank was EUR 355.4 thousand at the end of 2017 and EUR 2,271.8 thousand at the end of the reporting year. The amount of funds saved by the Company rose 5.4 times over the year.

Over 2018, the Company's liabilities decreased by 7.5% EUR or 921.7 thousand and equalled EUR 11,394.3 thousand at the end of the year. The greatest part of the liabilities consisted of the long-term financial debt of the Ministry of Finance of the Republic of Lithuania – EUR 10,635.9 thousand and the interest charged for the current year, which amounted to EUR 139 thousand. Over the year, the Company's financial liabilities fell by 8.5% or EUR 1,011.0 thousand.

Good performance had a positive effect on the Company's financial ratios of return. The return on equity, which had amounted to 5.7% at the end of 2017, saw an increase of 9.1 percentage points and equalled 14.8% at the end of 2018. The return on assets ratio rose from 2.1% up to 5.9%.

The EBITDA indicator also saw a sharp increase and reached EUR 2,356.5 thousand, which was an increase of 66.6% or EUR 943 thousand more if compared to 2017. The positive effects are also reflected in the net profitability ratio, which amounted to 12.5% at the end of the year representing a rise by 6.6 percentage points.

The Company had not paid dividends for the previous years as it covered its losses accrued for the previous periods only in 2018. The results achieved in the reference period saw EUR 266.5 thousand assigned in dividends.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|----------------|
| Sales revenue | 6,899 | 9,408 | +36.4% |
| Cost of goods sold | 5,149 | 6,888 | +33.8% |
| Gross profit (loss) | 1,751 | 2,520 | +43.9% |
| Cost of sales | 72 | 62 | -14.1% |
| General and administrative expenses | 626 | 747 | +19.4% |
| Results of other activities | 0 | 229 | - |
| Net financial items | -628 | -575 | +8.4% |
| Profit (loss) before taxes | 425 | 1,365 | +221.0% |
| Corporation tax | 19 | 189 | +886.5% |
| Net profit (loss) | 406 | 1,175 | +189.5% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|---------------|
| Non-current assets | 13,643 | 13,075 | -4.2% |
| Current assets | 6,009 | 6,824 | +13.6% |
| Cash and cash equivalents | 355 | 2,272 | +539.2% |
| Deferred charges and accrued income | 19 | 25 | +31.9% |
| Total assets | 19,671 | 19,925 | +1.3% |
| Equity | 7,354 | 8,530 | +16.0% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 12,316 | 11,394 | -7.5% |
| Amounts payable after one year and other non-current liabilities | 11,516 | 10,726 | -6.9% |
| <i>Financial liabilities</i> | <i>11,336</i> | <i>10,636</i> | <i>-6.2%</i> |
| Amounts payable within one year and other current liabilities | 800 | 668 | -16.5% |
| <i>Financial liabilities</i> | <i>450</i> | <i>139</i> | <i>-69.1%</i> |
| Accrued expenses and deferred income | 1 | 1 | -37.5% |
| Total equity and liabilities | 19,671 | 19,925 | +1.3% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | 2.1% | 5.9% | +3.9 p. p. |
| ROE | 5.7% | 14.8% | +9.1 p. p. |
| D/E | 160.3% | 126.3% | -33.9 p. p. |
| EBITDA | 1,414 | 2,357 | +66.6% |
| EBITDA margin | 20.5% | 25.0% | +4.6 p. p. |
| Net profit margin | 5.9% | 12.5% | +6.6 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 0 | 266 | - |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 72 | 71 | -1.4% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,415 | 2,544 | +5.3% |

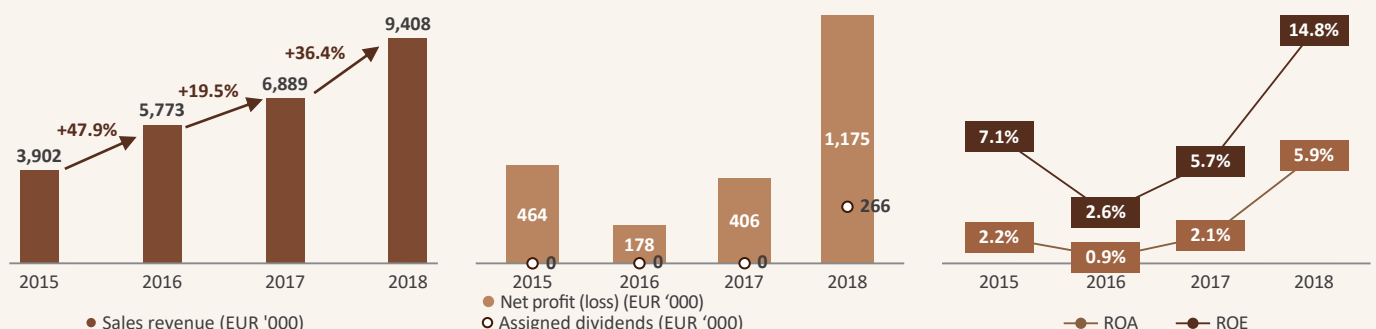
| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of Finance of the Republic of Lithuania ¹ | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|---|
| Director General | Aleksandras Nikonovas |
| Chairman of the Board of Directors | Vyngantas Sliesoraitis* |
| Members of the Board of Directors | Laima Kalinauskienė Remigijus Štaras* Eimundas Mačiulis* Asta Sinkevičienė |

*Independent member

¹- Until 3 of August, 2018, institution representing the state was VĮ Turto bankas.



UAB Investicijų ir verslo garantijos

www.invega.lt



Providing guarantees and soft loans, implementing venture capital investment facilities, partial reimbursement of interest, etc.

The Company owns 100% shares in its subsidiary UAB Kofinansavimas.

Special obligations: offering guarantees in the capacity of the guarantee body established by the State; functions of the implementing body and/or of the global grant manager; functions of the holding fund, the fund of funds and/or manager of individual financial engineering and financial instrument.

- **↑ Value of attracted investment was up by 153.0 million and reached EUR 299.3 million**
- **↓ Net profit decreased 28.2% and was equalling EUR 298.5 thousand**
- **↓ Return to the State fell by 34.5% and was EUR 204.4 thousand**

Major events:

- By virtue of Resolution No 1046 of the Government of the Republic of Lithuania of **17 October 2018**, the Company was charged with the functions of a national development body.
- Resolution No 278 of the Government of the Republic of Lithuania of **21 March 2018** capped the liabilities under the guarantees to be given at EUR 132 million.

As at the end of the reference period, the Group has had EUR 299.3 million of private funds attracted in the course of its business, i.e. the value of the attracted investment was up by EUR 153.0 million. The largest chunk of the sum (82.6% or EUR 246.9 million) was attracted as guarantee facilities with the remaining funds attracted through loan and venture capital instruments, which represented 9.9% and 7.6% accordingly of the total private funds attracted.

In 2018, the Company granted 994 individual, portfolio and export credit guarantees, which was 4.2% more than in 2017 when 954 guarantees had been issued. Within the structure of the guarantees provided, the major part – 55.8% was attributable to portfolio guarantees with their numbers rising 31.2% during the year, while individual guarantees, which represented 42.8% in the reporting period, declined by 20.0%.

Under multilateral agreements, the Company was charged with managing holding funds and the funds of funds, which managed assets valued at EUR 287.3 million, compared with the value of EUR 236.9 million a year ago. The greatest proportion (59.8% or EUR 171.9 million) comprised the assets owned by the holding fund INVEGOS fondas.

In 2018, the Group's sales revenue totalled EUR 3,460.5 thousand, which was 6.4% or EUR 208.2 thousand more than last year. The revenue from guarantees provided stood at EUR 1,373 thousand and represented 39.7% in the sales revenue structure. The remaining part – 60.3% of the sales revenue included the reimbursement of costs for the management of holding funds and funds along with the management of global grant facilities. Investing its temporarily available funds, the Group earned EUR 62.0 thousand in revenue from financing activities in 2018.

The Company falls under the category of non-commercial companies, which implement the State's social and political objectives undertaking activities of non-commercial nature. Hence, the objective of the Company's activities is not the pursuit of profit but rather a proper implementation of the delegated functions – providing financial and global grant facilities to businesses. Nevertheless, the declining revenue from guarantee and financing activities affected the net result of the Group. Its net profit suffered a 28.2% or EUR 117.4 thousand squeeze and equalled EUR 298.5 thousand. This also had an impact on the financial ratios of return: the return on equity, which was 2.6%, decreased by 1.0 percentage point during the year, and the return on assets, which was down by 0.6 percentage points, equalled 1.5%. The Group's net profit margin also slumped by 4.2 percentage points and amounted to 8.6%. The declining ratio of return on equity affected the value of the return to the State, which reduced by 34.5%. The State was assigned EUR 204.4 thousand in dividends for 2018, while the dividends declared for 2017 had reached 312 thousand.

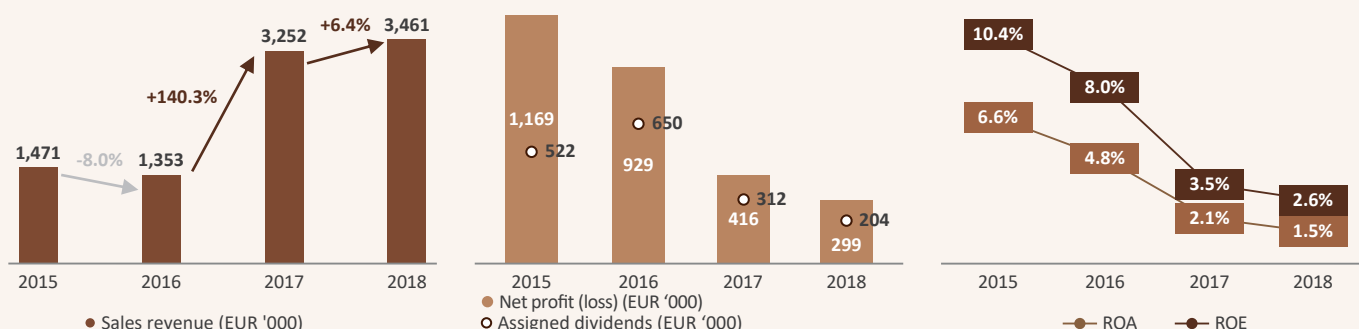
Over the reference period, the Group's assets grew by 5.4% or EUR 1.0 million and reached EUR 20.5 million at the end of the year. The vast proportion of the assets – around 68.0% was invested in long-term and short-term debt securities of the Government of the Republic of Lithuania with their value rising by 9.0% since 2017 and amounting to EUR 13.9 million. The asset growth was mostly affected by the Group's fixed assets up by 34.5% or EUR 3.3 million, which consisted of long-term bonds. The fixed assets totalling to EUR 13.2 million at the end of 2018 accounted for 64.5% of the total assets of the Group.

Over 2018, the Group's provisions increased by 21.0% or EUR 1,101.0 thousand totalling EUR 6,351 thousand. The changes in the portfolio of provided guarantees and in the provisions formation policy led to the rise of the value of special provisions for the guarantees.

In 2018, the Company invested EUR 20.7 thousand of own funds in its fixed tangible assets acquiring computer and office equipment. The reporting period also saw EUR 85 thousand worth of investment in the development of the Company's e-service integration system and the project for the robotic application assessment process. These investment costs were covered using the EU technical assistance funds and the State budget funds.

| PROFIT (LOSS) STATEMENT (EUR '000) | | | |
|---|---------------------|---------------|---------------|
| | 2017 | 2018 | CHANGE |
| Sales revenue | 3,252 | 3,461 | +6.4% |
| Cost of goods sold | 0 | 0 | - |
| Gross profit (loss) | 3,252 | 3,461 | +6.4% |
| Cost of sales | 863 | 826 | -4.3% |
| General and administrative expenses | 2,016 | 2,342 | +16.2% |
| Results of other activities | 0 | 0 | - |
| Net financial items | 124 | 58 | -52.9% |
| Profit (loss) before taxes | 498 | 351 | -29.4% |
| Corporation tax | 82 | 53 | -35.6% |
| Net profit (loss) | 416 | 299 | -28.2% |
| BALANCE SHEET (EUR '000) | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 9,773 | 13,213 | +35.2% |
| Current assets | 9,647 | 7,259 | -24.7% |
| Cash and cash equivalents | 2,419 | 1,745 | -27.9% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 19,420 | 20,472 | +5.4% |
| Equity | 11,633 | 11,576 | -0.5% |
| Grants and subsidies | 0 | 75 | - |
| Provisions | 5,250 | 6,351 | +21.0% |
| Amounts payable and other liabilities | 2,537 | 2,470 | -2.7% |
| Amounts payable after one year and other non-current liabilities | 861 | 804 | -6.6% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 1,676 | 1,666 | -0.6% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 19,420 | 20,472 | +5.4% |
| RATIOS | | | |
| | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 2.1% | 1.5% | -0.6 p. p. |
| ROE | 3.5% | 2.6% | -1.0 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 437 | 339 | -22.6% |
| EBITDA margin | 13.4% | 9.8% | -3.7 p. p. |
| Net profit margin | 12.8% | 8.6% | -4.2 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | | | |
| | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 312 | 204 | -34.5% |
| INFORMATION ABOUT EMPLOYEES | | | |
| | 2017 | 2018 | CHANGE |
| Number of employees | 48 | 52 | +8.3% |
| Number of executives | 2 | 3 | +50.0% |
| Average monthly salary of executives (gross, EUR) | 3,656 | 3,573 | -2.3% |
| SHAREHOLDERS | | | |
| State-owned interest | | 100% | |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of the Economy and Innovation of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Kęstutis Motiejūnas | | |
| Chairman of the Board of Directors | Nerijus Datkūnas* | | |
| Members of the Board of Directors | Gytis Bendorius* | | |
| | Alditas Saulius* | | |
| | Rita Armonienė | | |
| | Raimonda Eidžiūnė | | |
| Chairman of the Supervisory Board | Arūnas Čiulada* | | |
| Supervisory Board | Mantas Šukevičius* | | |
| | Laura Baškytė | | |
| | Osvaldas Šmitas | | |

*Independent member



Hazardous waste collection, transportation, temporary storage, incineration, hazardous waste disposal in landfills and other management

- **↑ Net profit, reaching EUR 446.3 thousand**
- **↓ Debts to credit institutions decreased by 18.9%**
- **↑ EBITDA increased by 30.3% up to EUR 793.6 thousand**

Major events:

- **On 1 January 2018**, an amendment to the Law on Environmental Pollution Tax came into force exempting the hazardous waste landfill operators from the pollution tax for removed hazardous waste (bottom and fly ash) generated following the incineration of hazardous waste.
- **12 January of the reference year** saw an amendment to the Law on Waste Management passed, whereby the Seimas established a new procedure for keeping records on waste and reporting.
- **On 21 August 2018**, the board of the Company made a decision to wind up its branches to optimise business.

During the reference period, the Company managed EUR 12.9 thousand tonnes of waste with the growth reaching 25.0%, of which 51.6% of the waste managed using innovations and new technologies included the waste safely buried in a hazardous waste landfill.

Although during the year the Company collected 11.3 thousand tonnes of hazardous waste, i.e. 3.9% less than in 2017, and its service volumes declined, however, **the sales revenue saw a slight rise (by 0.6%) and amounted to EUR 3,468.4 thousand**. This was mostly affected by a 4.4% rise in the weighted average price of hazardous waste collection. The largest part of the sales revenue structure was represented by the revenue from hazardous waste accepted for management, which accounted for 96.7% and reached EUR 3,354.6 thousand. The Company also earned revenue from the sale of electricity generated during the incineration of hazardous waste, but it represented merely 1.1% or EUR 37.5 thousand in 2018.

The Company's net profit totalled EUR 446.3 thousand in 2018 and, compared with 2017, increased more than 7 times. This was mainly affected by the growing result from the Company's financing and investing activities, which was EUR 212.3 thousand, and the introduced and invoked new waste management technologies. EUR 355.0 thousand worth of repaid assistance funds and the reimbursement of litigation costs in connection with the court ruling against the Environmental Project Management Agency (EPMA) concerning the losses suffered by the Company were recognised as the result from financing activities.

During the year, the Company's EBITDA increased by 30.3% and reached EUR 793.6 thousand at the end of the year. Significant growth of net profit led to a considerable change in the financial indicators: net profitability increased by 11.3 percentage points from 1.6% to 12.9%, and the growth of the return on equity reached 6.6 percentage points with the indicator rising up to 7.6%.

Since the Company started generating net profit only in 2017, which did not cover the losses accrued over the previous periods of business (the value of retained net loss was EUR 451.7 thousand at the beginning of the reference period, which represented 6.9% of the share capital), the Company should not pay dividends to its shareholders for 2018.

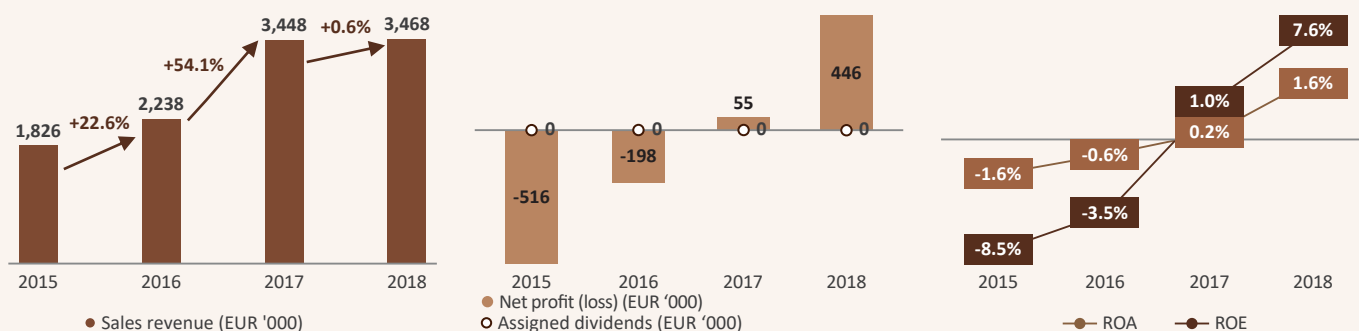
The investments in non-current assets amounted to EUR 595.5 thousand in 2018. Most of these investments (EUR 384.5 thousand) were dedicated to the scheduled repairs and maintenance of the hazardous waste incineration plant. The remaining investments were awarded for the acquisition of equipment (EUR 129.3 thousand) and the expansion and reconstruction of the site for the management of soil contaminated with oil products (EUR 81.7 thousand).

In 2018, the value of the Company's grants and subsidies amounted to EUR 18,673.6 thousand at the end of the period, which was 6.4% or EUR 1,268.6 thousand less than a year ago because the Company did not receive any new grants during the reference period. The Company's grants included the grants for the acquisition of fixed assets (EUR 557.3 thousand), grants for the acquisition of hazardous waste incineration plant under the project "Hazardous Waste Management in Lithuania" (EUR 17,070.6 thousand), which was funded using the funds from the budget of the Republic of Lithuania and the European Union Cohesion Fund contributions, and the grants for the acquisition of fixed assets under the project "Hazardous Waste Landfill Construction" (EUR 1,045.7 thousand) financed by the EU funds, all received in the previous years.

The debts to credit institutions totalled EUR 1,062.7 thousand at the end of 2018 (compared with EUR 1,310.7 thousand at the end of 2017). The balance of total debts outstanding to credit institutions during the year saw an 18.9% drop equivalent to EUR 248.0 thousand. **This led to the decline of the D/E ratio from 23.1% to 17.3%.**

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|---|---|---------------|----------------|
| Sales revenue | 3,448 | 3,468 | +0.6% |
| Cost of goods sold | 1,683 | 1,704 | +1.2% |
| Gross profit (loss) | 1,765 | 1,765 | 0.0% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 1,670 | 1,519 | -9.1% |
| Results of other activities | 9 | 5 | -38.6% |
| Net financial items | -58 | 212 | - |
| Profit (loss) before taxes | 46 | 464 | +914.4% |
| Corporation tax | -9 | 17 | - |
| Net profit (loss) | 55 | 446 | +710.0% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 27,451 | 26,153 | -4.7% |
| Current assets | 1,160 | 1,422 | +22.6% |
| Cash and cash equivalents | 524 | 358 | -31.6% |
| Deferred charges and accrued income | 104 | 107 | +3.6% |
| Total assets | 28,714 | 27,683 | -3.6% |
| Equity | 5,679 | 6,126 | +7.9% |
| Grants and subsidies | 19,942 | 18,674 | -6.4% |
| Provisions | 1,286 | 1,018 | -20.8% |
| Amounts payable and other liabilities | 1,802 | 1,862 | +3.3% |
| Amounts payable after one year and other non-current liabilities | 760 | 471 | -38.1% |
| <i>Financial liabilities</i> | 760 | 471 | -38.1% |
| Amounts payable within one year and other current liabilities | 1,042 | 1,391 | +33.5% |
| <i>Financial liabilities</i> | 550 | 592 | +7.5% |
| Accrued expenses and deferred income | 5 | 4 | -28.8% |
| Total equity and liabilities | 28,714 | 27,683 | -3.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 0.2% | 1.6% | +1.4 p. p. |
| ROE | 1.0% | 7.6% | +6.6 p. p. |
| D/E | 23.1% | 17.3% | -5.7 p. p. |
| EBITDA | 609 | 794 | +30.3% |
| EBITDA margin | 17.7% | 22.9% | +5.2 p. p. |
| Net profit margin | 1.6% | 12.9% | +11.3 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 0 | 0 | - |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 59 | 64 | +8.5% |
| Number of executives | 6 | 4 | -33.3% |
| Average monthly salary of executives (gross, EUR) | 2,534 | 3,102 | +22.4% |
| SHAREHOLDERS | | | |
| State-owned interest | | 92.51% | |
| Other shareholders | | 7.49% | |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of the Economy and Innovation of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Arūnas Dirvinskas | | |
| Chairman of the Board of Directors | Dangirutis Janušas* | | |
| Members of the Board of Directors | Valdemar Kačanovskij* Gerda Krukonienė | | |

*Independent member



UAB Lietuvos parodų ir kongresų centras LITEXPO

www.litexpo.lt



Major and the largest centre for exhibitions, congresses and other events in the Baltics

The Company owns 100% shares in UAB OVANTIS and UAB Litexpo events.

- ↑ In 2018, the Company held 15.0% more events
- ↑ Net profit rose by 32.2% up to EUR 934.4 thousand
- ↑ EBITDA indicator increased by 30.5% and equalled EUR 1,951.8 thousand

Major events:

- A resolution of the board approved a new management structure in June 2018. Subsequently, the Company ceased its activities associated with equipping and designing stands and abolished 26 positions related to the aforementioned activities.
- In August 2018, the Company acquired the remaining shares in UAB Litexpo infrastruktūra for EUR 7 thousand from its partner UAB Infrastruktūra LT.

During the course of its business in the reporting period, the Company held 1,452 events, of which 22 were international exhibitions, which was 15% more than in the previous reporting period. The exhibitions or other events held by the LITEXPO exhibitions and congress centre in 2018 were attended by 3,303 companies or participants, which included 536 foreign representatives. The number of participants was up by 15.0% during the year. This shows that companies choose LITEXPO as a reliable partner in order to raise awareness or brand uniqueness. The exhibitions attracted 305.6 thousand visitors.

The Group's sales revenue grew by 21.1% or EUR 1.3 million and reached EUR 7.3 million at the end of the year. Such revenue growth was significantly affected by the rise in the number of events held and a considerable increase in individual international exhibitions. The Company generated most of its revenue from holding exhibitions, i.e. EUR 3.4 million or 45.4% of the total revenue. And the revenue from holding conferences and events, which reached EUR 2.1 million, represented 28.5% in the total revenue structure.

With the growth of turnover, the Group's direct costs also saw a 22.4% rise. This was down to the increased costs of outsourced service staff and equipment hire costs attributable to the rise in the number of events. The greatest part of the total cost structure was represented by the Company's wage costs, which amounted to EUR 1.6 million or 25.7% of the total costs. The costs of management, the inter-exhibition activities and foreign exhibitions, etc. more than doubled over the year and accounted for EUR 790.5 thousand at the end of the year.

The EBITDA indicator rose by 30.5% or EUR 456.4 thousand over the year and equalled EUR 1,951.8 thousand at the end of the year. The growth of the indicator was mostly affected by the project for the reconstruction of Chamber I of the Company completed last year, which expanded the exhibition and conference areas by more than 2.3 thousand square metres, thereby significantly pushing up the asset depreciation costs.

In 2018, the Company's net profit grew by 32.2% or EUR 227.4 thousand and reached EUR 934.4 thousand. The growth was impacted by the rising volumes of services. Positive financial changes also led to a greater return to the State. For the performance in 2018, the Company assigned EUR 719.3 thousand in dividends, which was 46.1% or EUR 226.9 thousand more than for the performance achieved in 2017.

During the reference year, the Group invested EUR 1,074.0 thousand in its fixed assets, of which EUR 980.0 thousand was allocated for the car park to be built, while the remaining sum was used to acquire an interactive guidance system (EUR 62 thousand) and computer and conference equipment (EUR 32 thousand).

The value of current assets rose by EUR 224.5 thousand at the end of the reference year against the value last year and equalled EUR 1,058.5 thousand. The main reason behind this was a EUR 134.2 thousand rise in trade debtors' item from the activities related to holding conferences. It was also affected by the increase of cash in the current account by 32.5% or EUR 139.2 thousand. 2018 saw a rise in the equity of the LITEXPO Group because of the retained earnings increased 3.7% and was worth EUR 271 thousand.

The Company's liabilities dropped 3.3% and equalled EUR 6.6 million. 89.7% or EUR 5.9 million of total liabilities consisted of financial debts to credit institutions, whose decline attributable to the launch of the loan repayment also determined the drop of the D/E rate down to 47.5%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|---------------|
| Sales revenue | 6,068 | 7,349 | +21.1% |
| Cost of goods sold | 4,092 | 5,007 | +22.4% |
| Gross profit (loss) | 1,976 | 2,341 | +18.5% |
| Cost of sales | 44 | 45 | +2.7% |
| General and administrative expenses | 1,143 | 1,223 | +7.0% |
| Results of other activities | 31 | 17 | -45.2% |
| Net financial items | -41 | -53 | -29.5% |
| Profit (loss) before taxes | 779 | 1,037 | +33.2% |
| Corporation tax | 72 | 102 | +42.5% |
| Net profit (loss) | 707 | 934 | +32.2% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|----------------|
| Non-current assets | 19,548 | 19,486 | -0.3% |
| Current assets | 834 | 1,059 | +26.9% |
| Cash and cash equivalents | 428 | 567 | +32.5% |
| Deferred charges and accrued income | 61 | 58 | -4.4% |
| Total assets | 20,443 | 20,603 | +0.8% |
| Equity | 11,630 | 12,066 | +3.7% |
| Grants and subsidies | 1,988 | 1,874 | -5.7% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 6,806 | 6,584 | -3.3% |
| Amounts payable after one year and other non-current liabilities | 4,954 | 4,771 | -3.7% |
| <i>Financial liabilities</i> | 4,954 | 4,771 | -3.7% |
| Amounts payable within one year and other current liabilities | 1,852 | 1,812 | -2.1% |
| <i>Financial liabilities</i> | 954 | 954 | 0.0% |
| Accrued expenses and deferred income | 20 | 79 | +299.0% |
| Total equity and liabilities | 20,443 | 20,603 | +0.8% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 3.8% | 4.6% | +0.7 p. p. |
| ROE | 6.2% | 7.9% | +1.7 p. p. |
| D/E | 50.8% | 47.5% | -3.3 p. p. |
| EBITDA | 1,495 | 1,952 | +30.5% |
| EBITDA margin | 24.6% | 26.6% | +1.9 p. p. |
| Net profit margin | 11.6% | 12.7% | +1.1 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 492 | 719 | +46.1% |

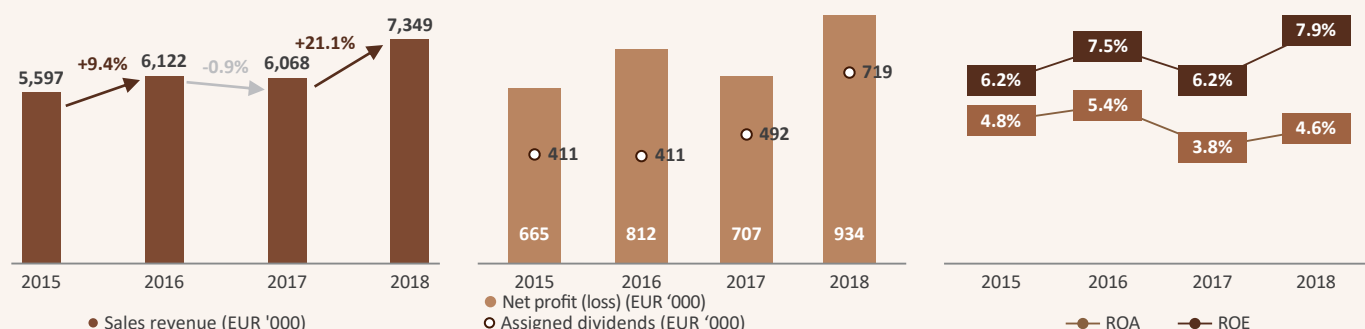
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 113 | 84 | -25.7% |
| Number of executives | 5 | 5 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,649 | 2,929 | +10.6% |

| SHAREHOLDERS | |
|----------------------|--------|
| State-owned interest | 98.76% |
| Other shareholders | 1.24% |

| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of the Economy and Innovation of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|--|
| Director General | Justinas Bortkevičius |
| Chairman of the Board of Directors | Giedrė Kaminskaitė-Salters* |
| Members of the Board of Directors | Juras Veželis* Vytautas Dobilas* Lidija Bajarūnienė Rūta Jovaišienė |

*Independent member



UAB poilsio namai Baltija

www.baltijahotel.lt



Accommodation services, rehabilitation treatment, palliative and outpatient rehabilitation, commercial treatment services, holding conferences and workshops, etc.

- ↓ Sales revenue dropped by 66.6% and equalled EUR 200.2 thousand
- ↓ Net loss diminished by 32.8%
- ↑ Liabilities increased by 14.6%

Major events:

- By virtue of the resolution of the board of **20 March 2017**, a decision was taken to limit the Company's activities from 15 September 2017.
- Following Resolution No 161 of the Government of the Republic of Lithuania of **11 February 2015**, the Company's shares were included in the list of privatisation objects. An auction was held on 31 July 2019 which saw 100% shares in UAB Poilsio namai Baltija sold.

The Company directly manages the holiday homes Vyturys and Žilvinas. For the purpose of their maintenance, it had taken a credit of EUR 1.5 million from AB Šiaulių bankas back in April 2014. In 2018, the Company operated only in June to August providing accommodation services alone.

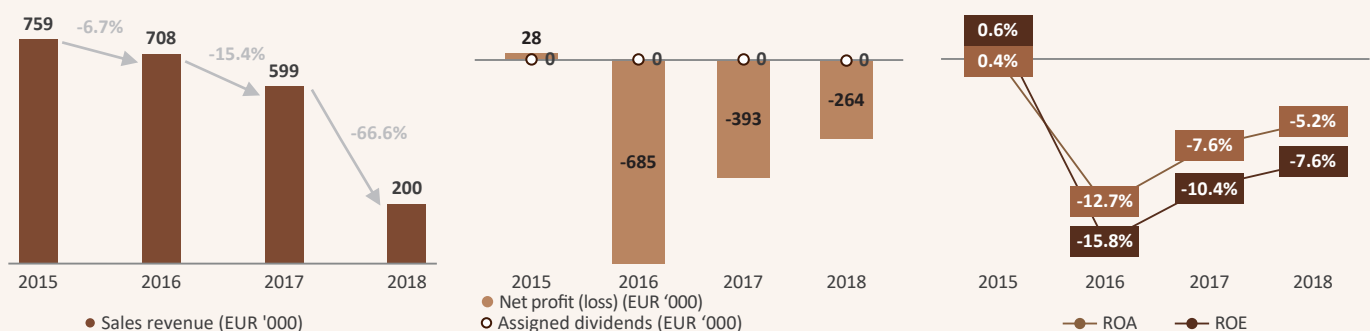
Due to the limitation of activities, the Company's sales revenue slumped by 66.6% or EUR 398.7 thousand in the reference period, compared with 2017. The drop of the sales revenue was highly affected by the withdrawn treatment services, which had generated the largest income in 2017 representing 56.2% in the total sales revenue structure, which was equivalent to EUR 336.8 thousand. Therefore, in 2018, the majority of sales revenue (as much as 87.3%), i.e. EUR 175.0 thousand, came from accommodation services.

The limitations of activities led to the dropping cost of goods sold accordingly, which decreased by EUR 512.5 thousand or 93.3% during the year and amounted to EUR 36.9 thousand. Such a substantial change was determined by the food acquisition costs and costs associated with treatments and wages, which fell under the cost of sales and which had not been incurred.

Although the Company's losses decreased by 32.8% or EUR 129.1 thousand in 2018, but the net result was still negative standing at EUR 264.3 thousand at the end of the year. The decrease of the net loss had a positive impact on the EBITDA indicator too, which remained negative, i.e. EUR -74.0 thousand. The ratios of return on equity and on assets improved but remained negative at -7.6% and -5.2% respectively.

The Company's current assets grew from EUR 10.9 thousand to by EUR 45.4 thousand because of a significant increase of cash and cash equivalents making up 89.9% of all reported current assets. The Company had assets worth EUR 4.9 million mortgaged against its non-current liabilities to credit institutions, with the value of liabilities reaching EUR 1,283.4 thousand at the end of 2018. Because of a 13.0% rise in financial liabilities, the Company's D/E ratio increased to 38.5%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--------------|--------------|--------------------------|
| Sales revenue | 599 | 200 | -66.6% |
| Cost of goods sold | 549 | 37 | -93.3% |
| Gross profit (loss) | 50 | 163 | +229.9% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 400 | 379 | -5.4% |
| Results of other activities | 0 | 0 | - |
| Net financial items | -49 | -63 | -27.1% |
| Profit (loss) before taxes | -400 | -278 | +30.5% |
| Corporation tax | -7 | -14 | -107.5% |
| Net profit (loss) | -393 | -264 | +32.8% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 5,097 | 4,956 | -2.8% |
| Current assets | 11 | 45 | +316.5% |
| Cash and cash equivalents | 9 | 41 | +358.4% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 5,108 | 5,002 | -2.1% |
| Equity | 3,598 | 3,333 | -7.3% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 336 | 322 | -4.1% |
| Amounts payable and other liabilities | 1,175 | 1,347 | +14.6% |
| Amounts payable after one year and other non-current liabilities | 1,136 | 1,283 | +13.0% |
| <i>Financial liabilities</i> | 1,136 | 1,283 | +13.0% |
| Amounts payable within one year and other current liabilities | 40 | 63 | +59.8% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 5,108 | 5,002 | -2.1% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | -7.6% | -5.2% | +2.3 p. p. |
| ROE | -10.4% | -7.6% | +2.7 p. p. |
| D/E | 31.6% | 38.5% | +6.9 p. p. |
| EBITDA | -190 | -74 | +61.1% |
| EBITDA margin | -31.8% | -37.0% | -5.2 p. p. |
| Net profit margin | -65.7% | -132.0% | -66.3 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 0 | 0 | - |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 9 | 5 | -44.4% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,712 | 2,486 | +45.2% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 100% |
| INSTITUTION REPRESENTING THE STATE | | | |
| VĮ Turto bankas | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Sigutė Dindaitė-Kairienė |



AB Vilniaus metrologijos centras

www.vmc.lt


Initial and periodic testing of measuring instruments falling under the category of legal, scientific and industrial metrology, and calibration of measuring instruments

- Net profit fell by 57.7%
- General and administrative expenses saw a 40.8% rise
- EBITDA declined by 30.8% or EUR 249 thousand

Major events:

- Under Letter No 37.10-171)-3-89 of **7 March 2018**, the Chancellor of the Ministry of Economy confirmed that the Company qualified as a contracting authority.
- Pursuant to the Decree of the Minister of the Economy and Innovation (the authority representing the shareholder) of **7 March 2019**, Vilniaus metrologijos centras had its articles of association amended since the objectives of the Company's activities had changed (the objectives to Create, store and improve state standards and to Carry out the functions of the fund for verification methodologies were deleted).

During the course of its business in the reference period, the Company undertook 386 thousand metrological verifications, which was 6.2% more than a year ago. The number of calibration services also grew and reached 21 thousand – 2.2% more than in 2017. The rising quantity of metrological verifications of measuring instruments and measuring instrument calibrations was affected by the growing number of the Company's customers.

In 2018, the Company earned EUR 3,476.2 thousand in revenue that was 2.5% or EUR 83.3 thousand more than during the previous reference period. The revenue from ordinary activities accounted for 97.0% (equalling EUR 3,370.2 thousand) of all revenue earned and stood 2% higher than in 2017. The revenue from other activities also grew by 19.7% and reached EUR 105.6 thousand.

Over the reference period, the Company sustained EUR 3,197.6 thousand in costs, i.e. EUR 350.2 thousand more than in 2017, when the number had been at EUR 2,847.4 thousand. The biggest rise (40.8%) was observed in the general and administrative expenses, which accounted for 37.0% of the costs. **The cost growth was mainly affected by the modifications made in the accounting policy and the costs incurred in relation to the revaluation of fixed tangible assets because of impairment, which amounted to EUR 322.0 thousand.**

The cost rise also led to a considerable squeeze in the net profit equalling 57.7%. At the end of the reference period, the net profit stood at EUR 195.3 thousand while the number had equalled EUR 461.3 thousand at the end of 2017. The decline was also attributable to the rise in costs, which are independent of the Company's activities.

Over 2018, the value of provisions increased more than 2.5 times and added up to EUR 422.9 thousand. Such a considerable rise was mainly affected by the deferred corporation tax, which was recorded in 2018 because of the revaluation of buildings, and it was additionally adjusted taking account of the building book and rateable values on the last day of the year.

From 2019, the Company will no longer receive any budget appropriations as previously granted by the Ministry of the Economy and Innovation of the Republic of Lithuania for the following instrument: "To create and maintain state standards and state laboratories" under the programme for economic development and improvement of competitiveness 2019-2021. In 2018 and 2017, this programme attracted EUR 31.3 thousand in appropriations from the Ministry of the Economy and Innovation, which was used to reduce the costs associated with the maintenance of state standards.

Worse performance is also reflected in the Company's financial ratios of return: the drop in the return on equity, with the ratio amounting to 3.3%, equalled 5.0 percentage points, while the return on assets was 4.7 percentage points less and comprised 3.0%. The fall resulted mainly from the shrinking net profit.

The EBITDA indicator was 30.8% less on the last day of 2018 than a year ago and amounted to EUR 557.4 thousand.

In 2018, the Company made EUR 90.5 thousand worth of investments using own funds in its non-current tangible assets (EUR 75.0 thousand) and intangible assets (EUR 15.5 thousand).

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|---------------|
| Sales revenue | 3,306 | 3,370 | +2.0% |
| Cost of goods sold | 2,007 | 2,013 | +0.3% |
| Gross profit (loss) | 1,299 | 1,357 | +4.5% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 840 | 1,183 | +40.8% |
| Results of other activities | 87 | 104 | +19.7% |
| Net financial items | 0 | 0 | - |
| Profit (loss) before taxes | 546 | 279 | -48.9% |
| Corporation tax | 84 | 83 | -1.1% |
| Net profit (loss) | 461 | 195 | -57.7% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Non-current assets | 3,563 | 4,153 | +16.6% |
| Current assets | 2,410 | 2,739 | +13.7% |
| Cash and cash equivalents | 2,039 | 2,446 | +20.0% |
| Deferred charges and accrued income | 43 | 37 | -13.8% |
| Total assets | 6,015 | 6,929 | +15.2% |
| Equity | 5,667 | 6,346 | +12.0% |
| Grants and subsidies | 2 | 0 | -100.0% |
| Provisions | 158 | 423 | +167.8% |
| Amounts payable and other liabilities | 189 | 160 | -15.4% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 189 | 160 | -15.4% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 6,015 | 6,929 | +15.2% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 7.7% | 3.0% | -4.7 p. p. |
| ROE | 8.2% | 3.3% | -5.0 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 806 | 557 | -30.8% |
| EBITDA margin | 24.4% | 16.5% | -7.8 p. p. |
| Net profit margin | 14.0% | 5.8% | -8.2 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 336 | 311 | -7.6% |

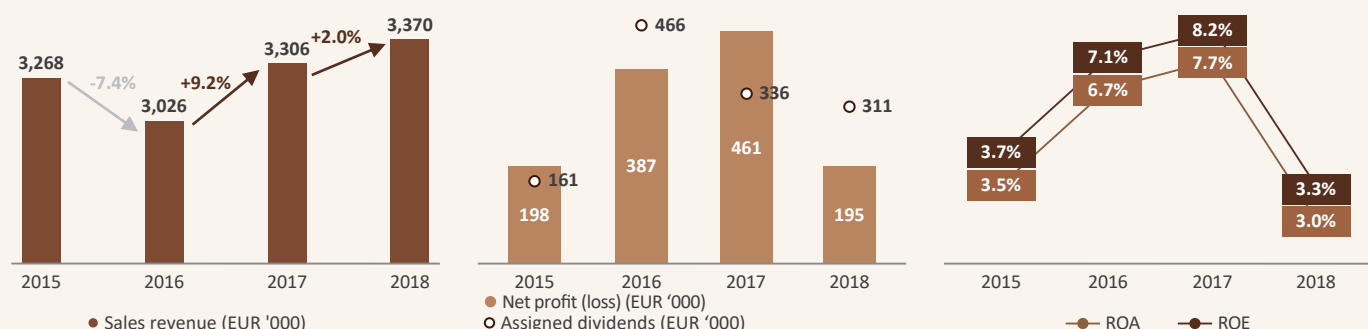
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 143 | 123 | -14.0% |
| Number of executives | 3 | 2 | -33.3% |
| Average monthly salary of executives (gross, EUR) | 2,323 | 2,199 | -5.3% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|---|--|
| Ministry of the Economy and Innovation of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|--|
| Director General | Rūta Klevėnė |
| Chairman of the Board of Directors | Kęstutis Motiejūnas* |
| Members of the Board of Directors | Laimis Jančiūnas* Lina Jakimavičienė Darius Grėbliauskas |

*Independent member



AB Jonavos grūdai

www.jonavosgrudai.lt



Storage and trade in grain and oilseed rape

Special obligations: storage of the State stockpile (wheat and rye) reserve; storage of the State stockpile (sugar) reserve

- ↓ Intake of grain declined by 29.2% over the reporting year
- ↑ Sales revenue grew by 28.5% and reached EUR 7.3 million
- ↓ Net profit, which stood at EUR 458.5 thousand, slumped by 51.2%

Major events:

- Following the resolution of the shareholders, the Company had its share capital increased by 6.3% up to EUR 5,045 thousand in 2018.

The reference period saw the intake of 80.0 thousand tonnes of grain and oilseed rape, while the number had stood at 113.4 thousand tonnes in 2017, i.e. 29.4% or 33.4 thousand tonnes less grain was accepted. Such results were mainly caused by the drought, which had affected cereal yields, sending it into a 25–30% decline compared with the yield in 2017. With the grain storage time becoming shorter and with increasing competition between storage terminals, the sale of grains has become one of the main sources of revenue and profits.

During 2018, the Company earned EUR 7,324.5 thousand in revenue, i.e. 28.5% or EUR 1,624.3 thousand more than last year. During the reference period, the Company sold 30.4 tonnes of grain, while the number had been 17.9 tonnes of grain during the same period last year. The revenue from grain sales and grain storage were respectively EUR 5,702.5 thousand and EUR 693.9 thousand. It accounted for 87.3% of the total revenue structure. In terms of the total income structure, the revenue from grain drying/cleaning, which stood at EUR 397.1 thousand and represented 5.0% in 2018, had a significant decrease, while it had made up 16.8% of the sales revenue or EUR 955.2 thousand in 2017. This downtrend was attributable the fact that 2018 was the driest crop year over the past five years and the fact that private farms were expanding their personal storage areas and the infrastructure necessary for initial grain processing year on year.

The Company's cost of goods sold increased by 52.8% or EUR 2,154.1 thousand and reached EUR 6,233.9 thousand. This was affected by 59.0% in increased volume of grain sold. The cost of grain was also affected by the fact that the grain yield available on the market was around that 25–30% less in 2018 and by a 25–35% rise in the grain price at the time of purchase.

Faster growing cost of goods sold had a negative impact on the Company's net profit, which shrank by 51.2%. At the end of the reference period, the net profit stood at EUR 458.5 thousand while the number had been EUR 940.4 thousand at the end of 2017. The drop was caused by the drought, which took place in summer and directly affected the results of both the Company's activities and the whole of market.

The Company's EBITDA was EUR 969.9 thousand during the reference year, which was a decline by 31.2% or EUR 440.5 thousand if compared with 2017, while the net profit margin dropped by 10.2 percentage points down to 6.3%.

Because of the shrinking net profit, the Company's financial ratios were also in decline: the return on equity, which was at 7.3%, saw a decline of 7.8 percentage points, whilst the return on assets decreased by 7.1 percentage points and amounted to 6.9%.

The dividends assigned for the performance in 2018 slumped by 42.8% equalling EUR 296 thousand because of the Company's poorer performance.

In 2018, the Company significantly reduced the number of employees from 53 to 44. The reduction in the number of employees is related to improved efficiency of working arrangements, more balanced workloads, improving level of productivity and equipment modernisation.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|--------------|---------------|
| Sales revenue | 5,700 | 7,325 | +28.5% |
| Cost of goods sold | 4,080 | 6,234 | +52.8% |
| Gross profit (loss) | 1,620 | 1,091 | -32.7% |
| Cost of sales | 17 | 14 | -17.8% |
| General and administrative expenses | 548 | 535 | -2.5% |
| Results of other activities | 52 | 61 | +16.8% |
| Net financial items | 1 | -52 | - |
| Profit (loss) before taxes | 1,109 | 551 | -50.3% |
| Corporation tax | 168 | 93 | -45.0% |
| Net profit (loss) | 940 | 459 | -51.2% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Non-current assets | 3,389 | 3,512 | +3.6% |
| Current assets | 3,521 | 2,947 | -16.3% |
| Cash and cash equivalents | 604 | 352 | -41.7% |
| Deferred charges and accrued income | 8 | 9 | +18.2% |
| Total assets | 6,918 | 6,468 | -6.5% |
| Equity | 6,395 | 6,116 | -4.4% |
| Grants and subsidies | 57 | 48 | -15.4% |
| Provisions | 81 | 101 | +23.9% |
| Amounts payable and other liabilities | 372 | 203 | -45.4% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 372 | 203 | -45.4% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 12 | 0 | -100.0% |
| Total equity and liabilities | 6,918 | 6,468 | -6.5% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | 14.0% | 6.9% | -7.1 p. p. |
| ROE | 15.1% | 7.3% | -7.8 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 1,410 | 970 | -31.2% |
| EBITDA margin | 24.7% | 13.2% | -11.5 p. p. |
| Net profit margin | 16.5% | 6.3% | -10.2 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 517 | 296 | -42.8% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 53 | 44 | -17.0% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,880 | 3,317 | +15.2% |

SHAREHOLDERS

| | |
|----------------------|--------|
| State-owned interest | 70.13% |
| Other shareholders | 29.87% |

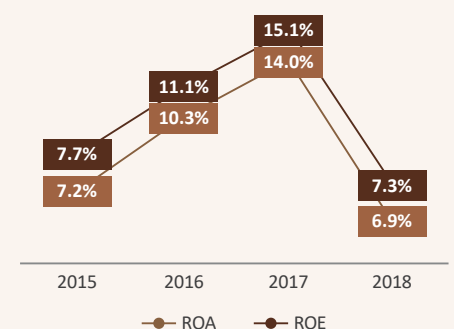
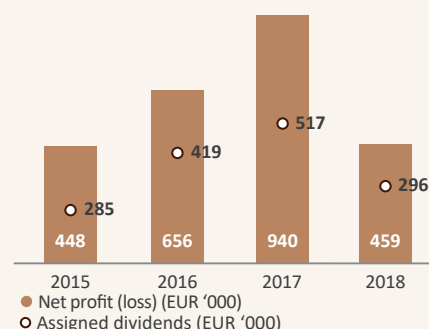
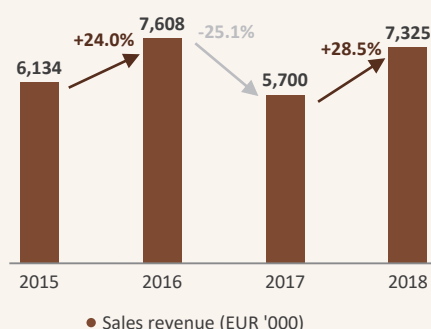
INSTITUTION REPRESENTING THE STATE

Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|---|--|
| Director General | Paulius Kaselis |
| Chairman of the Board of Directors | Jurij Kornijenko |
| Members of the Board of Directors | Jonas Lisauskas Tomas Urbonas Arnoldas Saldys* Gedvidas Belickas* |

*Independent member



AB Lietuvos veislininkystė

www.veislita.lt



Selection of breeding bulls, rearing, and sperm bank

- **↑ Company's sales revenue, which saw a 19.2% rise, reached EUR 1,489.3 thousand**
- **↑ Net profit grew by 21.5% and reached EUR 110.3 thousand**
- **↑ Assigned dividends increased by 3.4% and were EUR 81.0 thousand**

In the course of its business over 2018, the Company sold 237.5 thousand doses of bull semen. **In 2018, the average selling price for 1 dose was EUR 5.69 and, compared with 2017, increased by EUR 1.06 euro or 18.6%.** Over the year, there were 155,507 doses of breeding bull semen accumulated; the number, as revealed by the Company in its annual report, could be significantly greater. However, the Company has not fully made use of its technical and financial capacities because of the poor situation on the market. In addition, 46 breeding bulls were acquired during the reference period.

During the reference period, the Company earned EUR 245.4 thousand or 19.7% more in sales revenue than in the previous period; the revenue stood at EUR 1,489.3 thousand in 2018. The largest influence and weighting in its sales revenue structure (90.7%) were attributable to the revenue from the bull semen sold, which was an increase, if compared with 2017, by 21.4% or EUR 238.1 thousand. Furthermore, the Company received subsidies for bulls and arable crop payments, which equalled EUR 49.1 thousand, in comparison to EUR 63.0 thousand received in 2017.

Over 2018, the Company's liabilities rose by 18.9% EUR or EUR 230.2 thousand and reached EUR 1,445.1 thousand at the end of the year. The increasing costs were caused by the growth of cost of goods sold by EUR 85.1 thousand or 13.7% and an increase in the general and administrative expenses by EUR 144.5 thousand or 24.4%. The increase in the cost of goods sold was also affected by the rising cost of the bull semen representing 13.7% or EUR 88.1 thousand. The general and administrative expenses increased because of the administrative roof repairs, fully repaired quarantine facilities for the bulls and a rise in wage costs, all included in the afore-mentioned costs.

The rising sales revenue had a positive impact on the Company's net profit, which saw a 21.5% improvement and reached EUR 110.3 thousand at the end of the reporting year. The EBITDA growth was 19.0% or EUR 26.4 thousand with the ratio totalling EUR 165.6 thousand.

The positive performance of the Company is also reflected in the financial ratios of return. **The return on equity, which had stood at 6.2% during the previous reference period, increased by 1.2 percentage points and equalled 7.4% at the end of 2018.** The return on equity grew to 6.3% at the end of the year.

The dividends assigned for the performance in 2018 reached EUR 81 thousand, i.e. 3.4% more than for the performance in 2017, when a sum of EUR 78.4 thousand had been assigned for this purpose.

In 2018, the investment totalled EUR 16.0 thousand, which was used to purchase two second-hand cars (EUR 6.0 thousand) and the equipment to facilitate the work.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 1,244 | 1,489 | +19.7% |
| Cost of goods sold | 621 | 706 | +13.7% |
| Gross profit (loss) | 623 | 783 | +25.7% |
| Cost of sales | 1 | 0 | -50.0% |
| General and administrative expenses | 593 | 737 | +24.4% |
| Results of other activities | 70 | 81 | +16.6% |
| Net financial items | 2 | -1 | - |
| Profit (loss) before taxes | 100 | 126 | +25.4% |
| Corporation tax | 10 | 16 | +62.5% |
| Net profit (loss) | 91 | 110 | +21.5% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 260 | 225 | -13.4% |
| Current assets | 1,484 | 1,508 | +1.6% |
| Cash and cash equivalents | 385 | 362 | -6.1% |
| Deferred charges and accrued income | 4 | 5 | +16.7% |
| Total assets | 1,748 | 1,738 | -0.6% |
| Equity | 1,485 | 1,516 | +2.1% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 263 | 222 | -15.6% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 263 | 222 | -15.6% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,748 | 1,738 | -0.6% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 5.4% | 6.3% | +0.9 p. p. |
| ROE | 6.2% | 7.4% | +1.2 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 139 | 166 | +19.0% |
| EBITDA margin | 11.2% | 11.1% | -0.1 p. p. |
| Net profit margin | 7.3% | 7.4% | +0.1 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 78 | 81 | +3.4% |

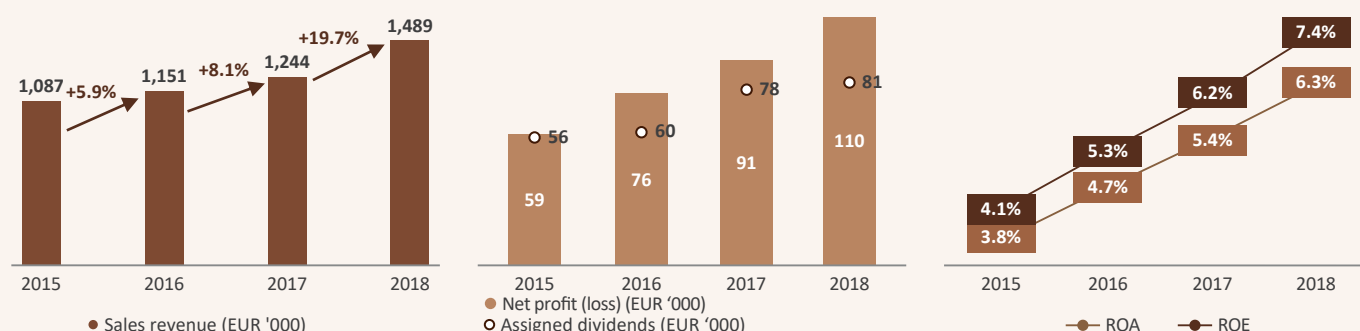
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 36 | 37 | +2.8% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,419 | 3,044 | +25.8% |

| SHAREHOLDERS | |
|----------------------|--------|
| State-owned interest | 98.95% |
| Other shareholders | 1.05% |

| INSTITUTION REPRESENTING THE STATE | |
|--|--|
| Ministry of Agriculture of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|--|
| Director General | Gediminas Valiulis |
| Chairman of the Board of Directors | Evaldas Pranckevičius |
| Members of the Board of Directors | Vita Jurgilienė Modestas Vaznevičius Romanas Kančauskas* Vilius Žiogas* Evaldas Antaniūnas |

*Independent member



AB Kiaulių veislininkystė

www.kiauliuveislininkyste.lt

Kiaulių veislininkystė

Akcinė bendrovė

Controls the productivity of breeding pigs, their control fattening and slaughter, and carcass evaluation

- ↑ Number of pigs reared grew by 0.7% and reached 2,846 pigs
- ↓ Sales revenue, which amounted to EUR 847.2 thousand, fell by 34.3%
- ↓ Net profit margin dropped to -18.2%

At the end of the reference year, the Company, undertaking control fattening, had 238 pigs, while the count had been 189 at the end of 2017. The number of breeding boars remained the same as the Company had 6 of them, but the number of pigs being fattened dropped over the year by 1.1% or 30 pigs. **The total number of pigs reared grew by 0.7% and reached 2,846 pigs.**

2018 saw a decrease in the volume of services rendered by the Company as part of its special obligations. The number of controlled pigs dropped by 3.6% or 1,615 pigs, and the volume of assessments of the lean-meat content in breeding pigs fell by 30.2% or 848 pigs. This resulted in a EUR 25.3 thousand decline of the total revenue from special obligations undertaken in 2018 with the revenue amounting to EUR 173.2 thousand.

Despite the growing number of pigs reared, the Company's sales revenue went down by 34.3% or EUR 442.5 thousand in 2018 if compared with the last year, and equalled EUR 847.2 thousand. The main reason behind this was the fact that in 2018 there was EUR 4.7 thousand worth of pigs purchased for slaughter (while the value had been EUR 392.2 thousand in 2017) generating the revenue as follows: EUR 8.8 thousand in 2017 and EUR 425.8 thousand in 2018. The received amount of grants and subsidies, which was recognised as operating revenue, reached EUR 173.2 thousand, i.e. 20.4% of the sales revenue. Comparing with 2017, the decline of grants awarded to the Company in relation to the control of pig productivity amounted to 12.8%. The Company's main source of income was its sales revenue from the slaughterhouse output, which amounted to EUR 575.9 thousand or 68% of all income earned, and which saw a decline by 43.1% or EUR 435.5 thousand over the year.

During the year, the production costs dropped by 31.7% and amounted to EUR 1,004.9 thousand at the end of the year. The most noticeable decline was seen in the cost of goods sold with the cost amounting to EUR 756.4 thousand or 75.3% of the production costs. This was mostly determined by the cost of the slaughterhouse production sold, which slumped by 40.9% or EUR 452.1 thousand, and represented 86.2% of the cost of goods sold.

The Company's net result improved by 15.1%; yet, the end of the year still had a loss of EUR 153.8 thousand recorded. The financial ratios also evolved accordingly: over the year, EBITDA increased by 18.5% or EUR 22.9 thousand, but still remained negative at EUR 100.7 thousand, while the return on equity amounted to -12.6%. The Company's net profit margin fell from -14.0% down to -18.2% at the end of the year.

A considerable decline in the average salary of executives (from EUR 2,036 to EUR 725 monthly) was determined by the fact that the Company's director had held a 0.25 full-time equivalent approved for the period between 14 September 2017 and 16 November 2018.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|-------------|-------------|---------------|
| Sales revenue | 1,290 | 847 | -34.3% |
| Cost of goods sold | 1,181 | 756 | -36.0% |
| Gross profit (loss) | 109 | 91 | -16.3% |
| Cost of sales | 48 | 44 | -7.3% |
| General and administrative expenses | 242 | 204 | -15.8% |
| Results of other activities | 3 | 4 | +50.0% |
| Net financial items | -3 | -1 | +78.6% |
| Profit (loss) before taxes | -181 | -154 | +15.1% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | -181 | -154 | +15.1% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 1,329 | 1,273 | -4.0% |
| Current assets | 305 | 272 | -10.9% |
| Cash and cash equivalents | 2 | 2 | +12.5% |
| Deferred charges and accrued income | 1 | 1 | -53.8% |
| Total assets | 1,635 | 1,548 | -5.3% |
| Equity | 1,298 | 1,144 | -11.9% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 337 | 404 | +19.9% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 337 | 404 | +19.9% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,635 | 1,548 | -5.3% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | -10.9% | -9.7% | +1.2 p. p. |
| ROE | -13.0% | -12.6% | +0.5 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | -124 | -101 | +18.5% |
| EBITDA margin | -9.6% | -11.9% | -2.3 p. p. |
| Net profit margin | -14.0% | -18.2% | -4.1 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 0 | 0 | - |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|------|--------|
| Number of employees | 38 | 32 | -15.8% |
| Number of executives | 2 | 1 | -50.0% |
| Average monthly salary of executives (gross, EUR) | 2,036 | 725 | -64.4% |

SHAREHOLDERS

| | |
|----------------------|--------|
| State-owned interest | 98.95% |
| Other shareholders | 1.05% |

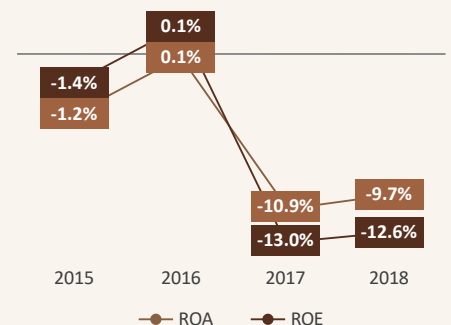
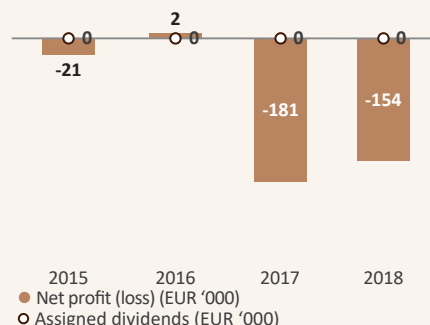
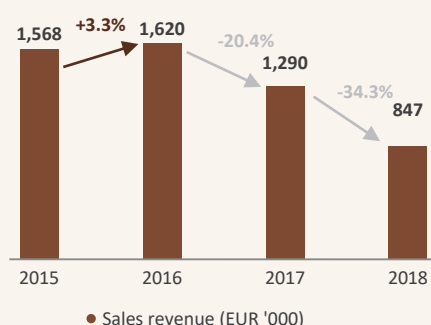
INSTITUTION REPRESENTING THE STATE

Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|------------------------------------|---|
| Director General | Vilius Rekšys |
| Chairman of the Board of Directors | Arūnas Šileika |
| Members of the Board of Directors | Darius Vilimas Evaldas Pranckevičius Algis Baravykas* Irmantas Povilauskas* Edmundas Adomavičius* |

*Independent member



UAB Lietuvos žirgynas

www.lietuvoszirgynas.lt



Preserving and improving the gene pool of Lithuanian equestrian breeds, horse care services, equestrian entertainment, horse training, horse sales, holding competitions, and insemination and mating services

- **↑ Company's sales revenue grew by 6.9% and reached EUR 694.9 thousand**
- **↓ Net profit fell by 87.9% or EUR 21 thousand**
- **↓ Financial liabilities fell by 36.7%**

Major events:

- In 2018, the Company signed a 36-month contract, valued at EUR 110.8 thousand, for stall hire and additional services with Vilnius County Chief Police Headquarters.

During the course of its business in 2018, the Company assessed 24 stallions and 29 mares in performance tests comparing with 28 stallions and 74 mares evaluated in 2017. The number of assessments of horse gains also declined by 13 and amounted to 55 at the end of the year. Such a decline of job volumes was down to the Company's desire to reduce costs unrelated to its main activities by abolishing the business of rearing of uncompetitive horse breeds. **During the reporting period, the Company had 137 foals born and 32 horses fallen. The Company purchased 3 and sold 173 horses. As a result of these changes, at the end of the reference year, the Company had 869 horses with their book value totalling EUR 706.5 thousand, while at the end of 2017 it had had 934 horses valued at EUR 726.7 thousand.**

In the reference period, the volume of the Company's sales and services from commercial activities totalled EUR 408.4 thousand, of which EUR 267.9 thousand, or 65.6%, was attributable to horse sales, whilst horse care and equestrian services as well as other revenue made up the remaining 34.4%. The Company's revenue also includes direct payments from the National Paying Agency for agricultural land and livestock, which comprised EUR 286.5 thousand in the reporting year or 5.9% or EUR 18.0 thousand lower than in 2017. **Over the year, the Company's sales revenue grew by 6.9% and reached EUR 694.9 thousand at the end of the year.**

Growing competition between the companies providing similar services and rising prices of resources adversely affected the Company's costs. **The costs related to livestock and crop production (cost of goods sold) was up by 41.1% and reached EUR 476.8 thousand.** This was mostly affected by a EUR 75.0 thousand lower payments made by the Ministry of Agriculture for reimbursement of costs with the sum of those payments amounting to EUR 803.0 thousand, and the cost of horse sales and services rendered, which was up by 45.8% or EUR 84.3 thousand. **The general and administrative expenses dropped by 23.9% and totalled EUR 196.2 thousand due to a significant decline of other general costs,** which were EUR 45.9 thousand in 2018 as opposed to EUR 107.4 thousand in 2017. The administration wage costs saw a more modest decline of 7.0% or by EUR 7.7 thousand.

The Company's costs, which grew faster than its revenue, had a negative impact on the net result, which slumped by 87.9% or EUR 21 thousand over the year and amounted to EUR 2.9 thousand at the end of the period. EBITDA was also down by 24.8% or EUR 34.9 thousand reaching EUR 106.1 thousand at the end of the year. Worse performance is also reflected in the Company's financial ratios of return: the return on equity, which amounted to 0.2% in the reference period, was down by 1.3 percentage points, while the return on assets was 1 percentage point less and stood at 0.1%. **For the performance in 2018, the assigned dividends amounted to EUR 4.7 thousand, and, compared with the amount assigned for the performance in 2017, was down by 75.0%.**

The Company's financial liabilities fell by 36.9% or EUR 33.1 thousand during the year. This was mainly determined by EUR 24.7 thousand worth of balloon payments paid to leasing companies in respect of the assets. This led to the decline of the Company's D/E ratio from 5.7% to 3.7%.

In 2018, the Company allocated EUR 21 thousand for investments in the necessary equipment. The book value of the grants related to fixed assets reached EUR 82.6 thousand in the reference period. In 2018, the accounts had a fixed asset grant of EUR 20.2 thousand recognised as the amount reducing depreciation.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 650 | 695 | +6.9% |
| Cost of goods sold | 338 | 477 | +41.1% |
| Gross profit (loss) | 312 | 218 | -30.1% |
| Cost of sales | 10 | 11 | +4.9% |
| General and administrative expenses | 258 | 196 | -23.9% |
| Results of other activities | -9 | 1 | - |
| Net financial items | -11 | -9 | +18.0% |
| Profit (loss) before taxes | 24 | 3 | -87.9% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | 24 | 3 | -87.9% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 1,288 | 1,199 | -6.9% |
| Current assets | 784 | 901 | +14.9% |
| Cash and cash equivalents | 20 | 138 | +591.5% |
| Deferred charges and accrued income | 22 | 10 | -54.0% |
| Total assets | 2,093 | 2,109 | +0.8% |
| Equity | 1,564 | 1,546 | -1.2% |
| Grants and subsidies | 103 | 83 | -19.6% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 427 | 481 | +12.7% |
| Amounts payable after one year and other non-current liabilities | 95 | 51 | -46.3% |
| Financial liabilities | 58 | 32 | -44.1% |
| Amounts payable within one year and other current liabilities | 333 | 430 | +29.4% |
| Financial liabilities | 32 | 25 | -23.9% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 2,094 | 2,109 | +0.8% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 1.1% | 0.1% | -1.0 p. p. |
| ROE | 1.5% | 0.2% | -1.3 p. p. |
| D/E | 5.7% | 3.7% | -2.1 p. p. |
| EBITDA | 141 | 106 | -24.8% |
| EBITDA margin | 21.7% | 15.3% | -6.4 p. p. |
| Net profit margin | 3.7% | 0.4% | -3.3 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 19 | 5 | -75.0% |

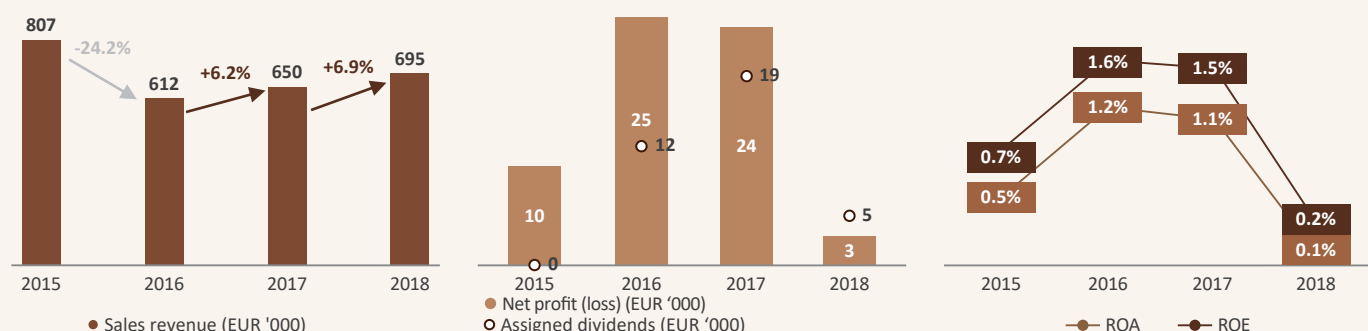
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 77 | 78 | +1.3% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,200 | 2,500 | +13.6% |

| SHAREHOLDERS | |
|----------------------|--------|
| State-owned interest | 89.61% |
| Other shareholders | 10.39% |

| INSTITUTION REPRESENTING THE STATE | |
|--|--|
| Ministry of Agriculture of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|---|
| Director General | Edgaras Jenina |
| Chairman of the Board of Directors | Jolita Čičiurkienė |
| Members of the Board of Directors | Raminta Sakalauskienė* Rūta Šlidžiauskaitė Tadas Švilpauskas Aloyzas Jaciunskas* |

*Independent member



UAB Panevėžio veislininkystė

www.panevezioveislininkyste.lt



Holding breeding animal auctions, exhibitions and fairs, cattle quarantining services and cattle resale to Lithuanian and foreign livestock farmers

- **↑ Company's sales revenue grew by 18.4% and reached EUR 1,500.0 thousand**
- **↑ Net result was up by EUR 129.0 thousand and reached EUR 26.8 thousand in net profit**
- **↑ Return on equity was up to 28.1%**

Major events:

- In 2018, the Company had its share capital reduced by EUR 56 thousand with the capital equalling EUR 160.8 thousand at the end of the year.
- In 2018, the Company made a contribution to the international specialised exhibition for agriculture and food industry Agrobalt2018 setting up a livestock farming pavilion.

During the course of its business in the reference period, the Company quarantined 307 head of breeding cattle, which was 37.1% or 83 head of cattle more than a year ago. The volumes of the services for the identification of genetic quality and productivity of farmed animals also saw a 13.6% rise and equalled 150 units. In addition, there was a slight (2.2% or 99 animal) increase in the number of cattle collected for foreign suppliers.

In 2018, the Company earned EUR 1,500.0 thousand in revenue, which was 18.4% or EUR 233.1 thousand more than during the previous reference period. The revenue growth was greatly affected by the revenue from cattle sales up by EUR 236.3 thousand, which reached EUR 1,353.0 thousand and represented 90.2% in the total sales revenue structure. The revenue from quarantining saw a significant rise from EUR 19.4 thousand in 2017 to EUR 92.7 thousand in 2018.

Growing service volumes led to a 9.3% rise in the cost of goods sold. These costs totalled EUR 1,348.1 thousand at the end of the reference period. The cost of cattle sold, which represented 95.5% in the total structure, increased by 18.5% and was EUR 1,287.5 thousand. The veterinary costs also rose considerably (from EUR 95 thousand in 2017 to EUR 20.3 thousand in 2018) and the costs associated with inventories (feed and straw) went up by EUR 17.5 thousand. A decline of the general and administrative expenses amounted to 15.2%. In contrast to the previous years, 2018 did not have any costs associated with bad debts recorded, which had been EUR 32.9 thousand in 2017 or 23.7% of the total general and administrative expenses.

Compared with 2017, the Company's net result improved by EUR 129.0 thousand and from a loss of EUR 102.2 thousand went up to EUR 26.8 thousand profits over the year. EBITDA rose by EUR 134.9 thousand and reached EUR 144.3 thousand, while it had been EUR 9.4 thousand in 2017. This also determined the rise in the return on equity to 28.1%. The positive changes are also reflected by the Company's net profitability, which went up by 9.9 percentage points during the year and amounted to 1.8% at the end of the year.

The reference period saw a drop in the Company's grant balance by 9.7% equalling EUR 920.9 thousand at the end of the year. EUR 99.6 thousand worth of grants were used over the year to upgrade and modernise assets, i.e. investments under the project "Development of the Centre for Livestock and Poultry Breed Value Calculation", all intended for the modernisation of farmed animal exhibitions and auctions as well as quarantining bases. The value of these grants had added up to EUR 1,019.5 thousand in 2017. Moreover, all State aid received worth EUR 182 thousand was used up. It was split between the project "Lithuanian Breeding Achievements 2018" (EUR 32.0 thousand) and the international specialised exhibition for agriculture and food industry Agrobalt2018 (EUR 150.0 thousand).

In 2018, the Company settled EUR 135.8 thousand worth of its liabilities, which totalled EUR 66.1 thousand at the end of the year. Over the year, the Company's trade creditors' item decreased by 52.5%, and the employment-related liabilities dropped by 33.2%. The reduction of financial liabilities equalled 23% because of the non-current financial liabilities declining from EUR 12.4 thousand to EUR 7.6 thousand. The D/E ratio changed accordingly dropping from 20.1% to 11.1%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|-------------|------------|----------------|
| Sales revenue | 1,267 | 1,500 | +18.4% |
| Cost of goods sold | 1,233 | 1,348 | +9.3% |
| Gross profit (loss) | 34 | 152 | +346.8% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 139 | 118 | -15.2% |
| Results of other activities | 3 | 0 | -89.7% |
| Net financial items | 0 | -6 | - |
| Profit (loss) before taxes | -102 | 28 | - |
| Corporation tax | 0 | 1 | - |
| Net profit (loss) | -102 | 27 | - |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 1,152 | 1,043 | -9.5% |
| Current assets | 150 | 53 | -64.5% |
| Cash and cash equivalents | 13 | 7 | -48.8% |
| Deferred charges and accrued income | 1 | 1 | -25.0% |
| Total assets | 1,304 | 1,097 | -15.9% |
| Equity | 82 | 109 | +32.8% |
| Grants and subsidies | 1,020 | 921 | -9.7% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 202 | 66 | -67.3% |
| Amounts payable after one year and other non-current liabilities | 12 | 8 | -38.7% |
| Financial liabilities | 12 | 8 | -38.7% |
| Amounts payable within one year and other current liabilities | 190 | 59 | -69.1% |
| Financial liabilities | 4 | 5 | +9.8% |
| Accrued expenses and deferred income | 0 | 1 | - |
| Total equity and liabilities | 1,303 | 1,097 | -15.9% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|--------------|
| ROA | -7.7% | 2.2% | +9.9 p. p. |
| ROE | -76.8% | 28.1% | +104.8 p. p. |
| D/E | 20.1% | 11.1% | -9.0 p. p. |
| EBITDA | 9 | 144 | +1,435.1% |
| EBITDA margin | 0.7% | 9.6% | +8.9 p. p. |
| Net profit margin | -8.1% | 1.8% | +9.9 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 0 | 0 | - |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 8 | 4 | -50.0% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,020 | 2,010 | -0.5% |

SHAREHOLDERS

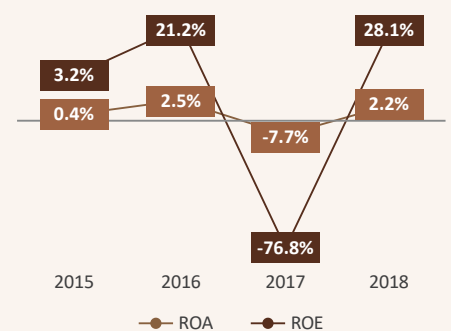
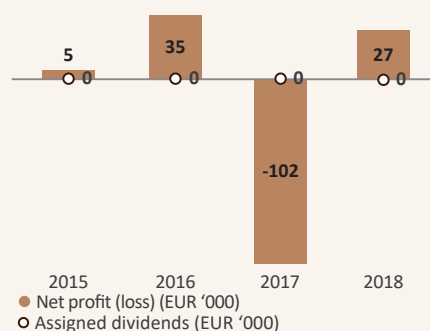
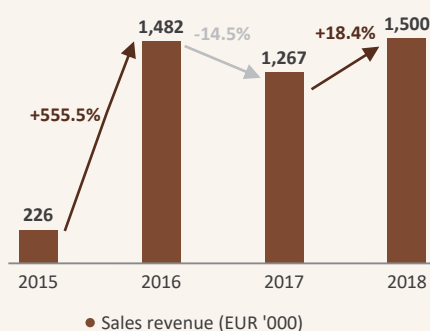
| | |
|----------------------|--------|
| State-owned interest | 97.85% |
| Other shareholders | 2.15% |

INSTITUTION REPRESENTING THE STATE

Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

| | |
|------------------|-----------------|
| Director General | Nerijus Gričius |
|------------------|-----------------|



UAB Šilutės polderiai

www.polderiai.lt


Polder system operation and repair works, road works, forest cleaning works, and pump reconstruction

- **↑ Sales revenue grew by 44.3% and reached EUR 3,748.2 thousand**
- **↑ Net profit rose by 16.4% to EUR 52.4 thousand**
- **↓ Financial liabilities dropped by 5.7%**

During the reference period, the Company's sales revenue grew by 44.3% and reached EUR 3,748.2 thousand at the end of the year. Around 90.0% of the Company's revenue in 2018 came from the funds intended for the contract works financed by the European Union and the State and municipal budgets. The growth of sales revenue was also determined by a 45.0% or EUR 1,161.0 thousand rise in the revenue from contract works thanks to a greater number of contracted jobs awarded and the growing revenue from subcontracted works.

The rising volumes of jobs determined the rise in the number of employees and in the cost of goods sold. Over the year, the number of employees increased by 10 people, while the cost of goods sold rose by 48.3% (EUR 1,094.5 thousand) and reached EUR 3,360.3 thousand at the end of the year. This was mostly related to wage and social insurance costs, which saw a 33.7% (EUR 221.1 thousand) rise during the year and subcontracting costs, which soared almost 1.4 times and accounted for EUR 964.4 thousand at the end of the year. The growth of the general and administrative expenses was 19.6% with the expenses totalling EUR 314.3 thousand. The growth was related to the rise of wage costs by 22.5% up to EUR 208.4 thousand and an EUR 8.8 thousand rise in the service costs.

Over 2018, the Company's net profit grew by 16.4% or EUR 7.3 thousand and reached EUR 51.8 thousand at the end of the year. Because of faster-growing costs incurred by the Company and the generated income, the Company's net profit would have experienced a squeeze, but the sale of a Komatsu WB backhoe loader, which had increased the result from other activities by EUR 14 thousand, led to the net profit rise. As a result, the Company's ratios of return also improved: the return on equity, which was at 6.3%, saw a rise of 0.8 percentage points, whilst the return on assets increased by 0.3 percentage points and amounted to 3.9%.

The Company's EBITDA increased by 15.3% or EUR 23.1 thousand and equalled EUR 174.5 thousand at the end of the year.

During the year, the Company's value of cash and cash equivalents strengthened by EUR 244.6 thousand equalling EUR 254.0 thousand at the end of the year, while it had stood at merely EUR 9.4 thousand in 2017. Despite the growing cash, the Company's current assets dropped by 14.5% due to a significant decrease (41.9%) in the amounts receivable within one year and 52.8% lower inventories and prepayments.

The Company's financial liabilities fell by 5.7% or EUR 8.0 thousand during the year standing at EUR 130.9 thousand at the end of the year. The reference year saw new long-term and short-term credit line and leasing agreements signed with UAB Medicinos bankas. This led to the rise of the Company's long-term financial liabilities up to EUR 117.2 thousand, while the short-term financial liabilities fell from EUR 138.6 thousand in the previous year down to EUR 13.7 thousand at the end of the reference year.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 2,597 | 3,748 | +44.3% |
| Cost of goods sold | 2,266 | 3,360 | +48.3% |
| Gross profit (loss) | 332 | 388 | +17.0% |
| Cost of sales | 8 | 15 | +89.9% |
| General and administrative expenses | 263 | 314 | +19.6% |
| Results of other activities | 0 | 14 | - |
| Net financial items | -5 | -9 | +72.5% |
| Profit (loss) before taxes | 56 | 64 | +14.3% |
| Corporation tax | 11 | 12 | +6.2% |
| Net profit (loss) | 45 | 52 | +16.4% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 390 | 403 | +3.3% |
| Current assets | 769 | 658 | -14.5% |
| Cash and cash equivalents | 9 | 254 | +2,602.1% |
| Deferred charges and accrued income | 209 | 244 | +17.1% |
| Total assets | 1,368 | 1,305 | -4.6% |
| Equity | 809 | 825 | +1.9% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 559 | 481 | -14.0% |
| Amounts payable after one year and other non-current liabilities | 0 | 117 | - |
| Financial liabilities | 0 | 117 | - |
| Amounts payable within one year and other current liabilities | 559 | 364 | -34.9% |
| Financial liabilities | 139 | 14 | -90.1% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,368 | 1,305 | -4.6% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 3.6% | 3.9% | +0.2 p. p. |
| ROE | 5.5% | 6.3% | +0.8 p. p. |
| D/E | 17.1% | 15.9% | -1.3 p. p. |
| EBITDA | 151 | 175 | +15.3% |
| EBITDA margin | 5.8% | 4.7% | -1.2 p. p. |
| Net profit margin | 1.7% | 1.4% | -0.3 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 30 | 37 | +24.5% |

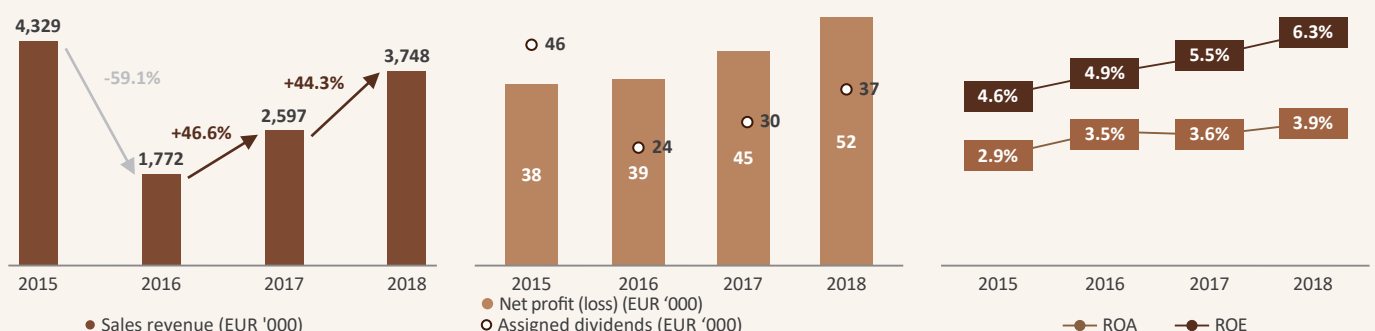
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 73 | 83 | +13.7% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,282 | 2,510 | +10.0% |

| SHAREHOLDERS | |
|----------------------|--------|
| State-owned interest | 81.02% |
| Other shareholders | 18.98% |

| INSTITUTION REPRESENTING THE STATE | |
|--|--|
| Ministry of Agriculture of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|------------------|
| Director General | Arūnas Jagminas |
| Chairman of the Board of Directors | Linus Lapinskas |
| Members of the Board of Directors | Simona Martinkė* |
| | Jonas Lissauskas |
| | Arūnas Drūlia* |

*Independent member



UAB Šilutės veislininkystė

www.buliukai.lt



Bull evaluation by progeny fattening and meat production characteristics, and trade in animals for breeding and meat

- Sales revenue fell by 6% and stood at EUR 210.5 thousand
- Net loss amounted to EUR 134,8 thousand
- Liabilities increased by 59.3%

During the course of its business in the reference period, the Company acquired 358 head of cattle, while 2017 saw 55.3% or 160 head of cattle less bought. The number of cattle sold decreased by 8.4% or 22 animals with 241 head of cattle sold by the end of the year. The Company had 339 bulls at the end of the year with the total weight of 132.0 thousand kilograms, while 228 bulls had been left a year ago with their weight totalling 95.0 thousand kilograms.

In 2018, the Company earned EUR 210.5 thousand in revenue from the sales of cattle production, which was 6.0% or EUR 13.4 thousand more than during the previous reference period. This was mostly impacted by the lower number of cattle sold. The result from other activities grew from EUR 1.9 thousand to EUR 8.9 thousand because of the rising revenue from other activities.

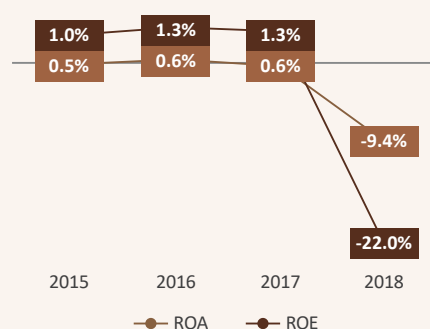
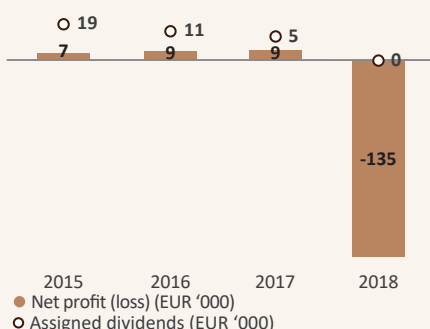
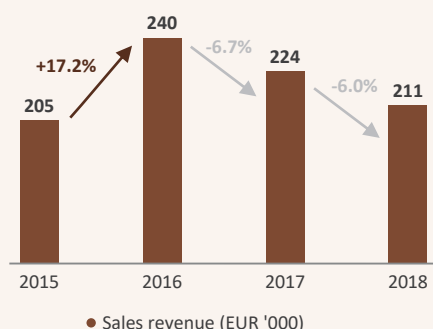
The cost of goods sold was almost double in 2018, compared with the cost of goods sold in 2017, and reached EUR 231.2 thousand at the end of the year. This was mainly affected by the falling value of grants under support mechanisms with the value decreasing by 40.7% or EUR 148.5 thousand during the year. This resulted from the services representing the Company's main activities not booked in 2018, i.e. pure-bred beef bull evaluation by progeny fattening and meat production characteristics, which would have had up to 70.0% of their costs paid. The Company's business was shifted to commercial activities abolishing the productivity control services, which had represented 97.0% of the total revenue.

The growth of the cost of goods sold had a direct impact on the erosion of the net profit. In 2018, the Company was loss-making and had a net loss of EUR 134.8 thousand at the end of the year. The Company's EBITDA took a EUR 146.3 thousand hit in the reference year and was EUR -44.9 thousand at the end of the year. The Company's net profit margin, which had stood at 3.9% in 2017, saw a slump equalling as much as 67.9 percentage points and amounted to -64.0% at the end of the reference period. The Company's loss-making activities are also reflected in its indicators of return: the return on equity was -22.0% and return on assets -9.4%.

A 34.7% growth of cash and cash equivalents up to EUR 49.4 thousand determined the growth of current assets by 4.2% with the value of these assets reaching EUR 725.1 thousand at the end of the year. The grants for fixed assets totalled EUR 483.8 thousand at the end of the year, while their value had been measured at EUR 523.3 thousand in 2017, i.e. they were down by 7.5%.

The Company's liabilities grew by 59.3% over the year. Its non-current liabilities to Luminor bank increased by EUR 79.3 thousand, whereas Nordea bank had half of its total loan repaid, EUR 8.8 thousand. This led to the rise in the Company's non-current financial liabilities by 65.8% or EUR 70.5 thousand.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--------------|--------------|-----------------------|
| Sales revenue | 224 | 211 | -6.0% |
| Cost of goods sold | 106 | 231 | +117.8% |
| Gross profit (loss) | 118 | -21 | - |
| Cost of sales | 1 | 2 | +69.0% |
| General and administrative expenses | 103 | 112 | +8.4% |
| Results of other activities | 2 | 9 | +368.4% |
| Net financial items | -6 | -9 | -38.0% |
| Profit (loss) before taxes | 9 | -135 | - |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | 9 | -135 | - |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 749 | 682 | -8.9% |
| Current assets | 696 | 725 | +4.2% |
| Cash and cash equivalents | 37 | 49 | +34.7% |
| Deferred charges and accrued income | 1 | 0 | -12.4% |
| Total assets | 1,446 | 1,408 | -2.6% |
| Equity | 683 | 543 | -20.6% |
| Grants and subsidies | 523 | 484 | -7.5% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 239 | 381 | +59.3% |
| Amounts payable after one year and other non-current liabilities | 107 | 178 | +65.8% |
| <i>Financial liabilities</i> | 107 | 178 | +65.8% |
| Amounts payable within one year and other current liabilities | 132 | 203 | +54.2% |
| <i>Financial liabilities</i> | 34 | 63 | +83.6% |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 1,446 | 1,408 | -2.6% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 0.6% | -9.4% | -10.0 p. p. |
| ROE | 1.3% | -22.0% | -23.3 p. p. |
| D/E | 20.7% | 44.3% | +23.6 p. p. |
| EBITDA | 101 | -45 | - |
| EBITDA margin | 45.3% | -21.3% | -66.6 p. p. |
| Net profit margin | 3.9% | -64.0% | -67.9 p. p. |
| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned dividends (share of the State) | 5 | 0 | -100.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 9 | 10 | +11.1% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,154 | 2,271 | +5.4% |
| SHAREHOLDERS | | | |
| State-owned interest | | | 96.5% |
| Other shareholders | | | 3.5% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Agriculture of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | | | Šarūnas Nenartavičius |



UAB Dotnuvos eksperimentinis ūkis

www.dotnuvos-eukis.lt



Livestock farming, crop production, and experimental, educational and testing activities

- ↓ The Company's sales revenue fell by 17.9% and equalled EUR 1,320.0 thousand
- ↓ A loss of EUR 75.5 thousand was suffered in 2018
- ↓ Non-current financial liabilities fell by 35.3% and stood at EUR 168.6 thousand

Major events:

- Under Resolution No 554 of **6 June 2018**, UAB Dotnuvos eksperimentinis ūkis was included in the list of privatisation objects.
- Decree No 3D-919 of the Minister of Agriculture of the Republic of Lithuania of **14 December 2018** withdrew the Company's board of directors.

The activities undertaken by the Company are hybrid: it grows grains and corn, produces milk, rears beef cattle, and processes its produce. Since 2015, the Company's business volumes have been in decline. Compared with the performance in 2017, the quantity of grains produced as part of its crop production decreased by 39.7%, while its silage and haylage volumes grew by 27.3% and reached 4,868.4 tonnes. The quantity of milked milk also took a 1.6% hit (by 47.1 tonnes), and livestock weight growth dropped by 18.0% or 22.4 tonnes. In the reference year, the farm no longer grew sugar beet comparing with 5,269.4 tonnes grown a year ago.

In 2018, the Company earned EUR 1,320 thousand in sales revenue, which was 17.9% or EUR 287.9 thousand less than last year. This was significantly affected by a 46.0% squeeze in the revenue from crop production (EUR 171.7 thousand) and an 8.2% slump equivalent to EUR 86.3 thousand in the revenue from livestock farming. The afore-mentioned revenue combined represented 88.2% in the total sales revenue structure. The remaining sum included revenue-related grants and subsidies, which fell by EUR 30.0 thousand if compared with the performance in 2017. The revenue from other activities increased by EUR 77.2 thousand, pushing the result of other activities from a loss of EUR 15.8 thousand in 2017 up to EUR 99.6 thousand profit from other activities. This was affected by the sold real estate with the revenue from such disposal falling into the category of the revenue from other activities.

Although the sales revenue was pushed down during the year, thanks to the Company's desire to reduce production costs, rapidly changing natural conditions and unstable product purchase prices, **the Company's costs took a more modest hit by only 3.7% or EUR 56.9 thousand. The fall of the general and administrative expenses, by 16.4%, equalled EUR 32.6 thousand.**

Due to the factors beyond the Company's control, the Company suffered a loss of EUR 77.5 thousand during the year, while it had made a profit reaching EUR 42.8 thousand a year ago. At the end of 2018, EBITDA equalled EUR 32 thousand, i.e. 82.8% or EUR 154.3 thousand less than at the same time last year. The return on equity and on assets became negative over the year going down to -6.3% and -2.2% respectively at the end of the year. The Company's profitability also slumped by 8.4 percentage points and was -5.7%.

The impairment of fixed assets reaching 5.1% related to the real estate sold for EUR 77.7 thousand and the depreciated equipment sold for EUR 19.0 thousand. The Company also sold its shares in AB Nordic Sugar Kėdainiai and AB Litagros prekyba for EUR 24.0 thousand. During the reference period, the Company invested EUR 20.0 thousand in the equipment necessary for its business.

The Company's financial liabilities fell by 14.6% or EUR 91.9 thousand during the year standing at EUR 535.5 thousand at the end of the year. This was down to a drop in the non-current financial liabilities as the current liabilities to SEB bank remained unchanged standing at EUR 367 thousand. The Company's D/E ratio dropped by 4.6 percentage points accordingly and equalled 46.5%.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|---------------|
| Sales revenue | 1,608 | 1,320 | -17.9% |
| Cost of goods sold | 1,315 | 1,300 | -1.1% |
| Gross profit (loss) | 293 | 20 | -93.1% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 199 | 166 | -16.4% |
| Results of other activities | -16 | 100 | - |
| Net financial items | -36 | -29 | +18.4% |
| Profit (loss) before taxes | 43 | -76 | - |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | 43 | -76 | - |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|----------------|
| Non-current assets | 2,658 | 2,523 | -5.1% |
| Current assets | 912 | 810 | -11.1% |
| Cash and cash equivalents | 31 | 14 | -54.3% |
| Deferred charges and accrued income | 18 | 31 | +75.1% |
| Total assets | 3,587 | 3,364 | -6.2% |
| Equity | 1,228 | 1,152 | -6.1% |
| Grants and subsidies | 1,126 | 1,037 | -7.9% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 1,219 | 1,175 | -3.6% |
| Amounts payable after one year and other non-current liabilities | 261 | 169 | -35.3% |
| Financial liabilities | 261 | 169 | -35.3% |
| Amounts payable within one year and other current liabilities | 958 | 1,007 | +5.0% |
| Financial liabilities | 367 | 367 | 0.0% |
| Accrued expenses and deferred income | 14 | 0 | -100.0% |
| Total equity and liabilities | 3,587 | 3,364 | -6.2% |

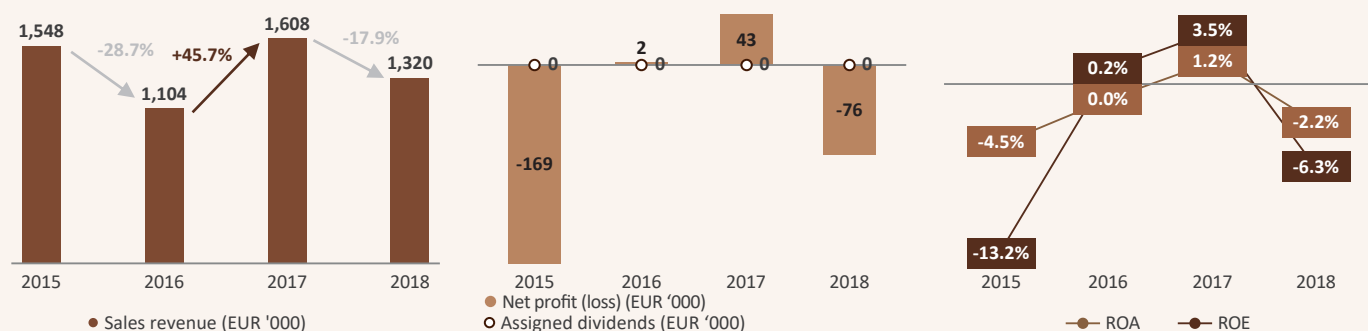
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 1.2% | -2.2% | -3.4 p. p. |
| ROE | 3.5% | -6.3% | -9.9 p. p. |
| D/E | 51.1% | 46.5% | -4.6 p. p. |
| EBITDA | 186 | 32 | -82.8% |
| EBITDA margin | 11.6% | 2.4% | -9.2 p. p. |
| Net profit margin | 2.7% | -5.7% | -8.4 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Assigned dividends (share of the State) | 0 | 0 | - |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 44 | 39 | -11.4% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,179 | 2,037 | -6.5% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|------------------------------------|--|
| VĮ Turto bankas | |

| MANAGEMENT (1 JUL 2019) | |
|------------------------------------|---|
| Director General | Regina Urbšienė (Acting Director General) |
| Chairman of the Board of Directors | Nepaskirtas |
| Members of the Board of Directors | Nepaskirti |



UAB Žemės ūkio paskolų garantijų fondas

www.garfondas.lt



The Company provides guarantees to credit institutions and financial lease (leasing) companies, administers State aid, the implementation of financial instruments and the indemnity funds of licensed warehouses

Special obligations: managing financial instruments; managing the indemnity fund of licensed warehouses.

- ↑ Sales revenue grew by 70.8% and reached EUR 1,095.2 thousand
- ↑ EUR 182.9 thousand net profit was achieved
- ↑ 54.0% more dividends representing EUR 139.2 thousand were assigned

Major events:

- By virtue of Resolution No 1046 of the Government of the Republic of Lithuania of 17 October 2018, the Company was charged with the functions of a national development body.
- Following Decision No 241-1 of the Bank of Lithuania of 7 January 2019, the Company was included in the List of National Development Bodies.

During the course of its business in the reference period, the Company issued 226 guarantees to economic entities worth EUR 42.7 million, while 2017 had seen 170 guarantees issued valued at EUR 29.4 million. For these guarantees to be issued, the credit institutions had granted EUR 53.3 million worth of credits and leasing services, while the value granted a year ago had been EUR 38.7 million. This was affected by a larger number of borrowers and the guarantees issued by the Company averaging 67.0%, while the average guarantee had stood at 64.0% a year ago. 98.7% of the guarantees were concluded with farmers, rural entrepreneurs or processing companies, all collectively awarded EUR 21.6 million (in 2017, 164 guarantees issued had had EUR 16.6 million awarded). The remaining 3 guarantees were concluded with VšĮ Kaimo verslo ir rinkų plėtros agentūra for a sum of EUR 21.1 million (6 guarantees issued in 2017 had been awarded EUR 12.8 million).

In 2018, the Company's sales revenue reached EUR 1,095.2 thousand, which was 70.8% or EUR 453.8 thousand more than at the end of 2017. This is mostly affected by a 43.5% or EUR 161.3 thousand rise in the revenue from guarantee fees, a 75.7% or EUR 138.7 thousand increase in the part of guarantee fee compensated using the funds of the rural development and business promotion programme, and EUR 153.8 thousand growth of the guarantee fees for the extension of the guarantee period or other guarantee-related fees. The Company also earned revenue from investment in the securities of the Government of the Republic of Lithuania. During the reference period, the Company's revenue from financing activities reached EUR 458.4 thousand, which was 24.4% lower than in 2017, when the number had stood at EUR 606.7 thousand.

The costs incurred by the Company grew accordingly. Although the general and administrative expenses dropped by 15.3% or EUR 90.4 thousand, mainly due to a 20.6% or EUR 77.7 thousand decline of the employee wage costs, but the rise of the cost of services by 37.7% or EUR 169.1 thousand maintained the growth of the total costs from ordinary activities. The costs of financing activities in relation to the amortisation of securities of the Government of the Republic of Lithuania amounted to EUR 281.8 thousand, against EUR 328.6 thousand it had reached a year ago.

The rising volumes of jobs had a positive impact on the Company's net result. At the end of the reference year, the Company's net profit reached EUR 182.9 thousand as opposed to a loss of EUR 63.3 thousand a year ago. The Company's EBITDA was also up by EUR 339.3 thousand and reached EUR 581.1 thousand.

The Company's return to the State was up by 54.0% over the year. Because 2017 had seen a loss of EUR 63.3 thousand and suffered from the return on equity standing negative, the maximum amount of distributable profits worth 85.0% was assigned for dividends. For the performance in 2017, EUR 90.4 thousand had been paid in dividends, while the performance in the reference period had EUR 139.2 thousand declared in dividends.

Positive performance is also reflected in the Company's financial ratios of return: the return on equity rose by 8.3 percentage points to reach 6.3%, while the return on assets increased by 1.2 percentage points and stood at 0.9% at the end of the year. The net profit margin rose to 16.7%.

In the reference period, the majority (97.3%) of the Company's assets consisted of the investments of temporarily available funds in government securities, which amounted to EUR 20.8 million. Comparing with 2017, the value of invested funds dropped by 1.3% or EUR 271.0 thousand due to more liabilities than the value of provisions accumulated during 2018. The Company's long-term provisions included the accumulated provisions for potential liabilities arising out of the economic entities' failure to repay loans to credit institutions, with the provisions totalling EUR 17,822.5 thousand at the end of the year. The year saw EUR 702.1 thousand used or otherwise written off and EUR 618.1 thousand accumulated in provisions.

The Company's investments in non-current assets totalled EUR 39.0 thousand in 2018. The fixed tangible assets attracted EUR 10 thousand of investments, while the fixed intangible assets, EUR 29.0 thousand, with the latter given for the guarantee record-keeping system to be improved.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|------------|------------|----------------|
| Sales revenue | 641 | 1,095 | +70.8% |
| Cost of goods sold | 449 | 618 | +37.7% |
| Gross profit (loss) | 192 | 477 | +148.0% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 590 | 499 | -15.3% |
| Results of other activities | 72 | 49 | -31.8% |
| Net financial items | 278 | 177 | -36.5% |
| Profit (loss) before taxes | -47 | 204 | - |
| Corporation tax | 16 | 21 | +27.8% |
| Net profit (loss) | -63 | 183 | - |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|---------------|---------------|------------------|
| Non-current assets | 12,497 | 19,188 | +53.5% |
| Current assets | 8,283 | 1,607 | -80.6% |
| Cash and cash equivalents | 173 | 431 | +149.3% |
| Deferred charges and accrued income | 10 | 12 | +18.6% |
| Total assets | 20,789 | 20,806 | +0.1% |
| Equity | 2,848 | 2,941 | +3.3% |
| Grants and subsidies | 0 | 11 | +3,633.3% |
| Provisions | 17,906 | 17,823 | -0.5% |
| Amounts payable and other liabilities | 32 | 27 | -15.4% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 32 | 27 | -15.4% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 2 | 4 | +126.3% |
| Total equity and liabilities | 20,789 | 20,806 | +0.1% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|-------------|
| ROA | -0.3% | 0.9% | +1.2 p. p. |
| ROE | -2% | 6.3% | +8.3 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | -281 | 58 | - |
| EBITDA margin | -43.8% | 5.3% | +49.1 p. p. |
| Net profit margin | -9.9% | 16.7% | +26.6 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|---|------|------|--------|
| Assigned dividends (share of the State) | 90 | 139 | +54.0% |

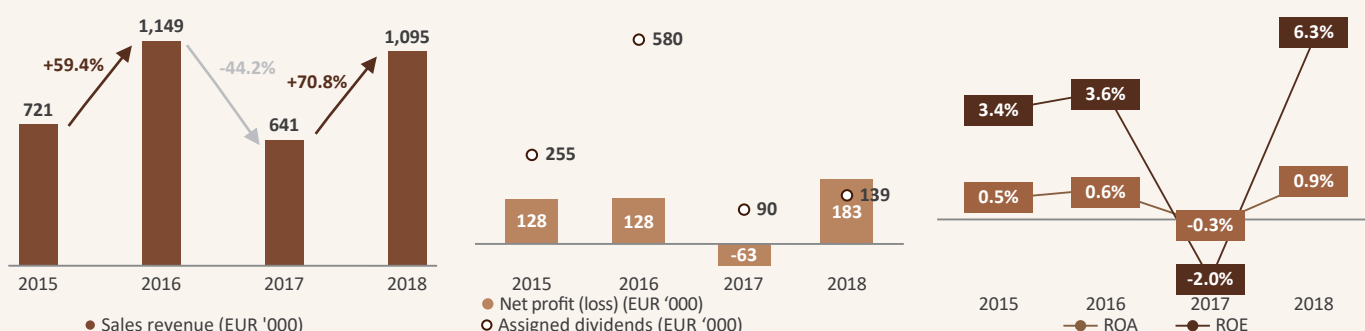
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 16 | 14 | -12.5% |
| Number of executives | 2 | 1 | -50.0% |
| Average monthly salary of executives (gross, EUR) | 2,926 | 2,465 | -15.8% |

| SHAREHOLDERS | |
|----------------------|------|
| State-owned interest | 100% |

| INSTITUTION REPRESENTING THE STATE | |
|--|--|
| Ministry of Agriculture of the Republic of Lithuania | |

| MANAGEMENT (1 JUL 2019) | |
|---|---|
| Director General | Romalda Globienė (Acting Director General) |
| Chairman of the Board of Directors | Vygantas Katkevičius |
| Members of the Board of Directors | Snieguolė Valiulienė Saulius Jasius Dalia Kavoliūnienė Alfredas Gustas |
| Chairman of the Supervisory Board | Virginija Žoštautienė |
| Supervisory Board | Dalius Darulis* Sigita Seemann-Ignatjeva* Lina Liubauskaitė |

*Independent member



UAB Pieno tyrimai

www.pieno-tyrimai.lt



Composition and quality testing of milk and of milk from controlled livestock purchased across the country, and other milk testing and related services

- ↓ The number of milk tests carried out took a hit by 232.4 thousand units
- ↓ Net profit slumped by 63.6%
- ↑ Return to the State grew by 34.1% and reached EUR 275.6 thousand

Major events:

- Under Decree No 3D-788 of the Minister of Agriculture of the Republic of Lithuania of **6 November 2018**, VĮ Pieno tyrimai was converted to a private limited liability company on 31 December 2018.
- By virtue of Resolution No 183 of the Government of the Republic of Lithuania of **20 February 2019**, the Company underwent reorganisation and had UAB Gyvulių produktų kokybės kontrolė merged into it by absorption on 1 July.

During the course of its business in the reference period, the Company carried out 3,765.1 thousand milk tests, while the number had been 5.8% or 232.4 thousand higher a year ago. The declining number of tests was greatly affected by the number of milk sellers dropping by 10.8% or 2.4 thousand, which reached 19.9 thousand at the end of the year.

At the end of the reference period, the Company's sales revenue amounted to EUR 4,015.1 thousand, which was a 3.5% or EUR 144.9 thousand decline if compared with 2017. The major part (73.1% EUR 2,936.8 thousand) of the Company's total earnings consisted of the revenue from the ordinary milk composition and quality tests mandatory to milk producers and to milk purchasers, with the remaining part (26.9% or EUR 1,078.3 thousand) attributable to the revenue from additional ordinary and other milk tests and other services related to milk testing. Compared with 2017, the revenue generated from the mandatory tests took a 5.4% hit or EUR 167.2 thousand, while the revenue from additional activities grew by 2.1% (EUR 22.3 thousand), but it did not have a considerable impact on the total revenue structure.

The Company's cost of goods sold increased by 0.8% in 2018 and reached EUR 3,176.3 thousand. The increase is down to higher depreciation of fixed assets, rising room repair costs as well as the rise in the costs associated with feed testing services. The general and administrative expenses dropped by 10.1% or EUR 87.4 thousand because of reducing costs for administrative staff and accounted for EUR 799.8 thousand at the end of the year. It led to a 1.5% decrease in the Company's total costs, which amounted to EUR 3,956.1 thousand.

Because of diminishing business volumes, which led to a drop of the sales revenue, the Company's net profit slumped by 63.6% or EUR 73.7 thousand and added up to EUR 42.1 thousand at the end of the year. The Company's EBITDA declined by 4.3% in the reference year equalling EUR 623.0 thousand at the end of the year. Worse performance is also reflected in the Company's normalised financial ratios of return: the normalised return on equity dropped by 0.9 percentage points and equalled 2.8%, whilst the normalised return on assets was also 0.9 percentage points less and accounted for 2.2%.

The Company's equity impairment by 29.4% or EUR 1,372.0 thousand was caused by the state enterprise's conversion into a private limited liability company. The conversion was followed by the registration of EUR 3,052.3 thousand share capital, which was 26.3% or EUR 1,092.1 thousand less than compared with the share capital in 2017. In addition, the book value of the fixed tangible assets as at the end of the year took a 34.6% hit because the value of the upgraded assets did not cover the estimated depreciation amount. But the hit was mostly down to the asset revaluation, which had been carried out in order to form the Company's share capital.

In 2018, the Company's investments in non-current assets using own funds amounted to EUR 404.0 thousand, of which the majority (51.2% or EUR 207.0 thousand) was intended for the acquisition of a milk analyser (22.1% or EUR 89.4 thousand) and specialised vehicles for the transportation of milk samples. The remainder was intended for equipment upgrades.

Over the year, the Company's financial liabilities rose by 9.0% or EUR 68.0 thousand and reached EUR 821.4 thousand at the end of the year. The increase was mainly attributable to the afore-mentioned vehicles acquired through leasing and other leasing commitments undertaken, although EUR 255.2 thousand worth of leasing instalments were paid during the year. Those changes determined the rise of the Company's D/E ratio by 8.8 percentage points with the ratio amounting to 24.9% at the end of the year.

The Company's return to the State rose by 34.1% over the year and reached EUR 275.6 thousand. The assigned profit contribution for 2017 had reached EUR 138.2 thousand, and, following the reorganisation, the dividends assigned for the reference period were 39.4% higher totalling EUR 192.7 thousand. The increase of the property tax was 23.2% or EUR 15.6 thousand with the tax adding up to EUR 82.9 thousand at the end of the year.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|--------------|------------|---------------|
| Sales revenue | 4,160 | 4,015 | -3.5% |
| Cost of goods sold | 3,151 | 3,176 | +0.8% |
| Gross profit (loss) | 1,009 | 839 | -16.9% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 867 | 780 | -10.1% |
| Results of other activities | 4 | 7 | +105.6% |
| Net financial items | -21 | -19 | +7.2% |
| Profit (loss) before taxes | 125 | 47 | -62.2% |
| Corporation tax | 9 | 5 | -44.6% |
| Net profit (loss) | 116 | 42 | -63.6% |
| Adjusted net profit (loss) | 173 | 113 | -34.9% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 4,901 | 3,481 | -29.0% |
| Current assets | 905 | 818 | -9.6% |
| Cash and cash equivalents | 353 | 185 | -47.5% |
| Deferred charges and accrued income | 15 | 19 | +22.7% |
| Total assets | 5,821 | 4,332 | -25.6% |
| Equity | 4,665 | 3,293 | -29.4% |
| Grants and subsidies | 0 | 0 | - |
| Provisions | 29 | 0 | -100.0% |
| Amounts payable and other liabilities | 1,125 | 1,034 | -8.1% |
| Amounts payable after one year and other non-current liabilities | 501 | 504 | +0.7% |
| Financial liabilities | 501 | 487 | -2.8% |
| Amounts payable within one year and other current liabilities | 624 | 529 | -15.1% |
| Financial liabilities | 253 | 334 | +32.4% |
| Accrued expenses and deferred income | 3 | 5 | +92.3% |
| Total equity and liabilities | 5,821 | 4,332 | -25.6% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | 3.1% | 2.2% | -0.9 p. p. |
| ROE | 3.7% | 2.8% | -0.9 p. p. |
| D/E | 16.1% | 24.9% | +8.8 p. p. |
| EBITDA | 651 | 623 | -4.3% |
| EBITDA margin | 15.7% | 15.5% | -0.1 p. p. |
| Net profit margin | 4.2% | 2.8% | -1.4 p. p. |

| RETURN TO THE SHAREHOLDERS (EUR '000) | 2017 | 2018 | CHANGE |
|--|------------|------------|---------------|
| Assigned dividends (share of the State) | 138* | 193 | +39.4% |
| Property tax | 67 | 83 | +23.2% |
| Total dividends and non-standard taxes to the State | 206 | 276 | +34.1% |

| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 134 | 129 | -3.7% |
| Number of executives | 1 | 1 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 3,215 | 3,057 | -4.9% |

SHAREHOLDERS

| | |
|----------------------|------|
| State-owned interest | 100% |
|----------------------|------|

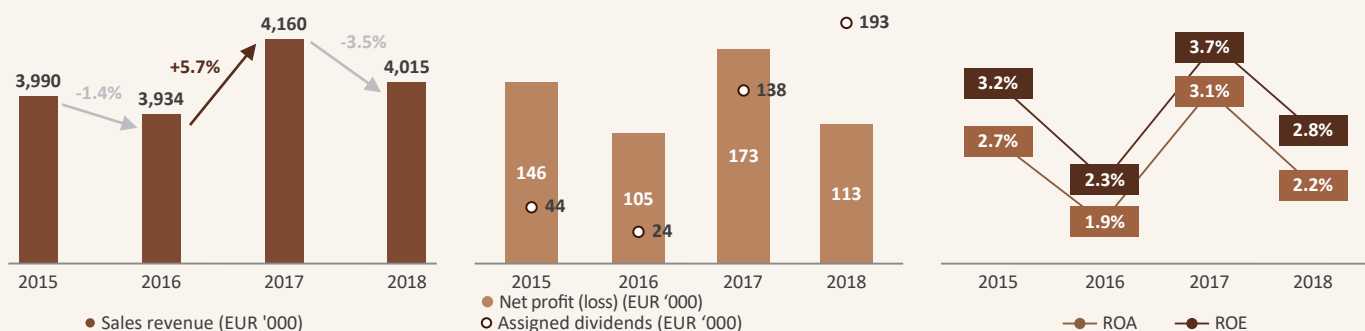
INSTITUTION REPRESENTING THE STATE

Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

Director General Laima Urbšienė

*The profit contribution for the performance in 2017 was assigned to the State budget because until 31 December 2018 the Company's legal status was a State Enterprise.



VĮ Valstybės žemės fondas

www.vzf.lt



Land use planning, territorial planning, surveying, GIS, soil survey and evaluation, and land reclamation cadastral works

Special obligations: activity "Aid for Land Consolidation" under the Lithuanian Rural Development Programme 2014-2020 measure "Investments in Tangible Assets"; areas of operations of the measure "Land Information System Development and Support" under the land management and administration and information infrastructure development programme; supervision of land reclamation works and reclamation structures; conducting public land plot sale and lease auctions.

- Sales revenue fell by 8.0% and stood at EUR 2,786.7 thousand
- Positive adjusted net result of EUR 73.1 thousand was achieved
- Average monthly salary of executives rose by 27.9% and reached EUR 2,455

Major events:

- Under Resolution No 650 of the Government of the Republic of Lithuania of 4 July 2018, it transferred the entrusted real estate with the residual value of EUR 426.6 thousand to Panevėžys Regional Probation Service.
- Since 10 January 2018, the Company has had its board withdrawn following a Decree of the Minister of Agriculture of the Republic of Lithuania.
- On 19 June 2019, the Cabinet of Ministers approved the proposal of the Ministry of Agriculture to have Valstybės žemės fondas (the State Land Fund), Žemės ūkio informacijos ir kaimo verslo centras (AIRBC) (the Agricultural Information and Rural Business Centre) and Distantinių tyrimų ir geoinformatikos centras (the National Centre for Remote Sensing and Geoinformatics) GIS-Centras merged into a single institution called Žemės ūkio ir erdvinės informacijos centras (the Agricultural and Spatial Information Centre) with the procedures to be completed by July 2020.

In 2018, the Company operated in 36 districts (urban) municipal territories – across 770 cadastral areas (i.e. in 60.0% of the total area of the country) and performed EUR 2.25 million worth of plot formation, management, surveying, reclamation and other works, compared with EUR 2.5 million in 2017. Following the programme prepared by the State, the Company mainly focused on the management and development of the Land Information System (LIS). 2018 saw jobs worth EUR 14.4 million carried out using the State budget funds, which helped repair 26 bridges, 702 culverts, 56.8 km of drainage lines, 811.7 km of highway ditches, 34.1 km of mounds, 10 pumps and 6,869 outfalls of drain pipes. In addition, there were 351 State land plots sold or leased in the auctions conducted by the Company, all worth EUR 4.1 million, while this sum was transferred to State and municipal budgets.

In the reference year, the Company's sales revenue was EUR 2,786.7 thousand, while it had been EUR 272.9 thousand higher in 2017 reaching EUR 3,029.6 thousand. This was significantly affected by the tenders for major commercial jobs not being won. The highest proportion of the revenue (55.8% or EUR 1,554.6 thousand of the total sales revenue) was represented by the revenue from commercial land use planning jobs, which, compared with 2017, saw a 21.2% drop. The revenue from the keeping records on the drained land and land reclamation structures suffered a significant drop (by 34.1%) amounting to EUR 127.4 thousand at the end of the year. However, the revenue from landscaping and territorial planning jobs and from the auctions of State land plot sales almost doubled against 2017, experiencing a EUR 369.9 thousand and EUR 173.1 thousand rise respectively.

A 14.3% decline in the cost of sales in 2018 down to EUR 2,486.9 thousand and the drop of the general and administrative expenses by 25.5% down to EUR 331.5 thousand were primarily determined by the decreasing wage and Sodra costs because of fewer employees (decrease by 7.9% or 20 employees).

The reduced costs and not yet incurred financial costs in relation to bad debts had a positive impact on the Company's adjusted net result, which amounted to EUR 73.1 thousand in profits, compared with EUR 403.5 thousand in the net loss suffered in 2017. EBITDA experienced respective growth and amounted to EUR 123.5 thousand at the end of the year.

The rising net profit positively affected the Company's ratios of return: the return on equity increased by 20.4 percentage points and reached 3.5% at the end of the year, while the return on assets grew by 7.8 percentage points totalling 1.4% at the end of the reference period.

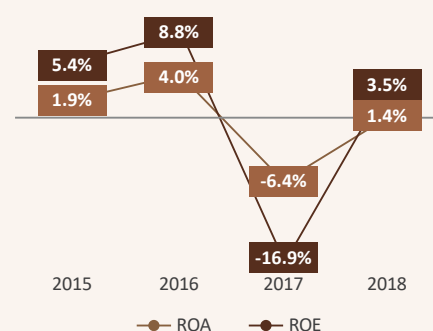
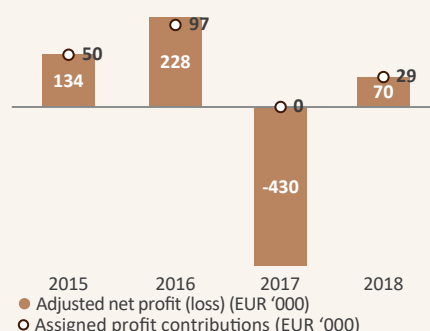
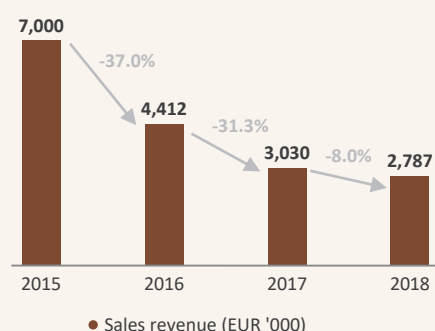
The Company's profit contribution for the performance in 2018 accounted for 75% of the distributable profits, i.e. EUR 29.4 thousand, while no profit contribution had been assigned for 2017 because of a EUR 437.8 thousand loss.

During the reference period, the Company managed EUR 4,959 thousand worth of assets, i.e. 21.5% less than in 2017. This was mostly down to the growth of the written-off fixed tangible assets by EUR 648.8 thousand, with the value of such assets reaching EUR 785.8 thousand at the end of the year. The decline of equity resulted from the assets transferred to Panevėžys Region resulting in a decline of the Company's assets by EUR 61.0 thousand.

The Company receives grants in fixed assets (no assets were purchased using the grants in 2018) and in cash (EUR 744.8 thousand was received in 2018 with EUR 1,521.9 thousand used thereof). The residual value of grants and subsidies accounted for 13.1% (EUR 304.7 thousand) and 86.9% (EUR 2,013.5 thousand) of the total amount at the end of the year. Compared with the performance in 2017, there was a 33.1% drop recorded because the used value of grants in cash exceeded the received amount, while the movement of grants in assets was also negative with only asset write-offs and depreciation recorded.

During the reference period, the average monthly salary of executives saw a 27.9% rise and was EUR 2,455 euro, while it had been EUR 1,919 in 2017. The increase was mainly affected by the rising variable component of the executive salary during the reporting period, which represented 30%, and the coefficient applicable to fixed component of the executive salary rising up to 15.0, while it had stood at 14.0 in 2017.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|--|--------------|----------------|
| Sales revenue | 3,030 | 2,787 | -8.0% |
| Cost of goods sold | 2,902 | 2,487 | -14.3% |
| Gross profit (loss) | 128 | 300 | +135.0% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 445 | 332 | -25.5% |
| Results of other activities | 21 | 20 | -4.8% |
| Net financial items | -141 | 63 | - |
| Profit (loss) before taxes | -438 | 51 | - |
| Corporation tax | 0 | 12 | - |
| Net profit (loss) | -438 | 39 | - |
| Adjusted net profit (loss) | -404 | 73 | - |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 3,076 | 2,551 | -17.1% |
| Current assets | 2,780 | 2,044 | -26.5% |
| Cash and cash equivalents | 2,610 | 1,916 | -26.6% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 5,856 | 4,595 | -21.5% |
| Equity | 2,104 | 2,082 | -1.0% |
| Grants and subsidies | 3,464 | 2,318 | -33.1% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 288 | 195 | -32.4% |
| Amounts payable after one year and other non-current liabilities | 19 | 1 | -93.5% |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 270 | 194 | -28.1% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 5,856 | 4,595 | -21.5% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | -6.4% | 1.4% | +7.8 p. p. |
| ROE | -16.9% | 3.5% | +20.4 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | -71 | 124 | - |
| EBITDA margin | -2.4% | 4.4% | +6.8 p. p. |
| Net profit margin | -13.3% | 2.6% | +15.9 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 0 | 29 | - |
| Property tax | 40 | 40 | -1.2% |
| Total contributions and non-standard taxes to the State | 40 | 69 | +71.5% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 253 | 233 | -7.9% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,919 | 2,455 | +27.9% |
| INSTITUTION REPRESENTING THE STATE | Ministry of Agriculture of the Republic of Lithuania | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Tomas Balčiūnas | | |



VĮ Žemės ūkio informacijos ir kaimo verslo centras

www.vic.lt



Develops and implements the key components of the Integrated Administration and Control System (IACS) – the agricultural and rural business register, the livestock register and the land plot identification system

Special obligations: managing registers (the registers of farmed animals, pets, feed business operators, farm holdings of the Republic of Lithuania, agriculture and rural business of the Republic of Lithuania, tractors, self-propelled and agricultural machinery and their trailers, and the phytosanitary register of the Republic of Lithuania).

- **↑ Sales revenue grew by 11.5% and reached EUR 751.6 thousand**
- **↑ Costs saw a 12.6% rise and amounted to EUR 1,022.6 thousand**
- **↓ Adjusted net profit was EUR -270.1 thousand**

Major events:

- By virtue of Decree no 3D-58 of the Minister of Agriculture of the Republic of Lithuania of **2 February 2018**, the Company was charged with carrying out the production and distribution of tractor and self-propelled machinery registration certificate templates since 2 February 2018.
- On **19 June 2019**, the Cabinet of Ministers approved the proposal of the Ministry of Agriculture to have Valstybės žemės fondas (the State Land Fund), Žemės ūkio informacijos ir kaimo verslo centras (AIRBC) (the Agricultural Information and Rural Business Centre) and Distantinių tyrimų ir geoinformatikos centras (the National Centre for Remote Sensing and Geoinformatics) GIS-Centras merged into a single institution called Žemės ūkio ir erdvinės informacijos centras (the Agricultural and Spatial Information Centre) with the procedures to be completed by July 2020.

During the course of its business in the reference period, the Company registered 3,657 new holdings (as opposed to 4,223 new holdings in 2017), 1,684 new farms (2,241 new farms in 2017), 128,136 aid applications with the total declared area of 2,910.3 thousand hectares. In addition, it electronically managed the support for farmed animals intended for 35,037 customers, issued 497 dairy and 1,697 beef cattle certificates of origin and 8,830 horse certificates, calculated the support received by 26 thousand Lithuanian milk producers reaching EUR 40.9 million, registered 8,449 wheeled tractors and harvesters with trailers (as opposed to 8,712 units in 2017). In 2018, it collected 26,193 food product testing reports and was managing 26 applications made by co-operatives (comparing with 22 applications in 2017).

The Company's continuous business is funded from 3 sources: the State budget funds, the EU funds in conjunction with the State budget funds and the Company's revenue earned from collecting fees for issued cattle and horse passports, certificates from the registers managed by the AIRBC and other activities of the Company. During the reference period, **the largest share of the funds was awarded by the Government of the Republic of Lithuania or 78.8% or EUR 5,023.0 thousand out of EUR 6,371.0 thousand of the total funding.** The funding from the EU funds and the Company's earnings represented 9.7% and 11.5% of the total revenue of the Company respectively.

In 2018, the Company earned EUR 751.6 thousand in sales revenue. Compared with 2017, the revenue grew by 11.5% or EUR 77.4 thousand. The reason behind the revenue growth was the fact that since 2018 the Company had transferred, for approved fees, 105 thousand form templates to municipal administrations and companies, thereby earning EUR 122.0 thousand in revenue. But the revenue from cattle passports issued, which represented most of the total revenue of the Company (75.0% or EUR 564.0 thousand), dropped by 6.5% or EUR 39.0 thousand owing to the declining number of cattle keepers year on year.

Over the reference period, the Company's non-reimbursable costs rose by 12.6% or EUR 114.0 thousand and amounted to EUR 1,022.6 thousand. This was mostly affected by a EUR 215 thousand reduction of the State funding in 2018. So the Company had to use own funds to ensure business continuity. During the reference period, the Company's cost of goods sold declined by 15.7% (EUR 28.9 thousand). A 19.8% (EUR 143.3 thousand) rise in the general and administrative expenses resulted from the wage costs and related payments, which had almost doubled and totalled EUR 610.7 thousand at the end of the year.

Despite the growing sales revenue, because of the reduced State funding for the costs, the Company's losses grew by 15.5% and amounted to EUR 270.1 thousand at the end of the year. **This also affected EBITDA, which fell by EUR 160 thousand amounting to EUR -80.7 thousand.**

The decline in equity worth 12.8% or EUR 270.0 thousand with the equity equalling EUR 1,837.7 was determined by the loss incurred in 2018.

Worse performance is also reflected in the Company's financial ratios of return: the return on equity dropped by 3.2 percentage points and equalled -13.7%, whilst the return on assets was 7.2%.

In 2016-2018, the Company invested EUR 638.4 thousand in the project "Optimisation of Cloud Infrastructure of the State Enterprise Žemės ūkio informacijos ir kaimo verslo centras", which should, allegedly, facilitate the monitoring of databases and user actions.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|-------------------------------------|-------------|-------------|---------------|
| Sales revenue | 674 | 752 | +11.5% |
| Cost of goods sold | 184 | 156 | -15.7% |
| Gross profit (loss) | 490 | 596 | +21.7% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 724 | 867 | +19.8% |
| Results of other activities | 0 | 1 | - |
| Net financial items | 0 | 0 | - |
| Profit (loss) before taxes | -234 | -270 | +15.5% |
| Corporation tax | 0 | 0 | - |
| Net profit (loss) | -234 | -270 | -15.5% |
| Adjusted net profit (loss) | -234 | -270 | -15.5% |

| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|--|--------------|--------------|---------------|
| Non-current assets | 2,643 | 2,477 | -6.3% |
| Current assets | 1,195 | 1,176 | -1.6% |
| Cash and cash equivalents | 1,009 | 945 | -6.4% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 3,839 | 3,653 | -4.8% |
| Equity | 2,108 | 1,838 | -12.8% |
| Grants and subsidies | 1,340 | 1,456 | +8.7% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 391 | 359 | -8.2% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| Financial liabilities | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 391 | 359 | -8.2% |
| Financial liabilities | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 3,839 | 3,653 | -4.8% |

| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
|-------------------|-------------|-------------|------------|
| ROA | -6.2% | -7.2% | -1.0 p.p. |
| ROE | -10.5% | -13.7% | -3.2 p.p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | 79 | -81 | - |
| EBITDA margin | 11.7% | -10.7% | -22.4 p.p. |
| Net profit margin | -34.7% | -35.9% | -1.2 p.p. |

| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------|----------|----------|
| Assigned profit contributions | 0 | 0 | - |
| Property tax | 0 | 0 | - |
| Total contributions and non-standard taxes to the State | 0 | 0 | - |

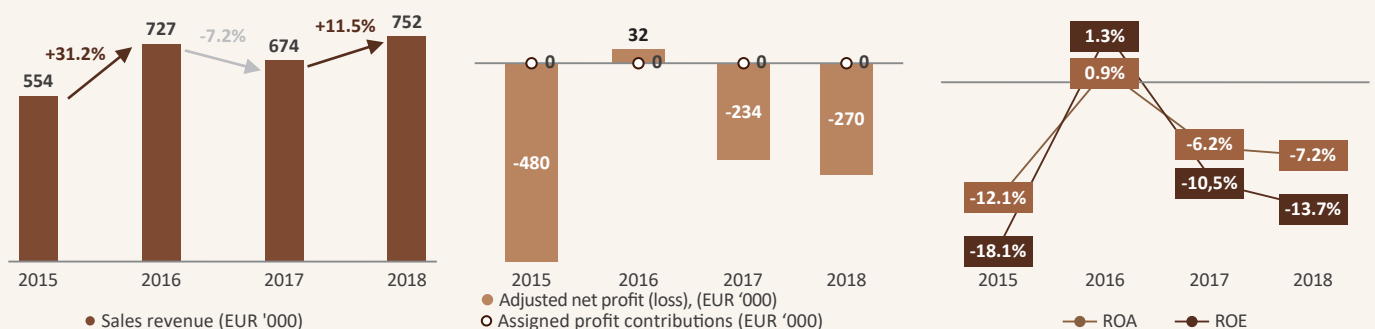
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
|---|-------|-------|--------|
| Number of employees | 232 | 209 | -9.9% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 2,471 | 2,723 | +10.2% |

INSTITUTION REPRESENTING THE STATE

Ministry of Agriculture of the Republic of Lithuania

MANAGEMENT (1 JUL 2019)

Director General Sigita Puodžiukas (Acting Director General)



VĮ Mašinų bandymo stotis

www.bandymai.lt



Conformity assessment of agricultural and forestry vehicles, type approval, and market surveillance. Control of technical inspections and evaluation of registered tractors, self-propelled and agricultural machinery. Advice to vehicle manufacturers, suppliers and consumers

- ↓ Cost of goods sold declined by 24.5%
- ↑ Adjusted net profit rose by 88.4% and reached EUR 29.9 thousand
- ↓ Company's number of employees almost halved

Major events:

- Under Decree No 3D-656 of the Minister of Agriculture of the Republic of Lithuania of **20 September 2018**, all public administration functions of VĮ Mašinų bandymo stotis were taken away 1 October 2018 onwards and the State grant was no longer paid.
- On **13 February 2018**, contract No 8P-18-024 was signed with the Ministry of Agriculture of the Republic of Lithuania for the financing of conformity assessment of agricultural and forestry vehicles and machinery, the development of the technical inspection system for the equipment of plant protection product treatments, and for the assistance to manufacturers, consumers and suppliers.

During the course of its business in the reference period, the Company issued 36 certificates of conformity along with 386 sprinkler certificates, and conducted 8 operator inspections and provided 270 pieces of advice. In addition, it tested and assessed 201 pieces of agricultural, forestry and other machinery and work equipment, performed 366 tests, and inspected and certified 29 gambling devices. Compared with the previous reference period, the highest increase was attributable to the volumes of sprinkler certificates issued (331 certificates in 2017) and the volume of advice provided (215 pieces in 2017). However, the number of issued certificates (61 certificates in 2017) and the number of completed tests (399 tests in 2017) dropped.

In 2018, the Company's revenue decreased by 4.7% EUR or EUR 41.9 thousand and equalled EUR 411.2 thousand at the end of the year. 99.7% (EUR 410.4 thousand) for the total revenue of the Company accounted for the sales revenue split between the revenue from the sale of services (EUR 112.0 thousand), rental income (EUR 148.4 thousand) and grants (EUR 150.0 thousand). The growth of the sales revenue, with the venue standing at EUR 410.4 thousand, reached 61.5%. Such a change was determined by the fact that the grants received by the Company in 2018 for cost compensation were classed as sales revenue, while they had fallen under the financing activities in 2017. During the year, the value of these grants declined by 23.4% or EUR 45.8 thousand.

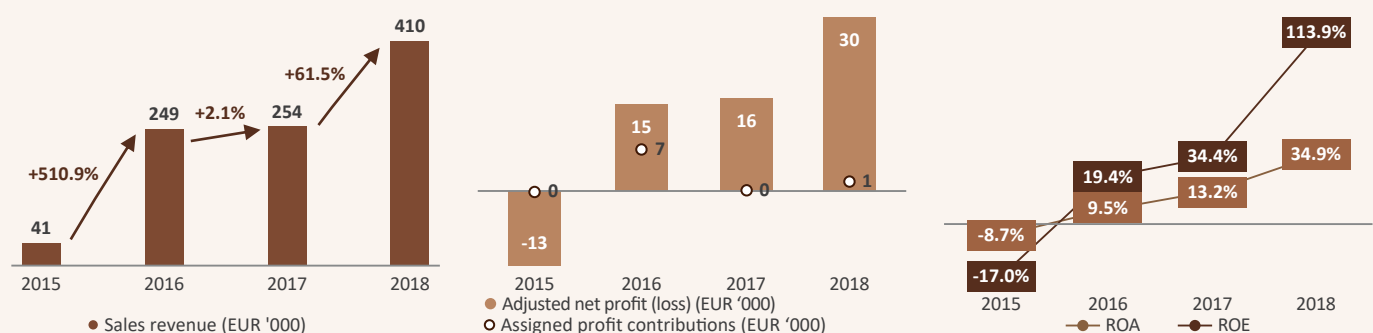
48.0% reduction in the number of employees or 12 people had a considerable impact on the Company's costs, which fell by 13.5% or EUR 58.8 thousand during the year. The cost of goods sold, which consisted of the staff wages of the Certification Division and the Testing Laboratory as well as SODRA contributions, decreased by 24.5% or EUR 35.9 thousand over the year. The general and administrative expenses, which mainly included (48.8% or EUR 183.4 thousand) staff wages and SODRA contributions, saw a respective decline (7.9%).

The expenses shrinking faster than the revenue had a positive impact on the Company's adjusted net profit. During the year, it rocketed by 88.4% and reached EUR 29.9 thousand at the end of the year. The EBITDA growth reached EUR 40.9 thousand.

During the reference period, the Company's equity grew by 29.9% thousand, and this was greatly affected by the retained loss standing at EUR 31.1 thousand in 2017, while 2018 saw EUR 2.3 thousand achieved in retained profit.

The rising net profit positively affected the Company's ratios of return: the return on equity soared by 79.5 percentage points and reached EUR 113.9%, while the return on assets grew by 21.7 percentage points totalling EUR 34.1 at the end of the year. High ratios of return were also determined by the fact that the Company, disposing of its assets with relatively low value, managed to generate sufficiently large earnings which helped earn profits.

| PROFIT (LOSS) STATEMENT (EUR '000) | 2017 | 2018 | CHANGE |
|--|----------------|-------------|----------------|
| Sales revenue | 254 | 410 | +61.5% |
| Cost of goods sold | 146 | 110 | -24.5% |
| Gross profit (loss) | 108 | 300 | +178.5% |
| Cost of sales | 0 | 0 | - |
| General and administrative expenses | 289 | 266 | -7.9% |
| Results of other activities | 0 | 0 | - |
| Net financial items | 199 | 1 | -99.6% |
| Profit (loss) before taxes | 18 | 35 | +92.9% |
| Corporation tax | 3 | 5 | +96.3% |
| Net profit (loss) | 16 | 30 | +92.3% |
| Adjusted net profit (loss) | 16 | 30 | +88.4% |
| BALANCE SHEET (EUR '000) | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| Non-current assets | 21 | 33 | +55.2% |
| Current assets | 64 | 57 | -11.1% |
| Cash and cash equivalents | 25 | 33 | +35.0% |
| Deferred charges and accrued income | 0 | 0 | - |
| Total assets | 85 | 90 | +5.4% |
| Equity | 12 | 42 | +253.4% |
| Grants and subsidies | 9 | 8 | -16.3% |
| Provisions | 0 | 0 | - |
| Amounts payable and other liabilities | 64 | 40 | -37.0% |
| Amounts payable after one year and other non-current liabilities | 0 | 0 | - |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Amounts payable within one year and other current liabilities | 64 | 40 | -37.0% |
| <i>Financial liabilities</i> | 0 | 0 | - |
| Accrued expenses and deferred income | 0 | 0 | - |
| Total equity and liabilities | 85 | 90 | +5.4% |
| RATIOS | 31 DEC 2017 | 31 DEC 2018 | CHANGE |
| ROA | 13% | 34.1% | +21.7 p. p. |
| ROE | 34.4% | 113.9% | +79.5 p. p. |
| D/E | 0.0% | 0.0% | - |
| EBITDA | -172 | 41 | - |
| EBITDA margin | -67.6% | 10.0% | - |
| Net profit margin | 6.4% | 7.4% | +1.1 p. p. |
| RETURN TO THE STATE (EUR '000) | 2017 | 2018 | CHANGE |
| Assigned profit contributions | 0 | 1 | - |
| Property tax | 1 | 1 | 0.0% |
| Total contributions and non-standard taxes to the State | 1 | 2 | +175.0% |
| INFORMATION ABOUT EMPLOYEES | 2017 | 2018 | CHANGE |
| Number of employees | 25 | 13 | -48.0% |
| Number of executives | 2 | 2 | 0.0% |
| Average monthly salary of executives (gross, EUR) | 1,816 | 1,816 | 0.0% |
| INSTITUTION REPRESENTING THE STATE | | | |
| Ministry of Agriculture of the Republic of Lithuania | | | |
| MANAGEMENT (1 JUL 2019) | | | |
| Director General | Paulius Kalina | | |



Evaluation Methodology

The analysis of the SOE portfolio results was based on the aggregate SOE financial data disclosed in audited annual financial statements of the companies (with the exception of VĮ Mūsų amatai whose information is presented using unaudited financial statements) because of a lack of consolidated financial statements of all SOEs, i.e. transactions between different SOEs have not been eliminated. The value of assets of the SOE portfolio does not include the value of the State-owned real estate which is not held by SOEs and is not on their balance sheets.

The analysis of the SOE portfolio relies on comparative historical data based on the SOE portfolio composition in 2018.

The SOE portfolio results include the consolidated financial results of **Lietuvos energija, UAB, UAB EPSO-G, AB Lietuvos geležinkeliai, AB Lietuvos paštas, UAB Lietuvos parodų ir kongresų centras LITEXPO and UAB Investicijų ir verslo garantijos groups.**

The book value of equity of **VĮ Valstybinių miškų urėdija** was increased by the forest value, which was determined using the discounted cash flow method. Under this approach, at the beginning of 2019, the value of forests was recalculated in the light of the changed market conditions: the value of forests was estimated at EUR 11,778.4 million in 2018, EUR 1,201.1 million in 2017, EUR 1,107.5 million in 2016, and EUR 952.9 million in 2015.

The book values assets, equity and liability of **AB Kelių priežiūra**, which maintains regional roads, has had the book value of these roads deducted (EUR 2 billion at the end of 2016 and 2015). It shows the amount of budget funds invested. Yet the market value of roads as a public good stands at zero since roads do not generate direct cash flows for the company and the company may not dispose of them. In 2017, prior to the merger of the regional road companies into VĮ Kelių priežiūra, the roads were transferred to the Lithuanian Road Administration and were no longer included in the financial statements of the company.

In the context of the changes in the company's business, for the purposes of data comparability, the report presents the aggregated results of the following companies:

- **VĮ Valstybinių miškų urėdija** has aggregated data of **42 reorganised forestry enterprises** and **VĮ Valstybinis miškotvarkos institutas**, all of which had been merged by absorption into a single company, presented for the period between 2015 and 2017.

- **AB Kelių priežiūra** has aggregated financial results of **10 reorganised regional road maintenance companies** and **State Enterprise Automagistralė** presented for the period between 2015 and 2016.

- **UAB Projektų ekspertizė** has aggregated data of reorganised companies: **UAB Projektų ekspertizė** and **UAB Valstybinė projektų ir sąmatų ekspertizė** presented for the period between 2015 and 2017.

The report presents to non-standard taxes to the State – a tax payable by state enterprises for the use of entrusted state property (property tax) and the mandatory payments made by forestry enterprises on the revenue from raw wood and uncut forest sales (raw material tax). These tax liabilities generate additional revenue to the State budget and apply only to the abovementioned companies. Therefore, for the purpose of assessing the profitability of such companies and their return to the State, non-standard taxes are deducted from operating expenses increasing the net profit (reducing the net losses) by the value of non-standard taxes to the State reduced by the corporation tax (15%), or the total sum of all non-standard taxes to the State if, under the procedure established by the legislation, the companies did not pay corporation tax. This adjustment is for informational purposes only, and its impact on the book values is not detailed in the report.

Methodology for calculating company, SOE portfolio and sector indicators.

Return on Assets (ROA). The return-on-assets ratio is calculated by dividing the net profit (loss) for the last twelve months from the average of the book values of the assets at the beginning and at the end of the reference period.

Return on Equity (ROE). The return-on-equity ratio is calculated by dividing the net profit (loss) for the last twelve months from the average of the book values of equity at the beginning and at the end of the reference period.

Financial Dependency Coefficient (D/E). The ratio is calculated by dividing a sum of non-current and current financial liabilities by equity.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA). The indicator is calculated by subtracting the result of financing activities from the pre-tax profit and adding the depreciation and amortisation of non-current assets thereto.

Operating Profitability before Interest, Taxes, Depreciation and Amortisation (EBITDA margin). The ratio is calculated by dividing the EBITDA value by sales revenue.

Net Profit Margin. The ratio is calculated by dividing net profit by net turnover.

The net profit margin, ROE and ROA ratios are presented in the report as calculated using the adjusted profit values, i.e. having deducted the effects of non-standard taxes to the State.

The corporate, sectoral and SOE portfolio data and derived financial indicators as well as other aggregated results presented allow for a decimal margin of error due to data rounding and presentation in thousands of euros.

This annual report was prepared by Public Enterprise Stebėsenos ir prognozių agentūra, which implements the functions of the Governance Coordination Centre in accordance with Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 "Approving the Schedule of Guidelines for Ensuring Transparency of State-Owned Enterprises and Appointing the Coordinating Body" and Resolution No 665 of 6 June 2012 "Approving the Schedule of Procedures for the Implementation of State Property and Non-Property Rights in State-Owned Enterprises".

This annual report relied on the following external sources of information: public information about State-owned enterprises and the institutions representing the State, the annual financial statements, annual activity reports and annual reports submitted by the companies, the information and data published by the Lithuanian Department of Statistics, the State Forest Service, the National Energy Regulatory Council (operating under the name of the National Commission for Energy Control and Prices until 1 July 2019), the Communications Regulatory Authority, stock exchange NASDAQ OMX Vilnius, Nord Pool AS, SJSC RIGA International Airport, Tallinn Airport Ltd, PostNord AB, Sveaskog AB, SJSC LATVIJAS GAISA SATIKSME, Lennuliiklusteeninduse AS, Central Statistical Bureau of Latvia, SJSC Latvijas dzelzceļš, Nærings- og fiskeridepartementet (Ministry of Trade, Industry and Fisheries), Næringsdepartementet (Ministry of Enterprise and Innovation), Eesti Statistika, and Eurostat. The report's information was not verified by independent auditors and the authors did not carry out an independent review of the information contained in this report, including estimates or forecasts, and, whenever there is any need to rely on this information in any decision-making process, any person should rely on their own assessment. The authors of the report, the Government and any state institution or another entity under its control are not, under any circumstances, responsible for third party decisions taken based on the information, findings and opinions expressed herein. The companies' past performance does not guarantee and cannot be linked to their future results. This annual report is neither an offer to sell nor an invitation to purchase securities or any assets nor shall it constitute a part of any investment decision or any decision to enter into any transaction.

List of State-owned enterprises

| No | Enterprise | State-owned interest* | Accountability | Sector | Category** | Dividends (share of the State) in 2018 (EUR '000) | Assets as at 31 DEC 2018 (EUR '000) | Sales Revenue in 2018 (EUR '000) | EBITDA in 2018 (EUR '000) | Net Profit in 2018 (EUR '000) |
|----|--|-----------------------|--|------------------------------|--------------|---|-------------------------------------|----------------------------------|---------------------------|-------------------------------|
| 1 | Lietuvos energija, UAB, Group | 100.0% | Ministry of Finance | Energy | Large | 13,000 | 2,854,095 | 1,254,226 | 82,266 | -7,942 |
| 1a | Lietuvos energijos gamyba, AB | - | Lietuvos energija, UAB | Energy | - | 23,795 | 656,714 | 130,651 | 55,518 | 29,644 |
| 1b | AB Energijos skirstymo operatorius | - | Lietuvos energija, UAB | Energy | - | 12,525 | 1,591,642 | 624,044 | 68,113 | 15,665 |
| 2 | UAB EPSO-G Group | 100.0% | Ministry of Energy | Energy | Large | 750 | 684,663 | 245,883 | -33,788 | -47,720 |
| 2a | LITGRID AB Group | - | UAB EPSO-G | Energy | - | 2,623 | 366,257 | 190,641 | -19,139 | -39,361 |
| 2b | AB Amber Grid | - | UAB EPSO-G | Energy | - | 5,227 | 235,416 | 54,290 | -13,069 | -21,592 |
| 3 | AB Klaipėdos nafta | 72.3% | Ministry of Energy | Energy | Large | 8,375 | 293,127 | 99,998 | 26,780 | 11,577 |
| 4 | VĮ Energetikos agentūra | - | Ministry of Energy | Energy | Small | 0 | 752 | 1 | -51 | -50 |
| 5 | VĮ Ignalinos atominė elektrinė ¹ | 100.0% | Ministry of Energy | Energy | Large | 0 | 625,484 | 256 | -1,626 | -2,940 |
| 6 | VĮ Radioaktyviųjų atliekų tvarkymo agentūra | - | Ministry of Energy | Energy | Micro | 0 | 17 | 40 | -31 | -60 |
| 7 | UAB Geoterma | 99.1% | VĮ Turto bankas | Energy | - | data unavailable | data unavailable | data unavailable | data unavailable | data unavailable |
| 8 | VĮ Lietuvos naftos produktų agentūra | - | Ministry of Energy | Energy | Medium-sized | 0 | 91,162 | 2,078 | -1,931 | -1,934 |
| 9 | AB Lietuvos geležinkeliai Group | 100.0% | Ministry of Transport and Communications | Transport and Communications | Large | 43,000 | 2,025,657 | 467,952 | 196,011 | 54,806 |
| 10 | AB Lietuvos paštas Group | 100.0% | Ministry of Transport and Communications | Transport and Communications | Large | 0 | 82,958 | 88,307 | 7,724 | 3,680 |
| 11 | AB Lietuvos radijo ir televizijos centras | 100.0% | Ministry of Transport and Communications | Transport and Communications | Large | 955 | 40,455 | 20,080 | 6,016 | 933 |
| 12 | AB Smiltynės perkėla | 99.0% | Ministry of Transport and Communications | Transport and Communications | Medium-sized | 393 | 9,677 | 4,953 | 1,820 | 527 |
| 13 | AB Kelių priežiūra ² | 100.0% | Ministry of Transport and Communications | Transport and Communications | Large | 0 | 129,564 | 78,147 | 11,340 | 1 475 |
| 14 | VĮ Oro navigacija | - | Ministry of Transport and Communications | Transport and Communications | Large | 1,100 | 69,376 | 29,519 | 7,338 | 4,627 |
| 15 | VĮ Klaipėdos valstybinio jūrų uosto direkcija | - | Ministry of Transport and Communications | Transport and Communications | Large | 28,000 | 588,762 | 63,736 | 48,477 | 31,449 |
| 16 | VĮ Lietuvos oro uostai | - | Ministry of Transport and Communications | Transport and Communications | Large | 8,524 | 189,911 | 43,997 | 17,686 | 8,715 |
| 17 | VĮ Vidaus vandens kelių direkcija | - | Ministry of Transport and Communications | Transport and Communications | Medium-sized | 0 | 27 129 | 231 | 89 | -525 |
| 18 | VĮ Valstybinių miškų urėdija ³ | - | Ministry of Environment | Forestry | Large | 22,142 | 1,391,054 | 180,353 | 40,142 | 48,972 |
| 19 | UAB Projektų ekspertizė ⁴ | 100.0% | Ministry of Environment | Other | Small | 77 | 597 | 721 | 79 | 57 |
| 20 | VĮ Statybos produkcijos sertifikavimo centras | - | Ministry of Environment | Other | Small | 210 | 1,446 | 1,249 | 357 | 289 |
| 21 | UAB Būsto paskolų draudimas | 100.0% | Ministry of Finance | Other | Small | 0 | 16,141 | 621 | -377 | 58 |
| 22 | VĮ Indėlių ir investicijų draudimas | - | Ministry of Finance | Other | Small | 0 | 15,987 | 676 | 33 | 50 |
| 23 | VĮ Lietuvos prabavimo rūmai | - | Ministry of Finance | Other | Small | 204 | 2,629 | 594 | 84 | 56 |
| 24 | VĮ Turto bankas | - | Ministry of Finance | Other | Medium-sized | 129 | 283,675 | 5,449 | 1,489 | 217 |
| 25 | UAB Viešųjų investicijų plėtros agentūra | 100.0% | Ministry of Finance | Other | Small | 267 | 11,854 | 1,629 | 150 | 70 |
| 26 | VĮ Mūsų amatai | - | Prison Department | Other | Medium-sized | 0 | 6,666 | 6,076 | -455 | -502 |
| 27 | UAB Lietuvos kinas | 100.0% | Ministry of Culture | Other | Micro | 0 | 1,048 | 306 | 54 | 32 |
| 28 | VĮ Lietuvos paminklai | - | Department of Cultural Heritage | Other | Small | 132 | 755 | 7,174 | 39 | 24 |
| 29 | UAB Lietuvos monetų kalykla | 100.0% | Bank of Lithuania | Other | Medium-sized | 0 | 5,929 | 5,947 | 245 | -45 |
| 30 | AB Informacinio verslo paslaugų įmonė ⁵ | 51.7% | VĮ Turto bankas | Other | Small | 93 | 944 | 266 | -34 | -40 |
| 31 | VĮ Distantinių tyrimų ir geoinformatikos centras Gis-centras | - | Ministry of Agriculture | Other | Small | 213 | 2,772 | 1,008 | 237 | 178 |
| 32 | AB Detonas | 100.0% | Ministry of Transport and Communications | Other | Small | 550 | 4,015 | 3,401 | 865 | 624 |
| 33 | AB Problematika | 100.0% | Ministry of Transport and Communications | Other | Medium-sized | 1,337 | 7,413 | 5,138 | 1,071 | 618 |

| No | Enterprise | State-owned interest* | Accountability | Sector | Category** | Dividends (share of the State) in 2018 (EUR '000) | Assets as at 31 DEC 2018 (EUR '000) | Sales Revenue in 2018 (EUR '000) | EBITDA in 2018 (EUR '000) | Net Profit in 2018 (EUR '000) |
|--|---|-----------------------|---|--------|--------------|---|-------------------------------------|----------------------------------|---------------------------|-------------------------------|
| 34 | UAB Universiteto vaistinė | 100.0% | Ministry of Health | Other | Small | 57 | 1,349 | 2,404 | 96 | 76 |
| 35 | UAB Kauno Petrašiūnų darbo rinkos mokymo centras ⁶ | 54.2% | VĮ Turto bankas | Other | Small | 0 | 639 | 641 | 61 | 18 |
| 36 | VĮ Registrų centras | - | Ministry of Transport and Communications | Other | Large | 1,462 | 30,652 | 39,079 | 5,430 | 2,167 |
| 37 | AB Giraitės ginkluotės gamyba ⁷ | 100.0% | Ministry of Finance | Other | Medium-sized | 266 | 19,925 | 9,408 | 2,357 | 1,175 |
| 38 | UAB Investicijų ir verslo garantijos | 100.0% | Ministry of the Economy and Innovation | Other | Small | 204 | 20,472 | 3,461 | 339 | 299 |
| 39 | UAB Toksika | 92.5% | Ministry of the Economy and Innovation | Other | Medium-sized | 0 | 27,683 | 3,468 | 794 | 446 |
| 40 | UAB Lietuvos parodų ir kongresų centras LITEXPO | 98.8% | Ministry of the Economy and Innovation | Other | Medium-sized | 719 | 20,603 | 7,349 | 1,952 | 934 |
| 41 | UAB poilsio namai Baltija | 100.0% | VĮ Turto bankas | Other | Medium-sized | 0 | 5 002 | 200 | -74 | -264 |
| 42 | AB Vilniaus metrologijos centras | 100.0% | Ministry of the Economy and Innovation | Other | Medium-sized | 311 | 6 929 | 3,370 | 557 | 195 |
| 43 | VĮ Infostruktūra | - | Ministry of National Defence | Other | Medium-sized | 245 | 6 401 | 6,251 | 1,449 | 421 |
| 44 | VĮ Regitra | - | Ministry of the Interior | Other | Large | 3,071 | 22,614 | 26,326 | 5,967 | 4,045 |
| 45 | AB Jonavos grūdai | 70.1% | Ministry of Agriculture | Other | Medium-sized | 296 | 6,468 | 7,325 | 970 | 459 |
| 46 | AB Lietuvos veislininkystė | 99.0% | Ministry of Agriculture | Other | Small | 81 | 1,738 | 1,489 | 166 | 110 |
| 47 | AB Kiaulių veislininkystė | 99.0% | Ministry of Agriculture | Other | Small | 0 | 1,548 | 847 | -101 | -154 |
| 48 | UAB Gyvulių produktyvumo kontrolė | 100.0% | Ministry of Agriculture | Other | Small | 0 | 996 | 3,345 | 21 | -15 |
| 49 | UAB Lietuvos žirgynas | 89.6% | Ministry of Agriculture | Other | Small | 5 | 2,109 | 695 | 106 | 3 |
| 50 | UAB Panevėžio veislininkystė | 97.9% | Ministry of Agriculture | Other | Small | 0 | 1,097 | 1,500 | 144 | 27 |
| 51 | UAB Šeduvos avininkystė | 100.0% | Ministry of Agriculture | Other | Small | 0 | 870 | 215 | 4 | -38 |
| 52 | UAB Šilutės polderiai | 81.0% | Ministry of Agriculture | Other | Small | 37 | 1,305 | 3,748 | 175 | 52 |
| 53 | UAB Šilutės veislininkystė | 96.5% | Ministry of Agriculture | Other | Micro | 0 | 1,408 | 211 | -45 | -135 |
| 54 | UAB Dotnuvos eksperimentinis ūkis | 100.0% | VĮ Turto bankas | Other | Small | 0 | 3,364 | 1,320 | 32 | -76 |
| 55 | UAB Klaipėdos žuvininkystės produktų aukcionas | 100.0% | VĮ Turto bankas | Other | - | data unavailable | data unavailable | data unavailable | data unavailable | data unavailable |
| 56 | UAB Upytės eksperimentinis ūkis | 100.0% | Ministry of Agriculture | Other | Small | 0 | 2,790 | 1,722 | -2 | -115 |
| 57 | UAB Žemės ūkio paskolų garantijų fondas | 100.0% | Ministry of Agriculture | Other | Small | 139 | 20,806 | 1,095 | 58 | 183 |
| 58 | UAB Pieno tyrimai | 100.0% | Ministry of Agriculture | Other | Medium-sized | 193 | 4,332 | 4,015 | 623 | 113 |
| 59 | VĮ Valstybės žemės fondas | - | Ministry of Agriculture | Other | Medium-sized | 29 | 4,595 | 2,787 | 124 | 73 |
| 60 | VĮ Žemės ūkio informacijos ir kaimo verslo centras | - | Ministry of Agriculture | Other | Small | 0 | 3,653 | 752 | -81 | -270 |
| 61 | VĮ Mašinų bandymo stotis | - | Ministry of Agriculture | Other | Micro | 1 | 90 | 410 | 41 | 30 |
| Likviduojamos arba bankrutavusios įmonės | | | | | | | | | | |
| 1 | UAB Respublikinė mokomoji sportinė bazė | - | Department of Physical Education and Sports | Other | - | - | - | - | - | - |
| 2 | VĮ Lietuvos žemės ūkio ir maisto produktų rinkos reguliavimo agentūra | - | Ministry of Agriculture | Other | Small | - | - | - | - | - |

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

**Pursuant to the Law on Financial Reporting by Undertakings, M – micro, S – small, MS – medium-sized, L – large companies

¹ VĮ Ignalinos atominė elektrinė is at the closing stage (production was carried out until 31 December 2009).

² Since 1 November 2017, 10 regional road maintenance enterprises and the State Enterprise Automagistralė have undergone reorganisation followed by the incorporation of VĮ Kelių priežiūra. On 31 December 2018, VĮ Kelių priežiūra was reorganised into AB Kelių priežiūra.

³ Since 8 January 2018, VĮ Valstybinis miškotvarkos institutas and 42 VĮ miškų urėdijos (forestry enterprises) have been merged by absorption into a single enterprise – VĮ Valstybinių miškų urėdija.

⁴ On 14 November 2018, UAB Valstybinė projektų ir sąmatų ekspertizė was merged by absorption into UAB Projektų ekspertizė.

⁵ The State-owned interest in AB Informacinio verslo paslaugų įmonė was sold on 19 December 2018 with the shares transferred on 31 January 2019.

⁶ The State-owned interest in UAB Kauno Petrašiūnų darbo rinkos mokymo centras was sold on 19 December 2018 with the shares transferred on 4 February 2019.

⁷ 100% shares in the Company, all owned by the State, were held by VĮ Turto bankas until 3 August 2018.

Abbreviations and Definitions

| | |
|--------------------------------------|--|
| AB (PLLC) | Public Limited Liability Company |
| Nomination Guidelines | Schedule of procedures for the nomination of candidates to the board of directors of a state or municipal enterprise and candidates to the collegiate supervisory or governing body of a state- or municipality-owned enterprise to be elected by the general meeting, as approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 |
| GDP | Gross Domestic Product |
| CAPM | Capital Asset Pricing Model |
| D/E | Debt-to-equity ratio |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation; the ratio is calculated by subtracting the result of financing activities from the profit before taxes and adding the depreciation and amortisation of non-current assets thereto |
| | Earnings before interest, taxes, depreciation and amortisation; the ratio is calculated by subtracting the result of financing activities from the pre-tax profit and adding the depreciation and amortisation of non-current assets thereto |
| EBITDA margin | Operating profitability before interest, taxes, depreciation and amortisation; the ratio is calculated by dividing the EBITDA value by the sales revenue |
| OECD | Organization for Economic Co-operation and Development |
| EU | European Union |
| Net Profit Margin | Ratio calculated by dividing net profit by net turnover |
| CSR | Corporate Social Responsibility implies the operating principles under which the companies voluntarily seek to achieve social and environmental objectives, thereby taking account of the interests of all stakeholders |
| Letter of Expectation | A letter submitted by the institution representing the State to the company concerning the State's aims in the state-owned enterprise and its expectations |
| M | Million |
| B | Billion |
| Non-standard taxes to the State | Property tax and raw material tax |
| Ownership Guidelines | Schedule of procedures for the implementation of state property and non-property rights in state-owned enterprises as approved by Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012 |
| Return on Assets (ROA) | A financial ratio that shows the efficiency of the use of a company's assets. The ratio is calculated by dividing net profit (loss) for the last twelve months by the average book values of the assets at the beginning and at the end of the reference period |
| Return on Equity (ROE) | A financial ratio showing the efficiency of the use of equity invested by shareholders. The ratio is calculated by dividing net profit (loss) for the last twelve months by the average book values of equity at the beginning and at the end of the reference period |
| LNG terminal | Liquefied Natural Gas Terminal |
| SO | Special obligations or non-commercial functions; the functions undertaken by a SOE, which would otherwise be omitted by the company from a commercial point of view or which the company would undertake for a higher price than the one set and which are vested with the company following the decisions of the shareholder/owner (the State) |
| Transparency Guidelines | Schedule of guidelines for ensuring transparency in the operations of state-owned enterprises as approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 |
| Property tax | Tax paid by state enterprises for the use of entrusted state property |
| UAB (LLC) | Private Limited Liability Company |
| VAI | The institution or shareholder exercising the rights and obligations of the owner of the company |
| Governance Coordination Centre (GCC) | Centralised managing state property manager (VĮ Turto bankas or, since 1 July 2017, VĮ Stebėsenos ir prognozių agentūra), performing the functions of the coordinating institution for the implementation of state-owned enterprise management policy |
| Operating profit margin | Ratio calculated by dividing operating profit by net turnover |
| PSO | Public service obligations |
| SE | State Enterprise |
| SOE | State-owned enterprise (State-owned enterprise engaged in economic-commercial activities, public limited liability company and private limited liability company, in which the State owns shares granting more than 1/2 of all votes at the general meeting of the company) |
| The Government | The Government of the Republic of Lithuania |
| Wh | Unit of measure of energy, which is used to calculate the electricity consumed or produced by electric appliances (kilowatt-hour = 103Wh, gigawatt-hour = 109Wh, terawatt hour = 1012Wh) |
| Raw material tax | Compulsory deductions from sales revenue of raw wood and uncut forest paid by VĮ Valstybinių miškų urėdija |



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