


The cover features three vertical panels. The left panel shows a high-voltage power line tower against a sunset sky. The middle panel shows a stack of logs with a crane in the background, overlaid with a green tint. The right panel shows a large industrial building with a red tint.

ANNUAL REVIEW

Lithuanian state-owned
commercial assets 2009

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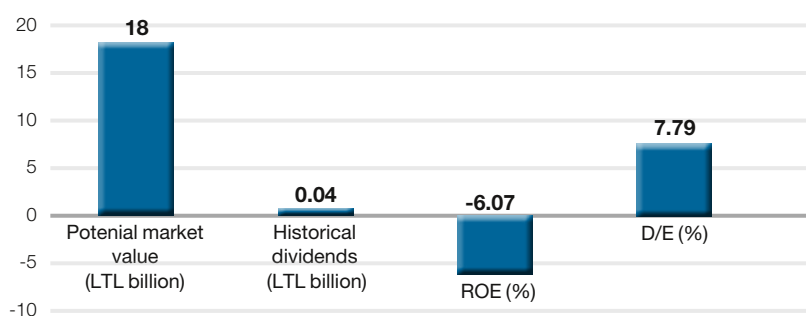
This annual review is prepared by the Ministry of Economy of the Republic of Lithuania in cooperation with the Office of the Prime Minister and Ministry of Finance of the Republic of Lithuania in accordance with Decision of the meeting of the Government dated 10 March 2010 (minutes No. 8, question No. 33, 6.2.1. item) on Reports of the Activities of the State Enterprises in 2009 and Recommendations of the Commission for the Improvement of State Governing (Sunset Commission) dated 13 May 2010 (minutes No. 63-13) on Financial Reports of the Companies Controlled by the State. This annual review is based on information derived from various external sources, such as financial statements of enterprises, Center of Registers, Department of Statistics, VĮ Valstybinis Miškotvarkos Institutas, Bloomberg, information provided by separate ministries, and other. The authors of the review do not guarantee and expressly disclaim any responsibility for the truthfulness, completeness and accurateness of such information, including calculations and forecasts. No independent verifications of information herein have been completed, including calculations and forecasts, and in any necessity to rely on the information herein for making decisions of any nature, any person should carry out independent evaluation. The authors of the review, the Government and any institution of the State or any other entity under the control of the State is not and in any circumstances shall be not be liable for any decisions of third parties based on the information, conclusions and opinions presented in this annual review. Historic results of the companies do not guarantee and can not be related to the future results. This annual review is neither offer nor invitation to purchase securities and any other assets, nor may be a part of any investment decision or any other decision to enter into any contract.

Overview

Lithuanian state-owned enterprises (SOEs) represent substantial value, have a significant influence on the national economy, and are also large employers. Furthermore, state-owned commercial assets (SOCAs) (enterprises, real estate, forests) are ultimately the property of all Lithuanian tax payers. The State has a responsibility to be an active and professional owner, in order to create value for the State and its tax payers.

Key Indicators

Currency: LTLm	2009	2008	2007
Turnover	8,459	9,455	7,799
EBITDA	108	1,673	2,101
EBIT	-1,479	250	782
Net Profit	-1,354	21	679
Dividends	45	31	53
Total Assets	32,710	34,889	28,390
Total Equity	22,309	24,204	20,353
Interest Bearing Debt	1,738	2,009	1,160
Total Employees, thousand	46	49	43
Net Profit margin, %	-16.0%	0.2%	8.7%
ROA, %	-4.1%	0.1%	2.4%
ROE, %	-6.1%	0.1%	3.3%



An estimated indication of the market value of state-owned commercial assets amounts to LTL 18 billion as at 31 December 2009 (this excludes the potential value of roads, if any, and does not include the value of free commercial land plots). Return in the form of dividends from state-owned enterprises was very moderate and amounted to LTL 44.8 million in 2009. In addition, income from the disposal of state-owned commercial assets amounted to LTL 21.3 million in 2009 (LTL 16.0 million from disposal of shares and LTL 5.3 million from disposal of real estate). In 2008 and 2007 income from disposal of state-owned commercial assets amounted to LTL 19.5 million and 63.7 million, respectively.

The goal of the State is to increase the value of its assets as well as annual returns generated from the assets in the future. This will be achieved through various measures, such as significantly improving corporate governance and operational performance, optimising capital structure and divesting of non-core assets.

Foreword



Since Lithuania regained independence in 1990, State Owned Enterprises have remained unreformed – with very low transparency standards, slow management changes, and a corporate governance under the control of ministries which lack commercial management capabilities and motivation.

It is therefore unsurprising that State Owned Enterprises have posted inferior results and behaved in inefficient manner thus yielding a disappointing overall economic performance.

Based on expert assessments, Lithuania's state owned commercial assets, are valued at more than 25 per cent over GDP, meaning that the State is and will for some time remain the principal owner of assets and the largest employer in Lithuania. With such a profound influence on the workings of the economy, the Lithuanian State has an obligation towards its citizens to manage these assets professionally. Their *raison d'être* must be to stimulate economic growth and contribute to prosperity of the country, just as SOE's have achieved in countries such as Sweden, Finland, and Singapore. We believe that the professional management of our domestic state assets could lead to an annual state revenue increase of up to 1.5-2 % of GDP.

I believe that by modernizing the governance of state owned enterprises, Lithuania can substantially improve its domestic business climate and boost foreign and local investment while also yielding an attractive return on its capital invested, resulting in increased revenue flows with which to address the social needs of its citizens. By doing better business in our state owned sector, we can do more to mitigate the social effects of the highly challenging European economic climate which currently prevails.

The professional and efficient management of state owned commercial assets, as demonstrated by the sovereign commercial entities of Sweden, Finland, and Singapore, must be premised on the implementation of three central principles: transparency; clear commercial objective; and political insulation of all management decisions. These three fundamental principles are mutually self-reinforcing if adhered to in unison and have the purpose of creating a proper commercial environment enabling State Commercial Assets to work on virtually the same terms as competitors acting in the private sector.

Transparency

Public access to key information about financial indicators of state-owned asset management provides a basis for government accountability and raises barriers against possible political intervention into the performance of these companies. Without accurate and detailed information neither the market nor the public can assess companies, set targets and allocate resources capital efficiently. Although many SOEs may not be listed on a stock exchange, they are public companies in the purest sense and should therefore be even more transparent than listed companies. To publish clear goals for SOEs and their management, along with periodic assessments of how well SOEs have achieved their objectives is fundamental to good corporate governance. This Annual Review is the first major step that will set the transparency standard of the publicly provided information.

Political Insulation

Political insulation of management means first of all the real delegation of key management functions to the boards of the SOEs. The prerequisite to achieving these steps is a proper chain-of-command, with a well functioning board playing an integral part in decentralizing accountability and responsibility.

Clear commercial objective

Unlike private enterprises, which focus on value maximisation, most SOEs pursue multiple and conflicting objectives. Having multiple goals makes it much harder for insiders and outsiders to know what an SOE is ultimately supposed to achieve and if they achieve these objectives effectively.

Government should direct state owned commercial companies to have a sole objective of value maximisation. Government should also allow for policy objectives to be completely transparent and clear. While pursuing these goals, the companies will be relieved from seeking policy goals.

Seeking to balance commercial objectives with the interests of consumers in natural monopoly sectors, the Government will further strengthen market regulation authorities, which will ensure professional, predictable and transparent regulatory framework.

This Annual Review of our SOE's is the first step we are taking to create a transparent framework for the management of SOEs, which will ultimately benefit taxpayers by fostering a more competitive economy and by paying higher dividends to our citizens.

Prime Minister

A handwritten signature in black ink, which appears to read 'Andrius Kubilius'. The signature is fluid and cursive, written in a professional style.

Andrius Kubilius

Financial Overview

The Lithuanian state is an important owner of commercial assets in the country. The State either directly or indirectly controls or has minority share stakes in a number of industries, which for the purposes of this annual review were classified into four categories – energy, transportation, forestry, and other. In addition to these, the State owns substantial real estate assets, which are owned and managed by various non-commercial organisations.

The energy sector is the largest sector in terms of turnover, total assets, total equity and total interest bearing debt. It has a comparatively small number of employees, compared to the other three sectors. The largest enterprise in the energy sector is LEO LT AB group, which comprised electricity distribution and transmission system operators as well as some production units as at 31 December 2009. The energy sector also includes Lietuvos Dujos AB, the gas supply and distribution enterprise, where the State owns a minority stake.

The transportation sector with enterprises such as Lietuvos Geležinkeliai AB (Lithuanian railways), Lietuvos Paštas AB, (Lithuanian post), Tarptautinis Vilniaus Oro Uostas VĮ, (Vilnius airport operator), is the largest employer among state-owned enterprises. The above three enterprises are wholly owned by the State and all together account for more than 90% of the total number of employees in the transportation sector.

The state has not yet established a separate real estate holding entity, therefore, real estate assets (land plots, buildings, and premises) are not included in the aggregate balance sheet and income statement of state-owned commercial assets.

Forests are not included in the balance sheet of the forestry sector.

Roads are included in the balance sheet of regional road maintenance enterprises (which are included under other sector), thereby, making that share of the other sector relatively large in terms of total assets and equity. 11 road maintenance enterprises contribute more than 70% to the aggregate total assets, and more than 90% to the equity of the other sector, while these enterprises comprise less than 20% of net turnover of the other sector.

Total assets

The aggregate book value of the total assets of state-owned enterprises decreased by 6% from LTL 34,889 million as at 31 December 2008 to LTL 32,710 million as at 31 December 2009. The aggregate book value of total assets is represented by energy, transport, forestry and other sector enterprises. It does not include real estate, as the state does not have a separate holding entity, and it cannot be reliably separated as at 31 December 2009. It is expected that the real estate assets (which are owned by non-commercial organisations, not included in this analysis) would form the most significant portion of aggregate total assets, if accounted at fair value.

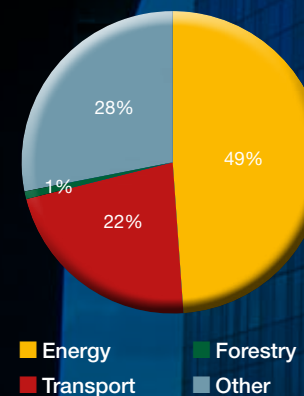
Please note that as mentioned above forests are not included in the balance sheet of the forestry sector, while roads are included in the balance sheet of regional road maintenance enterprises (which are presented under the other sector).

The assets of energy sector enterprises comprised the largest share of aggregate book value of total assets as at 31 December 2009, which mainly represents the assets at revalued amounts. Key enterprises operating in this sector account for major fixed assets using the revaluation model according to International Financial Reporting Standards with revaluations performed on a regular basis.

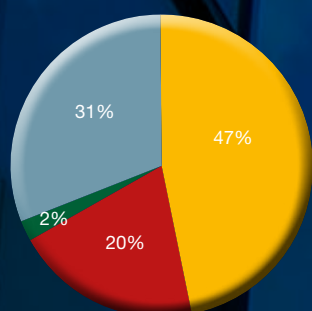
The assets of enterprises within the other sector mainly represent the value of roads accounted for in the balance sheets of regional road maintenance enterprises (total assets of road maintenance enterprises amounted to LTL 6,384 million as at 31 December 2009, and comprised 19.5% of aggregate total assets). Roads are exclusively in the ownership of the State according to legislative requirements.

The aggregate book value of total assets of listed enterprises comprised 38% of aggregate the total assets of all sectors; these however, decreased by 19% from LTL 15,186 million as at 31 December 2008 to LTL 12,346 million as at 31 December 2009.

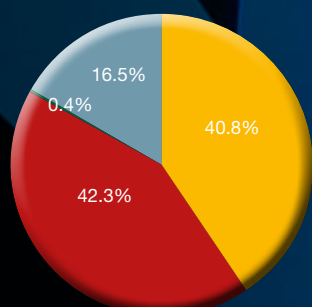
Total assets by sectors, 2009



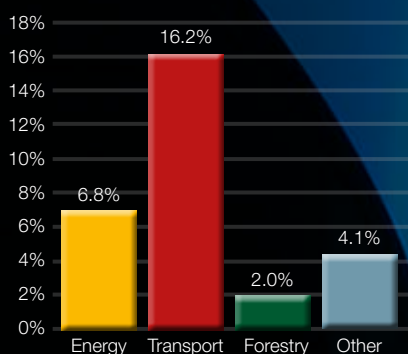
Equity by sectors, 2009



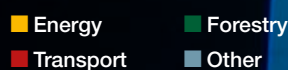
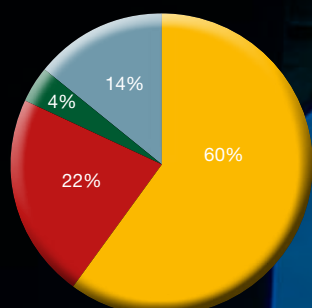
Debt by sectors, 2009



D/E ratio



Net turnover by sectors, 2009



Equity

The aggregate equity of state-owned enterprises decreased by 8% from LTL 24,204 million as at 31 December 2008 to LTL 22,309 million as at 31 December 2009. The decrease was mainly caused by the net loss generated by state-owned enterprises in 2009. The total equity of state-owned enterprises which had negative equity as at 31 December 2009 amounted to LTL 24 million. The largest contributor to aggregate equity was LEO LT AB with its share of aggregate equity of 30% amounting to LTL 6,759 million as at 31 December 2009.

The relatively large contribution of the other sector is due to the fact that the aggregate book value of the equity of regional road maintenance enterprises includes the value of roads (equity of 11 regional road maintenance enterprises comprised more than 90% of the aggregate equity of the other sector).

Please note that as mentioned above forests are not included in the balance sheet of the forestry sector.

Debt

State-owned enterprises have relatively low leverage compared to the private sector which indicates opportunities for increase in capital structure efficiency as well as the possibility to pay out one-off dividends in the future. In 2009 the total debt of state-owned enterprises actually decreased by 13% from LTL 2,009 million as at 31 December 2008 to LTL 1,738 million as at 31 December 2009. However, the aggregate debt / equity ratio remained stable at a level of 8% as at 31 December 2008 and 2009. The largest debt was held by transport sector enterprises with an average sector debt / equity ratio of 16%, in particular Lietuvos Geležinkeliai AB, the Lithuanian railway enterprise, with debts of LTL 504 million in 2009. LEO LT AB, operating in the energy sector, had debts of LTL 558 million which comprised 32% of aggregate debt as at 31 December 2009.

Turnover

The aggregate net turnover of state-owned enterprises decreased by 11% from LTL 9,455 million in 2008 to LTL 8,459 million in 2009. Energy is the largest sector in terms of net turnover, with LEO LT AB being the largest contributor to total net turnover with its share of net turnover increasing from 26% in 2008 to 33% in 2009.

EBIT

Due to the financial downturn and internal reorganisations on the market, state-owned enterprises generated negative EBIT in 2009. EBIT decreased from a positive LTL 250 million in 2008 to a negative LTL 1,479 million in 2009. Respectively, the EBIT margin of state-owned enterprises decreased by 20 percentage points from a positive 3% in 2008 to a negative 17% EBIT margin in 2009. In 2009 negative EBIT was mainly caused by the result of Ignalinos Atominė Elektrinė VĮ (negative EBIT of LTL 1,414 million) which is in the decommissioning phase. If the results of Ignalinos Atominė Elektrinė VĮ were excluded from the analysis, the total EBIT of SOEs would be at a negative LTL 65 million in 2009.

Lietuvos Dujos AB, the natural gas transmission and distribution enterprise operating in the energy sector, generated the highest EBIT in 2009. Lietuvos Dujos AB EBIT almost doubled (by 95%) from LTL 62 million to LTL 120 million in 2009.

Return on equity

ROE of state-owned enterprises was negative in 2009 (6.1%), however, it was positive in 2008 and 2007 amounting to 0.1% and 3.3%, respectively. In 2009 the highest aggregate ROE of 1.2% was generated by forestry sector enterprises (44 enterprises located in various regions of Lithuania), in particular Druskininkų miškų urėdija VĮ with ROE of 17% and Tytuvėnų miškų urėdija VĮ with ROE of 11% in 2009.

The three highest ROE earning enterprises in 2009 were (i) Vilniaus Hidroprojektas UAB, geodetic and geological design enterprise, other sector, with ROE of 27% (the state-owned shares were disposed of during 2009), (ii) Geležinkelių Projektavimas VĮ, transport communication design enterprise, transport sector, with ROE of 24%, and (iii) Regitra VĮ, which registers motor vehicles and issues driving licence, other sector, with ROE of 19% in 2009.

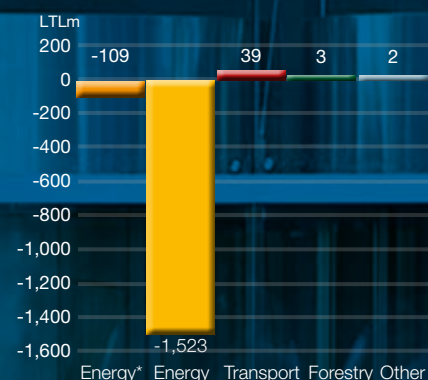
The energy sector generated the lowest, i.e. negative ROE of 13% in 2009 (on aggregate level) which was mainly caused by the LTL 1,394 million net loss of Ignalinos Atominė Elektrinė VĮ. If the results and balance sheet of Ignalinos Atominė Elektrinė VĮ were excluded from the analysis, the aggregate ROE of energy sector would have amounted to 0.4% in 2009.

Employees

The state is a major employer in Lithuania with approximately 27% of the total labour force working in the public sector (according to Statistics Lithuania the total labour force in Lithuania amounted to 1.6 million people in 2009). In 2009 state-owned enterprises employed over 45,000 employees which comprised approximately 3% of the total labour force in Lithuania.

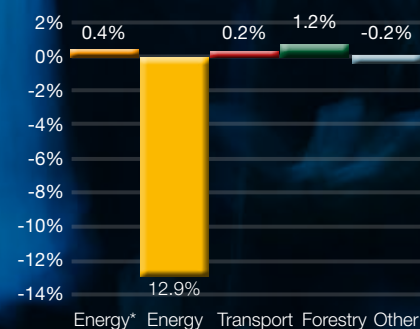
Transport sector enterprises were the largest employers, in particular Lietuvos Geležinkeliai AB employing approximately 11,800 employees, and Lietuvos Pastas AB employing 7,856 in 2009. In 2009 the third largest employer among SOEs was LEO LT AB, energy sector, employing 5,593 employees as at 31 December 2009.

EBIT by sectors, 2009



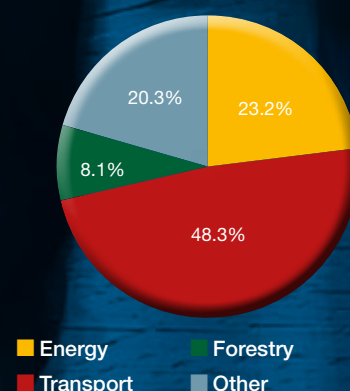
* Excludes results of Ignalinos atominė elektrinė VĮ.

ROE by sectors, 2009



* Excludes results of Ignalinos atominė elektrinė VĮ.

Employees by sectors, 2009



Important aspects of the above analysis

The following key aspects are important for the analysis:

- Aggregate financial data was analysed, as no consolidated or combined financial statements (as defined according to IFRS standards) of all state-owned commercial assets was available, except for some subgroups such as LEO LT AB (energy sector enterprise), and Lietuvos Geležinkeliai AB (transport sector enterprise). No eliminations of intercompany transactions were performed due to the lack of data.
- Financial information presented in this report was obtained from annual financial statements of the enterprises, registry of real estate and legal entities, SoDra (The State Social Insurance Fund Board under the Ministry of Social Security and Labour), and some other sources and was not verified by external auditors.
- Financial statements of some enterprises included in the analysis in the report were not audited. Most of such enterprises are in the other sector.
- Ignalinos Atominė Elektrinė VĮ, Lithuanian nuclear power plant, was phased out of service from the beginning of 2010 and part of its assets was transferred to Visagino Atominė Elektrinė UAB whose shares are wholly owned by the State. Financials of Ignalinos Atominė elektrinė VĮ are included in the analysis presented above, in general with some comparisons presented without it.
- The State has less than 1% ownership in Rokiškio Sūris AB, dairy producer, and Teniso pasaulis UAB, sport and leisure centre. Financials of both enterprises are included in the above analysis not taking into account the State ownership share.
- LEO LT group was formed on 27 May 2008. Therefore, in 2007 and 2008 the above analysis does not include enterprises which were fully owned by private capital till 27 May 2008 (e.g. VST AB results are included only since 27 May 2008). In addition, the reorganisation of LEO LT group started at the beginning of 2010. This was not taken into account in the aggregate financial analysis of sectors. As at 31 December 2009 this group was mainly comprised of the following important enterprises:
 - Visagino atominė elektrinė UAB, responsible for the construction of the new nuclear plant in Lithuania
 - VST AB, electricity distribution system operator
 - Rytų Skirstomieji Tinklai AB group, electricity distribution system operator
 - Lietuvos Energija AB group, electricity transmission system operator
 - Interlinks UAB, development and implementation of the interconnection projects of the Lithuanian power transmission system and the systems of neighbouring countries.

” An estimated indication of the market value of state-owned commercial assets amounts to LTL 18 billion as at 31 December 2009

Sectors' Review

Historically, the profitability of Lithuanian state-owned enterprises has been lower than that of their European peers. In 2009 the aggregate ROE of Lithuanian state-owned enterprises was negative.

Energy sector – 2009

Ratio / Indicator	Lithuanian state-owned commercial assets *	European listed entities average
ROE	0.4%	14.7%

* Excludes results of Ignalina Nuclear Power Plant in order to avoid distortion of the analysis

Transportation sector – 2009

Ratio / Indicator	Lithuanian state-owned commercial assets *	European listed entities average range
ROE	-0.2%	10%-12%

* Analysis includes only airport operators and railroads

Real estate portfolio

Ratio / Indicator	Lithuanian state-owned commercial assets average*	European emerging countries average range
Gross return from income producing real estate	n/a	10%-14%

* Currently most of the real estate is not leased but rather owned by non-commercial organisations

Forestry sector – 2009

Ratio / Indicator	Lithuanian state-owned commercial assets average	Potential yield based on market analysis
Yield per m ³ , LTL	1	30

The financial return of the Lithuanian state-owned real estate portfolio could not be estimated as currently internal rent is rarely charged or does not correspond to market practice. Therefore, only a ratio for potential benchmarking analysis was provided.

Potential forestry yield per cubic meter was estimated based on modelled annual net income assuming future prices as a 5

year average of wood prices and that total annual gross increment of forests is harvested completely every year as well as including social services. If social services were excluded, potential forestry yield per cubic meter would amount to LTL 47. For historical comparison, the yield per cubic meter of the Lithuanian state forestry sector amounted to LTL 4 in 2008.

Energy

Following a number of privatisation and reorganisation processes in the energy sector, the State has concentrated its strategic interest in the electrical power and gas industries. In Lithuania, the electric power industry comprises electricity generation, wholesale trade, transmission, and distribution and supply activities. The gas industry comprises natural gas transmission, distribution and supply activities. Activities of enterprises in the energy sector remain a much-debated subject due to their importance for social welfare, size and their monopolistic nature, therefore, these activities need to be properly balanced.

Overview

The State has recently finalised consolidation and now fully controls all the essential assets in the electric power industry. The State also has a significant presence in the assets of the gas industry. The state-owned commercial assets of the energy sector generated net turnover (pro-forma) of LTL 4,065 million in

2009 and achieved profitability (pro-forma) of 27%, as measured by the EBITDA margin. The energy sector profitability level was behind the average EBITDA margin of the European listed utilities of 31.4% in 2009.

The largest state-owned commercial assets in the energy sector (2009)

Enterprise	Activity	Net turnover, LTL million	GoL stake
LEO LT AB	Holding enterprise for the major electricity assets in electricity generation, wholesale trade, transmission, distribution and supply areas	2,750.5	100.0%
Lietuvos dujos AB	Natural gas transmission, storage and supply	1,264.3	17.7%
Lietuvos elektrinė AB	Thermal power plant	414.9	95.6%
Visagino energija VĮ	Regional electricity distribution and supply	31.4	100.0%
Geoterma UAB	Geothermal power plant	18.3	76.7%
Visagino energetikos remontas VĮ	Maintenance of equipment in the electric power industry	n.d.	100.0%

* As at 31 December 2009 other key shareholders include 38.9% shareholding of E.ON Ruhrgas International AG and 37.1% shareholding of OAO Gazprom.

Ignalina NPP is excluded from the pro-forma analysis of the energy sector's financial results and valuation in order to reflect the sustainable fair value of the sector. Ignalina NPP historically accounted for the majority of electricity generated and was the

cheapest large scale generator in Lithuania. Until it was shut down on 1 January 2010 Ignalina NPP generated revenues of c. LTL 600 million p.a.

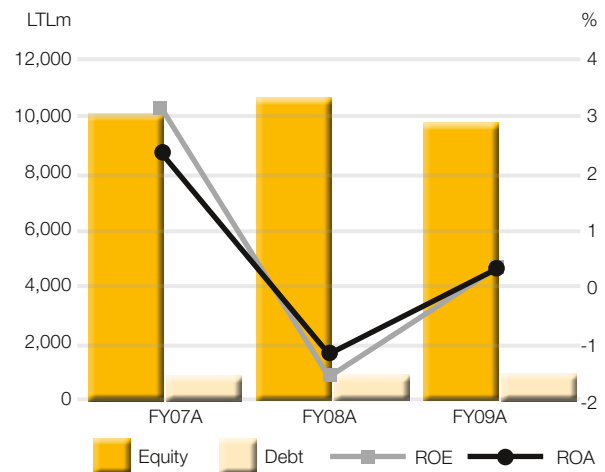
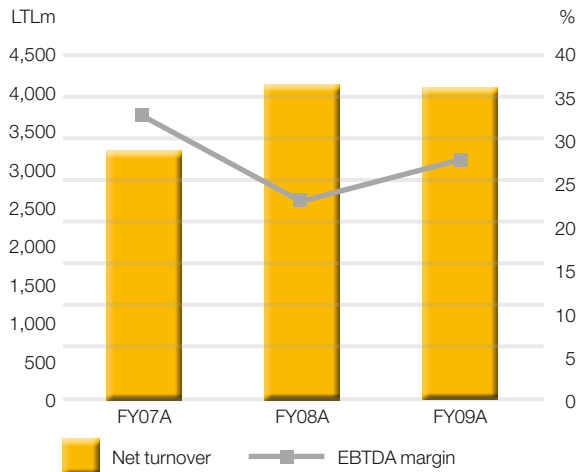
Financial performance

Fluctuation in net turnover of the energy sector is largely due to the volatility in gas delivery prices in the gas industry. The profitability of the energy sector is affected by the regulatory environment and tariff structure as well as unexpected events. Thus, compared to 2007, profitability margins soared in 2008 when public suppliers had to purchase more expensive electricity due to unexpected halt periods of the Ignalina NPP and the change in tariff calculation in 2009 when only part of the increase in costs were passed on to the end consumer.

The net profit and net margin of the energy sector is highly affected by the tariff calculation methodology. In the electric power industry in particular, revaluation of the regulated asset base used to be the case. Part of the revaluation effects are recognised

in the income statement as increasing (decreasing) net income if gain (loss) in asset value occurs. The electric power industry recognised the increase in asset value in 2007, and decreases in 2008 and 2009, which resulted in the drop of ROE and ROA of the energy sector in 2008 and 2009 compared to 2007.

Lithuanian energy sector profitability (pro-forma analysis)



The Lithuanian energy sector historically paid small dividends, which amounted to LTL 45 million, LTL 52 million and LTL 97.6 million in 2009, 2008 and 2007, respectively. Dividend

payments mainly originated from enterprises where the Government of Lithuania was a minority investor.

Electrical power industry overview

In Lithuania, the electric power industry comprises electricity generation, wholesale trade, transmission, and distribution and supply activities.

Highlights

- Available power generating capacities in 2009: 4,650 MW of which
 - the wholly state-owned nuclear power generator Ignalinos Atominė Elektrinė VĮ (IAE): 1,183 MW
 - the state-owned (shareholding of 96%) electricity generator Lietuvos Elektrinė AB: 1,800 MW
- Electricity wholesale market volumes in 2008: 11.3 TWh. However, in 2010 due to the severe recession, electricity wholesale market volumes significantly decreased.
- Customer base: approx. 1.5 million customers
- Dominating enterprise: LEO LT AB, the holding enterprise for Rytų Skirstomieji Tinklai AB (RST) and VST AB (VST), the two electricity distribution and public supply enterprises, as well as Lietuvos Energija AB (LE), electricity transmission grid and market operator.

Market Regulation

The National Control Commission for Prices and Energy (the Regulator) is responsible for ensuring effective competition in the electricity market, non-discrimination of customers and suppliers as well as for providing all customers with services of established quality.

LE, RST and VST being the owners and operators of electricity infrastructure assets are all considered natural monopolies and their transmission and distribution services are fully regulated. Generation capacities treated as public service obligation or the generation capacities provided by any dominating generator in the market are also regulated. The Regulator approves feed-in tariffs for renewable energy on a regular basis based on which the transmission system operator is obliged to purchase renewable energy from generation capacities. The public supply end-consumer tariffs are also approved by the Regulator.

Other regulatory authorities also include the State Energy Inspectorate - responsible for control of the safety of operations; the Ministry of Energy - responsible for implementing the National Energy Strategy, drafting legislation and supervising energy sector activities as well as the Government - responsible for strategic issues including developing and implementing state policy in the energy sector.

” The Lithuanian electricity sector was restructured in 2001 following the requirements of the European Union to unbundle operations of vertically integrated electricity monopolies.

Market structure

The Lithuanian electric power industry was restructured in 2001 following the requirements of the European Union to unbundle operations of vertically integrated electricity monopolies. Lietuvos Energija AB at that time being a State-controlled vertically integrated monopoly was split up into five enterprises, thereby unbundling electricity generation, transmission and distribution/supply functions. In addition, the state-owned Ignalina Nuclear Power Plant (IAE), and a number of Combined Heat and Power Plants, being part of the regional district heating network, have historically operated as independent generators.

The restructuring of the electricity sector also led to the establishment of wholesale and retail electricity markets allowing for competition in the sectors of electricity generation and independent supply.

In 2009 the Government of Lithuania bought out the private investor from LEO LT, enterprise holding controlling stakes in Lietuvos Energija, RST and VST with a view to consolidating the strategic interest of the State as well as to reorganise the whole sector. LEO LT is under liquidation that is expected to be completed in the near future.

The new electricity sector structure envisages transfer of all distribution and generation enterprises to a holding enterprise Visagino Atominė Elektrinė UAB (VAE) responsible for the construction of a new nuclear plant in Lithuania. The transfer was completed on 4 June 2010 while the fine tuning due to inter-group asset transfers and a merger of the two distribution enterprises is still ongoing.

A new electricity structure is to be implemented, however, due to the ongoing sector reorganisation process the current structure represents only interim changes and the final electricity sector structure is subject for further alteration.

Generation

Lithuania's electricity generation segment had been dominated by IAE for over 20 years. In 2008 gross generation for both domestic and foreign markets amounted to 13.9 TWh, of which IAE generated 71 percent. The share of thermal power plants comprised 21 percent and the remaining share of 8 percent was generated by power plants using renewable sources.

As of 1 January 2010 the landscape of the Lithuanian electricity generation sector is changed following the shut down of IAE. The shut down of IAE, the lowest-cost large scale power producer in the market, resulted in an average 30 percent increase in the public electricity tariff in 2010. The increase is to be fully passed on to end consumers by the suppliers. The Government of Lithuania is planning to build a new nuclear power plant instead of IAE and has already started preparatory work and preliminary discussions with potential investors.

Transmission

As of 1 January 2010 the function of a transmission system operator were separated from LE into an independent enterprise Litgrid UAB. It is expected that the transmission assets will be transferred from LE to Litgrid as well.

Wholesale

As of 1 January 2010 the functions of the market operator were separated from LE and transformed into an independent enterprise Baltpool UAB. Administered by the market operator, the wholesale electricity trade in Lithuania is now carried out in two ways: trade at the Lithuanian power exchange and bilateral trade between electricity generators and suppliers. The participants of the Lithuanian power exchange are generators and suppliers from Lithuania and neighbouring power systems. Lithuanian power exchange is organised based on the principles of Nord Pool Spot.

Distribution

The public supplier function is carried out by distribution grid operators in addition to independent suppliers, which might be used by eligible customers as an alternative source of power supply.

The market opening of 35 percent of the supplied volume is expected in 2010 and it is planned to reach 100 percent by 2015. Electricity distribution grid operators are planned to remain as the suppliers of last resort only.

Strategic aspects for performance improvement and value maximisation

The key aspects could be summarised as follows:

- Introduction of a consistent and a well-balanced tariff setting methodology allowing for an adequate return to investors, sufficient capital expenditure and affordable energy for the consumer
- Review and optimisation of the capital expenditure programme based on newly available technologies such as smart grid and other
- Optimisation of existing capital structures
- Fine tuning and proper staffing of the corporate governance structure
- Diversification of the generation base and connection to other energy systems
- Further opening of the electricity market

1. Source: Annual Report of Lietuvos Energija AB, 2008

Gas industry overview

The gas industry comprises natural gas transmission, distribution and supply activities.

Highlights

- Natural gas imported to Lithuania in 2009: 2,737m cubic meter
- Natural gas transported in 2009: 3,879m cubic meter
- Customer base: approx. 550 thousand
- Dominating enterprise: Lietuvos Dujos AB, the major gas supplier to end customers as well as the owner and operator of the vast majority of the natural gas transmission and distribution pipeline system

Market Regulation

The National Control Commission for Prices and Energy regulates enterprises engaged in the transmission, distribution and supply of natural gas. Tariffs in each of these activities are set and reviewed by the Regulator. Moreover, legal persons seeking to engage in transmission, liquefaction, storage, distribution, system operator, or natural gas supply activity must receive a licence for the appropriate activity.

The Government of Lithuania and the Ministry of Energy also have their regulatory roles equivalent to the ones regarding electricity market regulation.

Market Structure

100% of the natural gas used in Lithuania is imported from Russia. The pipeline system is integrated with that of Russia and the Lithuanian system is also used for natural gas transit to the Kaliningrad Region.

In 2009, Lithuania imported 2,737m cubic meters of natural gas either directly or indirectly from Russian Gazprom. The owner and manager of most of the Lithuanian natural gas supply infrastructure, Lietuvos Dujos AB, imported 43.5% of all natural gas imports, intermediary Dujotekana UAB imported another 17.5%, whereas the remaining gas imports are those directly supplied to a major Lithuanian fertilizer manufacturer Achema AB, to a power plant owned by Gazprom and to the town of Druskininkai, which is isolated from the Lithuanian gas pipeline system.

Lietuvos Dujos AB and Dujotekana UAB are two major suppliers of natural gas to end customers. Households consumed 6.6% (182m cubic meters) of all natural gas imported to Lithuania as of 2009 and Lietuvos Dujos AB supplied 99.9% of this amount.

Most of the Lithuanian natural gas supply infrastructure is owned and managed by Lietuvos Dujos AB. The enterprise operates 1.9 thousand km of transmission pipelines and 8.1 thousand km of distribution pipelines. Lietuvos Dujos AB is the only enterprise in Lithuania providing natural gas transmission services and has 97% of the distribution market. In 2009, Lietuvos Dujos AB transmitted 1,197m cubic meters of natural gas by transit to the Kaliningrad Region.

Major Changes from 1 January 2010

In early 2010, the Government of Lithuania started discussions regarding reorganisation of the gas market. A key change would involve separation of gas transmission and distribution, which may consequently result in the splitting of Lietuvos Dujos AB.

Strategic aspects for performance improvement and value maximisation

The key aspects could be summarised as follows:

- Introduction of a consistent and a well-balanced tariff setting methodology allowing for an adequate return to investors, sufficient capital expenditure and affordable energy to the consumer
- Review and optimisation of the capital expenditure programme based on the newly available technologies
- Exploring the opportunities of the alternative gas deliveries and/or increase of the storage facilities

2. Customer base of Lietuvos Dujos AB. While other natural gas suppliers supply gas mostly to companies, the total number should not deviate significantly from that of Lietuvos Dujos AB

Real Estate

In this review, analysis of the existing real estate portfolio contains information about assets, located in the 3 major cities of the country – Vilnius, Kaunas and Klaipeda. Other assets, situated elsewhere in the country, are not included, as they would most likely be significantly less valuable than those in major cities. This review covers real estate assets owned directly by the Government and held by governmental authorities under trust law.



Overview

The total aggregate area of real estate assets (buildings and self contained premises) constitutes over 5 million square meters. Fifteen percent (over 1,300 separate real estate units) of existing buildings and self contained premises are worth over LTL 1 million each. The remaining 85 per cent (over 7,000 separate real estate units) are granular assets, worth less than LTL 1 million each.

Current and potential income

Currently there is no strategic policy defining usage of governmental real estate. Because of this, internal rent for governmental real estate is rarely charged or is not charged at market levels.

In order to evaluate potential income it is necessary to make a detailed inventory of the assets and evaluate how much space is actually used by governmental authorities and how much of it could be leased to external occupiers. Generally, the average gross return from income producing real estate is between 10 and 14% depending on asset quality, location and lease structure.

Valuation considerations

Buildings and self contained premises

The total aggregate value of real estate assets (buildings and self contained premises), situated in the three major cities and currently owned/held by government authorities, amounts to approximately LTL 7 billion . Roughly 63% of total real estate value is located in Vilnius.

Land plots

Land plots are not valued separately due to the fact that asset value is usually represented by the building, which is developed on it.

Preliminary analysis shows that development intensity of land, owned/held by central government authorities equals approximately 0.04. Based on common commercial practice average land development intensity amounts to -0.25-1.

It is therefore necessary to conduct due diligence of both developed and undeveloped land plots, in order to evaluate the development potential. Special attention should be paid to real estate assets situated in prime or locations having high development potential.

-
1. Gross return from income producing real estate is equal to (gross rent / asset value) *100%.
 2. The aggregate values are based on the independent opinion of real estate experts. Values are preliminary and subject to further due diligence. Values have been set without detailed examination of each asset and are not based on standard valuation rules. The aggregate value of real estate assets includes only buildings and self-contained premises. Land plots are not valued separately due to the fact, that usually asset value is represented by the building, which is developed on it. Detailed due diligence is highly recommended in order to make a more detailed analysis on asset income, costs as well as development potential in order to provide explicit recommendations and strategic guidelines.

Summary

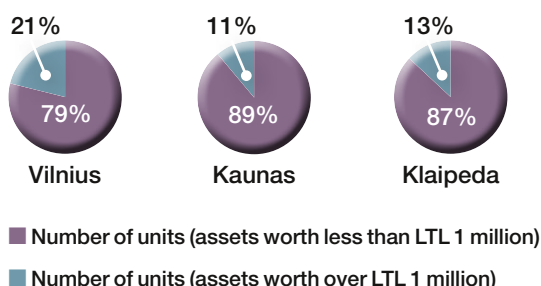
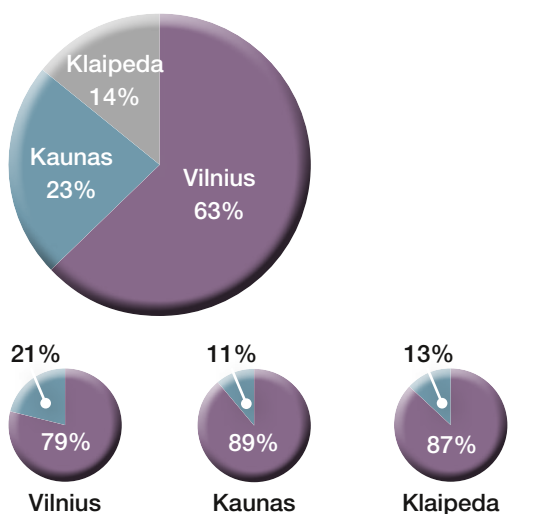
No		Vilnius	Kaunas	Klaipeda	Total
1	Value of buildings and self-contained premises (units worth over LTL 1 million each), LTL million	4,470	1,570	940	6,980
2	Value of buildings and self-contained premises (units worth less LTL 1 million each), LTL million	250	150	95	495
3	Number of buildings and self-contained premises (units worth over LTL 1 million each)	770	350	220	1,340
4	Number of buildings and self-contained premises (units worth less LTL 1 million each)	3,000	2,700	1,400	7,100
5	Area of buildings and self-contained premises (units worth over LTL 1 million each), million sq.m	2.3	1.1	0.5	3.9
6	Area of buildings and self-contained premises (units worth less LTL 1 million each), million sq.m	0.49	0.52	0.15	1.16

Strategic aspects for performance improvement and value maximisation

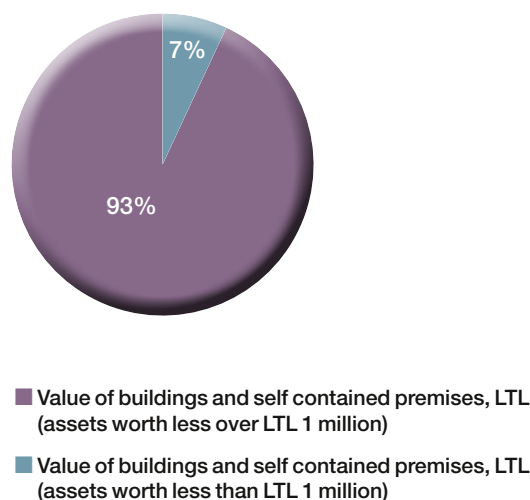
The key goals to be reached in order to maximise the financial return of governmental real estate are:

1. To set-up a centralised real estate authority, responsible for acquisition, management and disposal functions. The authority should be managed by a team of professionals with finance, real estate management, development and advisory backgrounds.
2. To establish policies and rules for acquisition, management and disposal of real estate. The main goal of the policy should be optimisation of the real estate portfolio, by using only real estate that is necessary and maximising the value of surplus assets, minimising operating and property management costs as well as maximising income.
3. To establish internal expertise (within a centralised real estate authority), aimed at maximising the financial return from the development of real estate.

Distribution of assets by value



LTL billion



Forestry

The total gross value added of the forestry sector reached LTL 477 million in 2008, representing 0.5% of GDP. The area covered by forests or other wooded land in Lithuania amounts to 2,150 thousand ha or 32.9% of the Lithuanian territory. The State is a major owner of forest and forest land, owning approximately 1 million ha.



Overview

The total area of stands in Lithuania is 2 million ha, of which 0.8 million ha is private forest; 1 million ha belong to the State and 0.2 million ha are reserved for property restitution.

Recent structural changes in the stands are positive, as the share of mature wood and softwood (pine and spruce) has been increasing. The size of cutting sites allows for the accumulation of stocks and their growing potential use in the future. The net annual increment of stands is positive – gross annual increments are approximately twice as big as gross felling.

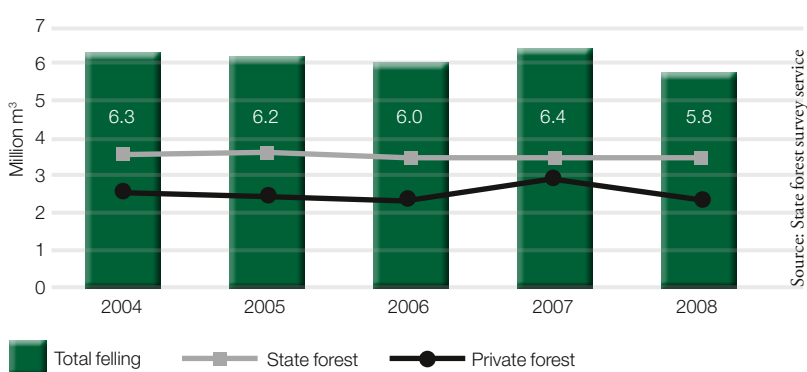
National forests are managed by Generalinė miškų urėdija (GMU) under the Ministry of the Environment. GMU manages 42 forestry enterprises (Urėdijos), which are further subdivided into 642 units. The average number of people employed by 42 state forestry enterprises was close to 4,000 in 2009. Although the number of employees has decreased since 2001 when it was 6,786, it is still large considering that most of the economic activities, such as felling and delivery of wood out of forests, are outsourced – in 2008, 89.8% of felling works and 62.3% of delivery was outsourced to the private sector.

Production of round wood has been relatively stable over the past several years while the private sector has experienced more fluctuations.

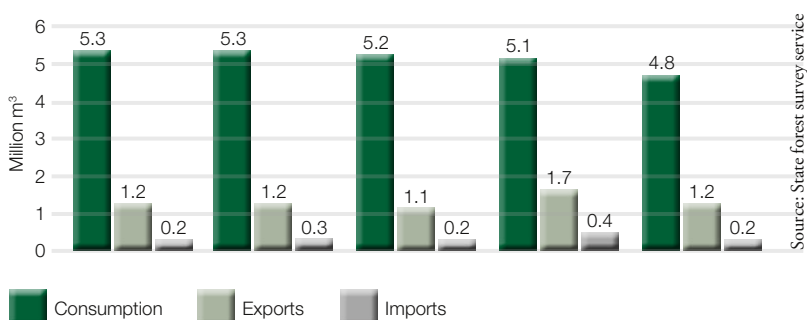
Annual consumption of round wood has been declining over the last few years and reached 4,8 million m³ in 2008. The decrease in consumption was driven by several factors. In 2007, prices of raw wood materials increased in foreign markets while domestic players were not able to offer the same prices, therefore exports increased, while in 2008 the demand dropped significantly in both the foreign and domestic markets.

Lithuania is a net exporter of round wood. The bulk of the production is exported to Sweden, Poland, Finland and Latvia, while most of the imports come from Belarus, Ukraine and Russia.

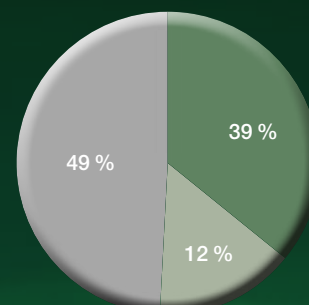
Felling by ownership categories, 2004-2008



Consumption, exports and imports of round wood 2004-2008



Breakdown of forest land by type of ownership



Source: State forest survey service

Total 2,048 thousand hectare

- Private 39 %
- Reserved for restitution 12 %
- State forests 49 %

Key data on Lithuanian forests

Area of forest and other wooded land, thousand ha	2,150.3
Area of stands, thousand ha	2,047.7
Reserve of stands, million m ³	426.9
Reserve of stands per hectare, m ³ /ha	209
Increment of stands' volume per year, m ³ /ha	6.8
Percentage of territory covered by forest	32.9

Source: Statistics Lithuania

Financial performance

Key consolidated financials of the state forestry sector

Key financials	2007		2008	
	LTLm	%	LTLm	%
Net turnover	516		477	
Round wood sales	463	90%	422	88%
Transportation services	28	6%	31	6%
Sale of stumpage	3	1%	3	1%
Other	20	4%	22	5%
Costs	424		462	
Harvesting	128	30%	155	34%
Sale	14	3%	16	3%
Administration	38	9%	40	9%
Personnel	89	21%	90	19%
Forest establishment	34	8%	38	8%
Transportation	27	6%	30	6%
Other	93	22%	94	20%
Net income	91		16	

Source: State forest survey service

Timber harvesting volumes in state forests have been steady over the last three years and amount to approximately 3.5 million m³. In 2008, the net turnover of state forestry enterprises amounted to LTL 477 million, down 8% from 2007. The decrease in sales was mainly caused by smaller demand for round wood in the domestic market and neighbouring countries; this led to a sharp decrease in the average prices of round wood in state forests by a third– the round wood average roadside price decreased from 156 LTL/m³ in December 2007 to 106 LTL/m³ in December 2008. The majority of the revenue was generated from sales of round wood rather than sale of standing forest.

Except for harvesting, the cost structure was relatively stable in 2007 and 2008. However, due to an increase in harvesting costs, net profit in 2008 amounted to only LTL 16 million, a substantial drop compared to 2007 when net profit was LTL 91 million.

Current and potential income

State forestry enterprises are obliged by law to pay 5% of the income received from the sale of round wood and standing forest to the State budget. The income is intended to be used to satisfy the general needs of forests. Moreover, in May 2009, the government introduced an additional 5% payment to the State budget, which is used for general budget purposes.

Despite the whole sector operating profitably, cost of capital is not accounted for. The state is not receiving an adequate return for capital employed in the forestry sector and in this sense the forestry sector is not creating value for its owner.

Comparison with some European state forestry sectors shows that there is high potential to increase net income from the sector.

Valuation considerations

Forests are classified into four groups according to their economic activity and purpose. The first group includes nature reserves, national parks and biosphere reserves. The economic purpose is to leave the forest for natural growth, therefore felling in these type of forest is not permitted. The second group includes ecosystem protection forests and recreational forest, the purpose of which is to preserve or recreate a forest ecosystem and preserve and shape a recreational forest environment. Only limited felling is permitted, mainly sanitary felling. The third group includes protective forest for wind breaking, soil preservation and other. Felling is allowed although in limited quantities. The last group is commercial forests; these forests are aimed at a sustainable supply of wood.

The valuation of forests classified under I-II groups is not considered in this review, since these forests do not generate continuous income for the State. The forests classified under groups III-IV generate continuous income, therefore income based valuations as well as a comparable value multiple valuation approach might be employed. The indicative value of 830.1 thousand ha of commercial forests owned by the state ranges from LTL 2,900 million to LTL 3,300 million.

Area of forests according to the group

Group	2009	
	State forest	Total forest
I-II	178.3	279.7
III-IV	830.1	1,768.0
Total	1,008.5	2,047.7

Strategic aspects for performance improvement and value maximization

Currently the sector is fragmented and the coordination of activities of the state forestry enterprises is not sufficient. Therefore, the sector operates inefficiently, does not provide high quality services to large customers and requires considerable financial resources for its maintenance. For instance, all 42 state forestry enterprises are engaged in trading of wood in Lithuania. This is obviously a disadvantage compared with the usual model in most EU countries, where trading is centralised. Centralisation allows better pricing to be achieved by coordinating the supply of raw wood; it also better serves large clients whose demands cannot be met by one relatively small forestry enterprise. Furthermore, centralisation might substantially save selling costs currently incurred by all 42 state forestry enterprises.

Although it is difficult to make outright comparisons due to differences between countries (such as demand for wood, mar-

ginally different taxation), some comparisons may guide the management towards significant improvements on the efficiency side. For example in Sweden, state forests are managed by one enterprise – Sveaskog. The enterprise manages 4.3 million ha of forests, of which 3.2 million ha is commercial purpose forests and 1.1 million ha is preservation forests. In 2008 and 2009, Sveaskog's net profit per m³ of delivered timber amounted to LTL 16 and LTL 23, respectively. While in Lithuania the same metric amounted to 4 LTL/m³ and 1 LTL/m³, respectively. Furthermore, the number of employees employed by Sveaskog averaged to 958 in 2009. While in Lithuania the number of employees employed by 42 state forestry enterprises averaged to 3,846 (or one employee per 4,488 ha of forests under management in Sweden vs one employee per 324 ha of forests under management in Lithuania).

The sector also lacks transparency. Most EU countries classify expenses incurred by state forestry enterprises under different accounts depending on the activities financed. E.g. - public services for which the enterprises do not receive income have separate accounts from for-profit operations. In Lithuania, all services are accounted under the same accounts; as a result the system lacks transparency which further hampers an evaluation of the efficiency of state forestry enterprises. Therefore an accounting methodology to separate business activities from public activities has to be prepared to clarify the financial performance of the sector.

” Comparison with some European state forestry sectors shows that there is high potential to increase net income from the sector.

1. Valstybinė miškotvarkos tarnyba.

2. Net profit of Sveaskog is adjusted for non-recurring items.

Transportation

The transportation, logistics and communication sector is one of the most dynamic sectors in Lithuania. The sector has been increasing its share of GDP from 1995 (share of GDP 7.5%) until 2009, when it reached 12.5%. Lithuania is an important transport corridor between the East and the West, therefore the country allocates significant resources to maintaining a high quality road infrastructure. Transportation being vital to the growth of the country, the government allocates significant resources to this sector and the major subsectors including railways, post, airports and seaport.



Overview

Lithuania has a relatively well developed, comprehensive road network. The total length of roadways amounts to 81 thousand km., 88% of which are paved.

There is a substantial railway network in the country, although the technical level of the railway infrastructure is still below the European average. Therefore modernisation and development of the network is the main precondition for successful integration into the European railway system. If implemented, the Rail Baltica project will open the doors for efficient and fast freight and passenger transportation to Western and

Northern Europe, although a detailed cost and benefit analysis is essential to determine the income potential and costs required for implementation of the project and its future maintenance.

Lithuania has four airports, all of which are owned by the State. Vilnius, Kaunas and Palanga are civil airports; Šiauliai airport is used for military purposes.

Lithuania is also a marine state; Klaipėda sea port is an important transportation hub connecting sea, rail, and highway routes from East and West.

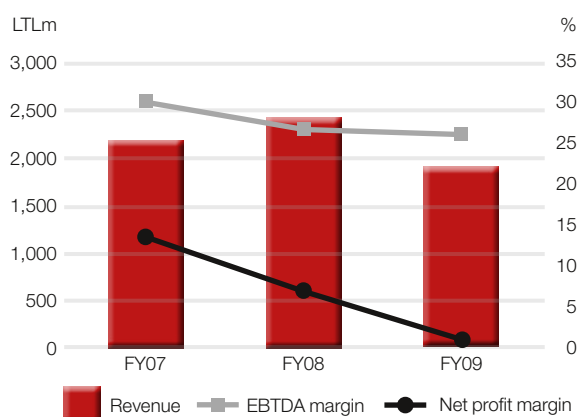
The largest state-owned enterprises in the transport sector (2009)

Enterprise	Activity	Net turnover, LTL million	GoL stake
Lietuvos geležinkeliai AB	Operator of rail infrastructure, provider of freight and passenger transportation services	1,186	100%
Lietuvos paštas AB	Postal service provider	201	100%
Klaipėdos valstybinio jūrų uosto direkcija VĮ	Operator of Klaipėda sea port	143	100%
Klaipėdos nafta AB	Operator of oil and oil product terminals in Klaipėda sea port	116	71%
Oro navigacija VĮ	Provider of communications, navigation and surveillance services	65	100%
Tarptautinis Vilniaus oro uostas VĮ	Operator of Vilnius airport	60	100%
Lietuvos Jūrų Laivininkystė AB	Dry cargo transportation and ships' lease enterprise	59	57%
Smiltynės perkėla AB	Provider of ferry services between Curonian Lagoon and Curonian Spit	13	99%
Transporto ir kelių tyrimo institutas VĮ	Provider of road quality and traffic surveys, bridge design, planning of road network development and training services.	8	100%
Visagino transporto centras UAB	Provider of freight and passenger transportation services as well as repair services of machinery, trucks and buses	7	100%

Financial performance

The aggregate financial performance overview includes 15 major enterprises¹ operating in the sector.

Aggregate revenue and profitability margins 2007-2009



Equity, financial debt, ROA and ROE, 2007-2009



1. Lietuvos geležinkeliai, Lietuvos Paštas, Klaipėdos valstybinio jūrų uosto direkcija, Klaipėdos nafta, Oro navigacija, Tarptautinis Vilniaus oro uostas, Lietuvos Jūrų Laivininkystė, Smiltynės perkėla, Transporto ir kelių tyrimo institutas, Visagino transporto centras, Kauno oro uostas, Geležinkelių projektavimas, Tarptautinis Palangos oro uostas, Eismo sauga, Eismo mokomasis centras.

The sector has been profitable for the last three years, although the level of profitability has been constantly decreasing since 2007.

Lietuvos geležinkeliai AB is the dominant enterprise in the sector – financial indicators such as net turnover, EBITDA and total assets of the enterprise represented 63%, 71%, 58% of the whole sector's financial indicators in 2009. Therefore, the

financial performance of the whole sector closely tracks the performance of Lietuvos Geležinkeliai.

The future financial performance of the sector is closely linked with global trade flows, recovery of the domestic economy as well as the extent and pace of reorganisation of major enterprises in the sector.

Overview of the major state-owned commercial assets in the sector

Lietuvos Geležinkeliai AB

Lietuvos Geležinkeliai AB, the operator of the railway infrastructure and freight as well as passenger rail transportation enterprise, is the only enterprise operating in this sector; it is the largest transportation enterprise in Lithuania employing more than 11,000 people. The enterprise is a conglomerate, encompassing cargo operations, passenger operations, infrastructure construction and maintenance, rolling stock maintenance and security services. Cargo operations are substantial in volume terms and are well diversified, despite the main role of providing transit services to and from the CIS area. However, passenger operations have a remarkably weak performance in volume and quality terms, indicating that customer preferences for rail travel have declined.

Strategic aspects for performance improvement and value maximization

It is necessary to split the rail infrastructure from the operations to allow the State have direct ownership of the infrastructure – the regular EU model. After separation, access to the infrastructure should be based on track access charges set in a fair and transparent way; This would permit other operators to provide services in competition with Lietuvos Geležinkeliai AB, which would further increase efficiency and potentially have a positive effect on transportation pricing.

The government of Lithuania has already laid grounds for splitting the rail infrastructure into a separate enterprise in the legislation. However more work has to be done in restructuring Lietuvos Geležinkeliai AB.

The split should be accompanied with privatisation of infrastructure construction and maintenance operations, because these activities are often subject to competitive tendering, and need not be a state operation. Hence, the privatisation of these operations would allow all contracts to be subject to competitive tendering. In addition, Lietuvos Geležinkeliai AB should consider divesting the security operations which are not part of its core operations, and is not a typical state activity. Consideration to privatisation of at least part of rolling stock maintenance operations is necessary to facilitate further efficiency, e.g. freight car maintenance, so that competition is introduced.

Further, the incorporation of rail freight activities and passenger transportation into separate enterprises would assure

full visibility of the financial performance of both enterprises, however the latter should be accomplished by ensuring that there would be a lean and competent management structure.

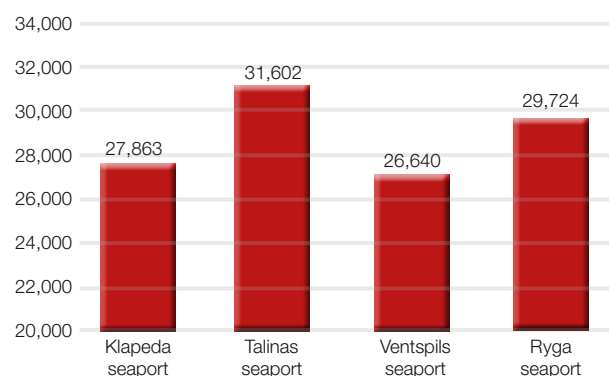
Introducing competitive tendering for at least part of the passenger operations, such as commuter services, could also be considered; there are numerous precedents in other countries for such structure resulting in both cost savings and quality enhancements, and there are numerous players in Europe with a focus on such operations.

Lastly, the cargo operations of Lietuvos Geležinkeliai AB are likely to be a unit showing an attractive financial performance, consequently, this business is well placed to be operated under private ownership, just like road freight and forwarding operators. The core activity of the State should be maintenance and management of the rail infrastructure using proceeds from infrastructure usage charges.

Klaipėdos valstybinio jūrų uosto direkcija VĮ (KVJUD)

KVJUD is the owner and operator of the northernmost ice-free sea port on the Eastern coast of the Baltic Sea, the Port of Klaipėda. The depth of the entrance channel into the port is 15 meters; so the port can accept large-tonnage vessels: up to 80,000 DTW dry cargo vessels and up to 150,000 DTW tankers. The port is capable of handling up to 40 million tonnes of cargo annually.

Cargo handling volumes in Baltic ports, 2009



Klaipėda port is attractive compared to its competitors with respect to its notably good position within dry cargo, and in general diversified cargo operations, as well as the shorter distance to/from any port outside the Baltic area.

The responsibility of the port authority is focused on maintaining and improving the infrastructure of the port. Currently, one of the most important long term strategic tasks of the port is dredging the area of the port to allow access for larger ships.

Strategic aspects for performance improvement and value maximization

Since Klaipėda must continuously support and develop its competitive position, it may prove beneficial to involve the private sector in major future expansion projects. An analysis of the optimal subdivision between the infrastructure components, which should remain the responsibility of the State or which could be handed to the private sector, is required.

Airports

Vilnius airport is the most important point of entry for air-borne traffic, while Kaunas serves as a hub for Ryanair. Currently, Vilnius airport suffers from the absence of a flag carrier, but the management is taking active measures to attract new routes, using flexible fee structures and other incentives, as well as cooperating with inbound tourism operators.

Strategic aspects for performance improvement and value maximization

There are numerous investors in airport operations throughout Europe, and business development is the key activity for many such players. Consequently these investors are capable of attracting more carriers and introducing new routes. Since reinstating a flag carrier is not on the agenda for the State (as the provision of infrastructure is a more appropriate activity), a well structured privatisation of airports might revitalise the air transportation sector.

Lietuvos paštas AB

Lietuvos Paštas AB, operating under the Law of Postal Services, is the third biggest employer in Lithuania, employing nearly 8,000 people in 2009. It has nearly 810 customer service outlets across Lithuania, the majority of which are located in rural areas. This is because Lietuvos Paštas AB is required by law to have its outlets within 3 km of a customer in urban areas and 8 km in rural areas.

Most of the postal activities are liberalised in Lithuania, Lietuvos Paštas AB has an exclusive right to operate in the up to 50 g. mail market only. Liberalisation of other activities has led to the introduction of many new enterprises which capture Lietuvos Paštas' market share. It is expected that, after the full liberalisation which is planned to take place in 2013, the operating environment will become even more challenging,

the enterprise will probably not be able to maintain its current structure, hence prompt decisions and actions to increase the efficiency and enhance competitiveness of Lietuvos Paštas AB are required today.

Strategic aspects for performance improvement and value maximization

A comparison with foreign peers indicates that there is a large potential for an improvement in operational efficiency. However, the privatisation option in the current state of Lietuvos Paštas AB is not feasible, due to the weak financial performance of the enterprise. The strategic plan for Lietuvos Paštas AB should include changes in legislation and major restructuring of the enterprise.

Klaipėdos Nafta AB

Klaipėdos Nafta AB is involved in the export and import of oil products and crude oil. Its range of activities includes transshipping of crude oil and oil products, temporary storage of oil products, and injection of chemical additives into oil products, supply of fuel and water to ships and provision of moor tanker services.

Klaipėdos Nafta AB provides an alternative import option for Lithuanian energy needs, and is an important strategic asset.

Strategic aspects for performance improvement and value maximization

Klaipėdos Nafta AB is a profitable enterprise, and is able to pay substantial dividends. Increasing the free float of the enterprise on the stock exchange would improve the liquidity of its shares and should increase its valuation.

Lietuvos Jūrų Laivininkystė AB

Lietuvos jūrų laivininkystė AB (LJL) engaged in cargo transportation and lease of ships. The enterprise owns and operates 11 vessels of different types, carrying a range of cargoes including bulk, timber, general cargoes and containers.

The operational and financial performance of the enterprise is poor – operations have been loss making since 2007. Due to poor operations, the enterprise is forced to sell its core assets (ships) to cover liquidity needs.

Strategic aspects for performance improvement and value maximization

Operations of the enterprise are not sustainable, if they are to remain on the present path. Therefore a major overhaul is required to find the most appropriate solution for the enterprise. Privatisation of the enterprise or sale of the entire fleet is among the options to be considered.

Other

Analysis of the composition of the state-owned enterprises not falling under separately analysed sectors (energy, real estate, forestry, transport) shows a variety of functions and types of enterprises including road management, professional services (expertise services, quality evaluations, maintenance, coinage, armoury, hallmarking, other), publishing and information, health-care and pharmacies, banking and insurance funds, licensing, R&D, and other.

The selected enterprises are under the management of the State. However, based on best international practices of governance of state enterprises, most of these companies can and should work on a commercial basis and could be privately owned. Thus, even if owned by the State, appropriate functions should be regulated by market discipline, and should avoid artificial (e.g., via state subsidies) increases in the supply of the above mentioned services, thus unfairly crowding out private businesses.

Overview

A summarised list of areas of “Other” sector active enterprises and key financial data (in LTL million) is presented in the table below:

Active state-owned commercial assets in the other sector (2009)

Industry / Subsector	Number of enterprises	Number of employees in 2009	Net turnover in 2009, LTL million	Total assets in 2009, LTL million	Average EBITDA per enterprise in 2009, LTL million
Road management enterprises	11	3,635	218.4	6,384.5	2.8
Professional services (expertise services, quality evaluations, maintenance, coinage, armoury, hallmarking, other state level functions and services)	6	788	125.9	237.4	4.1
Publishing and information	5	482	73.2	170.8	5.0
Healthcare & pharmacies	10	479	22.6	29.8	- 0.0
Banking and insurance funds	2	109	19.9	1,485.8	- 15.0
Licensing and permissions	4	374	19.8	18.4	0.5
Science and R&D institutes	3	194	16.7	33.6	2.4
Agro and animal breeding centers (including stud farms, agro-labs, other)	11	257	14.4	34.0	0.5
Metrology centers	5	215	9.3	15.6	0.2
Leisure & sport centers	1	27	6.9	32.5	1.5
Asset management funds	2	112	5.7	29.3	- 1.2
Construction and design	1	75	4.0	3.7	0.5
Educational centers	3	61	3.3	3.6	0.2
Registries	1	221	2.4	12.1	4.3
Other ¹	14	2,654	608.2	534.2	3.5

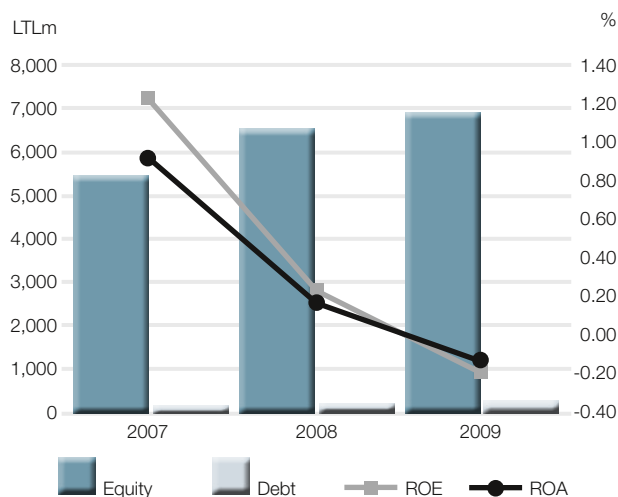
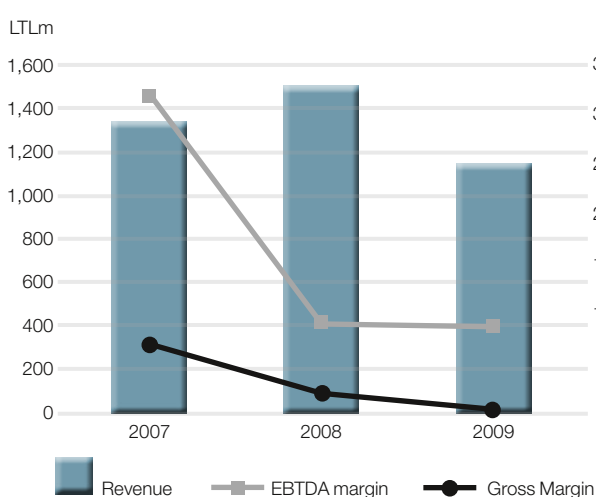
¹ Including Rokiškio sūris AB 1,786 employees, LTL 560 million net turnover in 2009, LTL 348 million total assets in 2009.

Financial performance

■ From the 246 state-owned enterprises, the ones in the Other sector number 50%, however, they only form a small part in terms of total assets, net turnover and employees (respectively 28%, 14%, 21% of total aggregate assets, net turnover and employees of all SOEs). Twenty eight enterprises are under

liquidation and bankruptcy procedures or have discontinued their activities, 3 enterprises are undergoing reorganisation or restructuring.

■ The main trends for the last three financial years of net turnover, EBITDA and gross margin as well as change of equity, debt, ROE and ROA are presented in charts below.



Negative trends can be observed in almost all key financial ratios. They mainly reflect the economical downturn, resulting in a drop of revenue from a level of LTL 1,509 million in 2008 to LTL 1,150 million in 2009, i.e. decrease of 24%, and almost zero gross margin.

EBITDA margin has also dropped from an average level of 32% in 2007 to around 9% in 2008 and 2009.

Most of the analysed enterprises are 100% owned by the State, except for a few where the state has a minority of shares (e.g. Rokiškio sūris AB – 0.02%, Teniso pasaulis UAB – 0.003%).

Overview of the major state-owned commercial assets in the sector

The following major subsectors were selected for further analysis:

- The following major subsectors were selected for further analysis:
- Road management enterprises
- Professional services (including expertise services, quality evaluations, maintenance, coinage, armoury, hallmarking, other state level functions and services)
- Publishing and information
- Pharmacies

Road management enterprises

There are 11 SOEs which manage roads in Lithuania. All enterprises are wholly owned by the State.

These enterprises not only own and manage Lithuanian roads, but also build roads and bridges, perform ground works related to road building, marking and design of roads. Turnover from road management represents the major part of the total turnover in these enterprises.

Average net turnover of the enterprises amounts to almost LTL 20 million (with a minimum level of LTL 11 million (Telsiai region) to more than LTL 30 million (Šiauliai region)). All of the enterprises demonstrated positive EBITDA (average level LTL 2.4 million) except for the Marijampolė region, which fell below LTL 0.5 million (negative) level.

Though all of the enterprises concentrate their activities based on regional allocation, all of them are equal players in both the local and foreign markets. Moreover, key market development and growth potential is primarily seen when competing in near foreign markets (Poland, Latvia, Belorussia and Russia).

Professional services

There are 6 enterprises under the professional services subsector, including expertise services, quality evaluations, maintenance, coinage, armoury, hallmarking and other state level functions and services in Lithuania. All enterprises are majority (more than 50%) controlled by the State.

Average net turnover of the enterprises in this subsector amounts to LTL 21 million (with a minimum level of LTL 3.5 million (Informacinio Verslo Paslaugų Įmonė AB, engaged in computerised processing of economic information) to more than LTL 60 million (Regitra VI)) in 2009.

Nearly all of the enterprises demonstrated positive EBITDA (average level per enterprise amounting to LTL 4 million) except for Toksika UAB, engaged in hazardous waste management, which fell below the LTL 0.7 million negative level in 2009.

These enterprises are highly regulated by the State, hence there is almost no competition in their respective markets. By lowering the regulation and liberalising them, market conditions would create an environment leading to an increase in efficiency of the services (including cost efficiency and quality of services).

Publishing and information

There are 5 enterprises under the publishing and information services subsector, including Lietuvos Radijo ir Televizijos Centras AB, providing telecommunication and internet services, several publishing houses and magazines in Lithuania. All enterprises are wholly owned by the State.

More than 90% of the net turnover of the publishing and information subsector represents Lietuvos Radijo ir Televizijos Centras AB (LTL 68 million in 2009). There was no financial information provided for three publishing houses in 2009.

Based on the experience of other countries, there are no significant reasons which would require keeping these services under the control of the State.

Healthcare & pharmacies

There are 9 enterprises under the healthcare & pharmacies subsector including 4 pharmacies (wholly state-owned enterprises) and 5 healthcare centres.

Average net turnover of the pharmacies amounts to LTL 3.7 million, with highly fluctuating EBITDA (from minimal level of LTL 0.5 million (negative) to more than LTL 0.1 million) in 2009.

A significant feature of state-owned pharmacies is the level of real estate and other assets operated (average level of assets LTL 5 million). Therefore there is high potential for the improvement of asset management and operations in these enterprises.

Having in mind that the pharmacy business operates on fully liberalised market conditions in Lithuania, there are no reasons for having these under State control. Locations, real estate combined with operations might be interesting for private investors.

Other subsectors and / or separate enterprises cannot be singled out with the exceptional performance indicators and / or structure of assets being operated.

Strategic aspects for performance improvement and value maximization

Due to the fact that most of the subsectors and enterprises mentioned above are still managed by the State and best governance practices are not implemented, improvement of this sector efficiency can be achieved by a number of measures, such as application of results-oriented management principles (e.g. balanced-scorecard, Total Quality Management, other) and result oriented key performance indicators, standardisation and, where appropriate, also centralisation of their functions.

Value maximisation can also be achieved by enterprise investment in organisational structures and management, accountability, planning and monitoring principles, improvement processes and, potentially, implementing automated information systems based management tools.

Most of the enterprises in the Other sector might interest private investors (strategic as well as financial).

” ... variety of functions and types of enterprises including road management, professional services (expertise services, quality evaluations, maintenance, coinage, armoury, hallmarking, other), publishing and information, healthcare and pharmacies, banking and insurance funds, licensing, R&D, and other.

Transparency policy

The Lithuanian government is the largest owner of commercial assets in Lithuania. These assets represents a substantial value to the nation and ultimately it is the common property of the Lithuanian people, which requires open and professional provision of information.

The key words for the Government's administration are openness, active ownership and good order. The overarching objective for the management of these commercial assets is that this portfolio of assets should create value. The standard of external reporting for this portfolio as well as that of auditing, shall be of international standard and at least as high as that of listed enterprises.

The reporting shall provide a good description of the business activities of the state-owned commercial assets, and provide a basis for continuous follow-up and assessment of the activities of the enterprise and the targets and objectives set. The Government will make an assessment of compliance with the guidelines for external reporting for state-owned assets, which will be reported in the government's consolidated annual report.

This is an unofficial translation. In the event of any discrepancy between this English version and the Lithuanian original, the latter will take precedence.

The description of the guidelines for ensuring transparency of activities by the state-owned enterprises

I. General provisions

1. The description of the Guidelines for ensuring transparency of activities by the state-owned enterprises (hereinafter referred to as the Transparency Guidelines) are aimed to increase transparency of activities by the state-owned enterprises, accountability to Lithuanian society, attractiveness to investors, potential business partners; as well as to create conditions for implementation of internationally accepted principles of good governance in the state-owned enterprises – to prepare and publish comprehensive and up-to-date information on activities by the state-owned enterprises and their results.
2. The Republic of Lithuania is an important owner of public limited liability companies or private limited liability companies and state enterprises, in Lithuania. State institutions, usually Ministries, are exercising rights and obligations of the state as the owner of more than 100 state enterprises, exercising property and non-property rights provided by state-owned shares of public limited liability companies and private limited liability companies in more than 200 companies, in almost one-tenth of which state is the sole shareholder. Shares of 8 companies are traded on a regulated market. State-owned enterprises operate in diverse key economic sectors including, energy, telecommunications, transportation etc. They create substantial economic value and have significant importance to the economic development of the country, to the implementation of social and employment policies. Furthermore, they are ultimately the property of Lithuanian taxpayers. Therefore, the state, as their representative institutions, has to be an active and professional owner, seeking to improve the management of its state-owned enterprises.
3. One important goal of the Government of the Republic of Lithuania is to increase transparency of activities by the state-owned enterprises and to take measures to introduce good corporate governance. Management of these state-owned enterprises must be based on principles of openness, active participation in the capital control and good governance. They should have value maximisation as its sole objective. Exceptional conditions must not be created

for state-owned enterprises. They are governed by the same laws as all the other enterprises, for example, Law of the Republic of Lithuania on Bookkeeping, Law of the Republic of Lithuania on Financial Statements of Entities, Law of the Republic of Lithuania on Companies, Law of the Republic of Lithuania on Securities, is applied to the state-owned companies. The aim of the Transparency Guidelines is to identify additional requirements, not established by law, which would increase transparency of activities by the state-owned enterprises and accountability to Lithuanian taxpayers, improve trust of investors in them and help to attract local and foreign investment.

II. Principal definitions

4. The definitions used in the Transparency Guidelines:
 - Corporate Governance Code** - Governance code of the companies listed on NASDAQ OMX Vilnius.
 - Coordinating institution** - institution appointed by the Government of the Republic of Lithuania, which is responsible for formulation of good governance policy and coordination of implementation by the state enterprises, public limited liability companies and private limited liability companies, whose shareholder is the state.
 - State representative institution** - Government of the Republic of Lithuania or state body authorized by it, exercising rights and obligations of the owner of the state enterprise; state institution, agency, state enterprise State Property Fund or other legal entity, which has the shares transferred in trust to manage, use and dispose, in cases and order established by law, exercising property and non-property rights provided by the state-owned shares of public limited liability companies and private limited liability companies.
 - State-owned enterprise** - engaged in commercial business activity state enterprise, public limited liability company and private limited liability company, where the state is the owner of shares giving more than 1/2 of all votes in the general meeting of shareholders of this company. If the Transparency Guidelines provisions are applied to state-owned enterprises – public limited liability companies and private limited liability companies, the definition “state-owned



The external reporting standards of state-owned commercial assets shall be at least as high as that of listed enterprises.

company“ is used.

5. Other definitions used in the Transparency Guidelines are defined in the Law of the Republic of Lithuania on Companies, Law of the Republic of Lithuania on State and Municipal Enterprises, Law of the Republic of Lithuania on Financial Statements of Entities and other laws.

III. Application of transparency guidelines


6. Transparency Guidelines provisions have to be followed by all state-owned enterprises, regardless of their size (capital, sales and (or) service volumes, number of employees), industry or legal status.
7. If the state is one of the shareholders of a public limited liability company or private limited liability company, state representative institution shall closely cooperate with other shareholders of the company and seek implementation of the Transparency Guidelines.
8. Provisions of Chapters IV-VIII of the Transparency Guidelines shall be recommendatory and applied on the principle of “comply or explain”. To deviate from the provisions of the Transparency Guidelines or fail to comply with them is possible providing a clear explanation of the reasons of its necessity (expedience).
9. The fact that state-owned enterprise’s shares are not traded on a regulated market should not be a justifiable reason for departure from the provisions of the Transparency Guidelines, the Corporate Governance Code, unless the provision of the Transparency Guidelines, the Corporate Governance Code is related to stock trade on a regulated market.
10. The fact that state-owned enterprise is a state enterprise should not be a justifiable reason for departure from the provisions of the Transparency Guidelines, the Corporate Governance Code, unless the corresponding provisions of the Transparency Guidelines, the Corporate Governance Code can be applied only to public limited liability companies or private limited liability companies.

IV. Information disclosure

11. State-owned enterprise is guided by provisions of the Corporate Governance Code regarding information disclosure, set out in Principle X of this Code (“Information Disclosure”), by other provisions elaborating on the Corporate Governance Code principles, relating to public disclosure of information.
12. State-owned enterprise shall make public goals and targets set by the state representative institution for the enterprise, its financial and other business results, current number of employees, yearly labour costs, monthly salary of the state-owned enterprise executives and their deputies; accomplished, ongoing and planned acquisitions and investments during the financial year.
13. Information disclosed by a state-owned enterprise, includ-

ing the annual reports and interim six-month reports, activity reports and six-month interim activity reports, objectively reflect the character of activities of the state-owned enterprise, the current and subsequent trends, objectives and targets, performance and achievements of the enterprise activities.

14. Information about the state-owned enterprise is accessible to the public published on the enterprise’s website (if a state-owned enterprise does not have a website – on the website of the state representative institution).

 State-owned enterprises shall publish Quarterly Reports.

V. Contents of company's annual report and the six-month interim report

15. State-owned company's annual report in addition to statutory mandatory content requirements for the annual reports of public limited liability companies and private limited liability companies shall include (present):
 - 15.1. information and reports that in accordance with the Law of the Republic of Lithuania on Financial Statements of Entities and the Corporate Governance Code must be disclosed in their annual report by public limited liability companies whose securities are traded on a regulated market;
 - 15.2. company's business strategy and targets (financial and non-financial), opportunities and threats;
 - 15.3. accordance of the company's performance with company's objectives;
 - 15.4. dividend policy;
 - 15.5. events of the financial year, with substantial importance for the company's activities;
 - 15.6. the company's services or products (markets for the services (products), competitors);
 - 15.7. customers of the company and their major groups (grouped according to product (service) groups, markets, etc.);
 - 15.8. company's investment in fixed assets during the financial year, the largest current or future investment projects;
 - 15.9. company's total yearly labour costs, summarized average monthly salary by positions and departments;
 - 15.10. company's ongoing social initiatives and policy;
 - 15.11. information about compliance with provisions set out in Chapters IV-VIII of the Transparency Guidelines: their implementation, any failure to comply with the provisions and for what reasons is described.
16. State-owned companies prepare a six-month interim report.
17. Information provided in the six-month interim report by a state-owned company is of the identical nature as disclosed in the state-owned company's annual report. This information may be shortened – key changes to the information provided in the state-owned company's annual report are indicated.
18. Information indicated in clauses 15.1-15.11 of the Transparency Guidelines, where possible, is expressed in quantitative parameters, for example, production sales volume in units and Lit, etc.

VI. Contents of state enterprise's activity report and six-months interim activity report

19. State enterprise's activity report in addition to statutory mandatory content requirements for activity reports of state enterprises shall include (present):
 - 19.1. Information and reports that in accordance with the Law of the Republic of Lithuania on Financial Statements of Entities and the Corporate Governance Code must be disclosed by public limited liability companies whose securities are traded on a regulated market in their annual report, except for information, which by contents and nature is not applicable for the state enterprises (for example, information about significant directly or indirectly controlled portfolios, shareholders, restrictions on voting rights, etc.)
 - 19.2. enterprise's activity strategy and targets (financial and non-financial), opportunities and threats;
 - 19.3. accordance of the enterprise's performance with company's objectives;
 - 19.4. the enterprise's services or products (markets for the services (products), competitors);
 - 19.5. customers of the enterprise and their major groups (grouped according to product (service) groups, markets, etc.);
 - 19.6. enterprise's investment during the financial year, the largest current or future investment projects;
 - 19.7. operations of the enterprise in research and development.
 - 19.8. enterprise's total yearly labour costs, summarized average monthly salary by positions and departments;
 - 19.9. events with substantial importance for the enterprise's activities after the end of the financial year,
 - 19.10. enterprise's ongoing social and environmental initiatives and policy;
 - 19.11. information about compliance with provisions set out in Chapters IV-VIII of the Transparency Guidelines: implementation of these provisions, any failure to comply with the provisions and for what reasons is described.
20. State enterprises prepare a six-month interim activity report.
21. Information provided in the six-month interim activity report by a state enterprise is of the identical nature as disclosed in the state enterprise's activity report. This information may be shortened – key changes to the information provided in the last state enterprise's activity report are indicated.
22. Information indicated in clauses 19.1-19.11 of the Transparency Guidelines, where possible, is expressed in quantitative parameters, for example, production sales volume in units and Lit, etc.

VII. Bookkeeping and sets of financial statements

23. State-owned enterprises conduct accounting procedures in accordance with international accounting standards.
24. State-owned enterprise prepares sets of interim (3, 6, 9, and 12 months) financial statements.
25. Audit of sets of annual financial statements of state-owned enterprises is conducted in accordance with international auditing standards.

VIII. Timetable for presentation of reports, activity reports and sets of financial statements

26. State-owned company publicly publishes on its website the annual report, the six-month interim report, sets of financial statements and independent auditor's reports, state enterprise's activity report, the six-month interim activity report, sets of financial statements and independent auditor's reports:
 - 26.1. the statutory approved annual report, activity report, set of annual financial statements and independent auditor's report - at the latest by 31 March;
 - 26.2. set of interim (3 months) financial statements - at the latest by 30 April;
 - 26.3. six-month interim report, six-month interim activity report and set of interim (6 months) financial statements - at the latest by 15 August;
 - 26.4. set of interim (9 months) financial statements - at the latest by 30 October;
 - 26.5. set of interim (12 months) financial statements - at the latest by 15 February.
27. Documents referred to in the clause 26 of the Transparency Guidelines should be available in PDF format published on the state-owned enterprise's website with technical possibility to print them. If a state-owned enterprise does not have a website, these documents are published on the website of the state representative institution.
28. State-owned enterprise presents its annual report, the six-month interim report, sets of financial statements and independent auditor's report, and state enterprise presents its six-month interim activity report, sets of financial statements to the state representative institution within the deadlines established in clauses 26.1-26.5 of the Transparency Guidelines.

IX. Preparation of consolidated reports

29. The state representative institution presents the documentation referred to in clause 26 of the Transparency Guidelines to the coordinating institution within 3 working days from the publication of the respective documents, but not later than the next working day after the end of the deadlines specified in clauses 26.1-26.5 of the Transparency Guidelines.
30. The coordinating institution:
 - 30.1. evaluates and summarizes compliance with the provisions of the Transparency Guidelines of the disclosed information, annual reports, activity reports, actions in presenting annual report and (or) activity reports, sets of financial statements to the respective authorities and to the public by the state-owned enterprises, other public limited liability companies and private limited liability companies, whose shareholder is the state;
 - 30.2. presents the summarized information that reflects the above along with its conclusions and proposals to the Government of the Republic of Lithuania;
 - 30.3. prepares consolidated annual and interim (3, 6, 9 and 12 months) reports on the state-owned enterprises.
31. The coordinating institution publishes on its website the consolidated reports on the state-owned enterprises, and presents them to the Government of the Republic of Lithuania:
 - 31.1. annual report on the state-owned enterprises - at the latest by 30 April;
 - 31.2. interim (3 months) report on the state-owned enterprises - at the latest by 21 May;
 - 31.3. interim (6 months) report on the state-owned enterprises - at the latest by 15 September;
 - 31.4. interim (9 months) report on the state-owned enterprises - at the latest by 21 November;
 - 31.5. interim (12 months) report on the state-owned enterprises - at the latest by 15 March.

X. Final provisions

32. Information about compliance with the Transparency Guidelines shall be published in the consolidated annual and interim reports on the state-owned enterprises, prepared by the coordinating institution.
33. The coordinating institution prepares the consolidated annual and interim reports on the state-owned enterprises beginning with the consolidated annual report on the state-owned enterprises for the 2010 financial year.

Timetable for publication of reports

The coordinating institution publishes on its website the consolidated reports on the state-owned enterprises, and presents them to the Government of the Republic of Lithuania:

- Consolidated annual report on the state-owned enterprises – at the latest by 30 April;
- Consolidated interim (3 months) report on the state-owned enterprises – at the latest by 21 May;
- Consolidated interim (6 months) report on the state-owned enterprises – at the latest by 15 September;
- Consolidated interim (9 months) report on the state-owned enterprises – at the latest by 21 November;
- Consolidated interim (12 months) report on the state-owned enterprises – at the latest by 15 March.

List of Enterprises

Enterprise	Industry	Net turnover, 2009	Total assets, 2009	Shareholding of the State
LEO LT AB*1	Energy	2,750,533	9,016,983	100%
Lietuvos dujos AB ²	Energy	1,264,308	2,551,182	18%
Lietuvos geležinkeliai AB ³	Transport	1,185,573	4,141,084	100%
Ignalinos atominė elektrinė VĮ ⁴	Energy	597,299	2,222,992	100%
Rokiškio sūris AB ⁵	Other	560,395	347,722	0.02%
Lietuvos Elektrinė AB	Energy	414,912	2,130,565	96%
Lietuvos paštas AB	Transport	201,110	241,617	100%
Klaipėdos valstybinio jūrų uosto direkcija VĮ	Transport	143,308	1,144,187	100%
Klaipėdos nafta AB	Transport	116,349	465,972	71%
Lietuvos radijo ir televizijos centras AB	Other	68,041	163,508	100%
Oro navigacija VĮ	Transport	65,148	158,734	100%
Tarptautinis Vilniaus oro uostas VĮ	Transport	60,480	336,111	100%
Regitra VĮ	Other	60,232	38,783	100%
Lietuvos jūrų laivininkystė AB	Transport	59,214	289,429	57%
Visagino energija VĮ	Energy	31,402	97,168	100%
„Lietuvos monetų kalykla“ UAB	Other	30,379	24,824	100%
Šiaulių regiono keliai VĮ	Other	30,163	697,219	100%
Automagistralė VĮ	Other	27,662	885,895	100%
Vilniaus regiono keliai VĮ	Other	25,983	934,126	100%
Kauno regiono keliai VĮ	Other	25,817	802,578	100%
Panevėžio regiono keliai VĮ	Other	21,951	443,205	100%
Utenos regiono keliai VĮ	Other	20,302	589,876	100%
Goeterma UAB	Energy	18,333	57,253	77%
Klaipėdos regiono keliai VĮ	Other	16,270	562,116	100%
Problematika VĮ	Other	15,933	24,661	100%
Pieno tyrimai VĮ	Other	15,016	23,008	100%
Panevėžio miškų urėdija VĮ	Forestry	14,007	21,891	100%
Valstybinis žemėtvarkos institutas VĮ	Other	13,835	10,708	100%
Būsto paskolų draudimas UAB	Other	13,711	93,768	100%
Marijampolės regiono keliai VĮ	Other	13,293	499,140	100%
Smiltynės perkėla AB	Transport	13,167	44,935	99%
Alytaus regiono keliai VĮ	Other	12,990	369,864	100%
Tauragės regiono keliai VĮ	Other	12,822	249,306	100%
Tauragės miškų urėdija VĮ	Forestry	12,232	17,732	100%
Infostruktūra VĮ	Other	11,685	19,093	100%
Trakų miškų urėdija VĮ	Forestry	11,578	12,428	100%
Kretingos miškų urėdija VĮ	Forestry	11,350	21,827	100%
Telšių regiono keliai VĮ	Other	11,136	351,128	100%
Marijampolės miškų urėdija VĮ	Forestry	10,849	6,845	100%
Švenčionėlių miškų urėdija VĮ	Forestry	10,656	13,140	100%
Šilutės miškų urėdija VĮ	Forestry	10,581	11,757	100%
Kėdainių miškų urėdija VĮ	Forestry	10,524	17,619	100%
Lietuvos parodų centras LITEXPO UAB	Other	10,512	52,430	99%
Biržų miškų urėdija VĮ	Forestry	10,499	14,684	100%
Telšių miškų urėdija VĮ	Forestry	10,424	15,240	100%
Jonavos grūdai AB	Other	10,404	18,696	70%
Visagino statybininkai VĮ **	Other	10,288	13,507	100%
Šiaulių miškų urėdija VĮ	Forestry	10,100	11,623	100%
Mažeikių miškų urėdija VĮ	Forestry	10,069	10,046	100%
Raseinių melioracija AB	Other	9,849	9,662	76%

Enterprise	Industry	Net turnover, 2009	Total assets, 2009	Shareholding of the State
Dubravos eksperimentinė - mokomoji miškų urėdija VĮ	Forestry	9,679	12,396	100%
Vilniaus miškų urėdija VĮ	Forestry	9,468	14,351	100%
Jurbarko miškų urėdija VĮ	Forestry	9,315	16,852	100%
Kazlų Rūdos mokomoji miškų urėdija VĮ	Forestry	9,065	8,445	100%
Giraitės ginkluotės gamykla AB	Other	8,756	63,853	100%
Kaišiadorių miškų urėdija VĮ	Forestry	8,684	10,595	100%
Nemenčinės miškų urėdija VĮ	Forestry	8,573	9,876	100%
Šakių miškų urėdija VĮ	Forestry	8,492	8,127	100%
Rietavo miškų urėdija VĮ	Forestry	8,410	9,177	100%
Transporto ir kelių tyrimo institutas VĮ	Transport	8,070	13,711	100%
Kauno miškų urėdija VĮ	Forestry	7,929	10,482	100%
Radviliškio miškų urėdija VĮ	Forestry	7,873	10,689	100%
Valkininkų miškų urėdija VĮ	Forestry	7,869	9,410	100%
Prienų miškų urėdija VĮ	Forestry	7,777	10,373	100%
Valstybinis miškotvarkos institutas VĮ	Forestry	7,443	4,816	100%
Joniškio miškų urėdija VĮ	Forestry	7,437	9,636	100%
Raseinių miškų urėdija VĮ	Forestry	7,358	9,510	100%
Kuršėnų miškų urėdija VĮ	Forestry	7,354	14,094	100%
Visagino transporto centras UAB	Transport	7,236	19,774	100%
Jonavos miškų urėdija VĮ	Forestry	7,214	8,033	100%
Rokiškio miškų urėdija VĮ	Forestry	7,198	7,178	100%
Teniso pasaulis UAB	Other	6,882	32,534	0.003%
Pakruojo miškų urėdija VĮ	Forestry	6,847	5,813	100%
Anykščių miškų urėdija VĮ	Forestry	6,189	9,705	100%
Turto bankas AB	Other	6,171	1,392,073	100%
Šalčininkų miškų urėdija VĮ	Forestry	6,084	9,426	100%
Veisiejų miškų urėdija VĮ	Forestry	5,997	7,093	100%
Varėnos miškų urėdija VĮ	Forestry	5,655	7,758	100%
Alytaus miškų urėdija VĮ	Forestry	5,578	10,984	100%
Detonas AB	Other	5,562	13,732	100%
Ignalinos miškų urėdija VĮ	Forestry	5,511	5,731	100%
Poilsio namai Baltija VĮ	Other	5,166	12,981	100%
Seimo leidykla „Valstybės žinios“ VĮ	Other	5,151	7,310	100%
Tytuvėnų miškų urėdija VĮ	Forestry	5,031	6,869	100%
Sanatorija puujyno kelias UAB	Other	4,966	8,051	100%
Vilniaus metrologijos centras VĮ	Other	4,716	10,446	100%
Druskininkų miškų urėdija VĮ	Forestry	4,507	6,124	100%
Universiteto vaistinė VĮ	Other	4,497	1,260	100%
Žemės ūkio paskolų garantijų fondas UAB	Other	4,356	170,972	100%
Lazdynų vaistinė VĮ	Other	4,341	910	100%
Toksika UAB	Other	4,153	125,362	93%
Kupiškio miškų urėdija VĮ	Forestry	4,045	4,644	100%
Šilutės polderiai UAB	Other	4,044	3,718	81%
Šiaulių hidroprojektas AB ***	Other	3,930	2,409	0%
Utenos miškų urėdija VĮ	Forestry	3,873	4,626	100%
Kauno aerouostas VĮ	Transport	3,873	154,083	100%
Šaltinio vaistinė VĮ	Other	3,850	721	100%
Zarasų miškų urėdija VĮ	Forestry	3,636	5,212	100%
Senevita UAB	Other	3,517	3,579	100%
Informacinio verslo paslaugų įmonė AB	Other	3,494	4,725	52%
Informacinio verslo paslaugų įmonė AB	Other	3,494	4,725	52%
Tarptautinis Palangos oro uostas VĮ	Transport	3,452	127,359	100%

Enterprise	Industry	Net turnover, 2009	Total assets, 2009	Shareholding of the State
Statybos produkcijos sertifikavimo centras VĮ	Other	3,191	3,386	100%
Geležinkelių projektavimas VĮ	Transport	2,644	1,448	100%
Kauno Petrašiūnų darbo rinkos mokymo centras UAB	Other	2,458	2,795	54%
Žemės ūkio informacijos ir kaimo verslo centras VĮ	Other	2,433	12,066	100%
Kauno metrologijos centras VĮ	Other	2,388	2,989	100%
Projektų ekspertizė UAB	Other	2,197	3,660	100%
Aerogeodezijos institutas UAB	Other	2,072	7,802	100%
Vilniaus hidroprojektas UAB ***	Other	2,014	1,464	0%
Šiaulių regiono veislininkystė VĮ	Other	1,976	7,434	100%
Distancinių tyrimų ir geoinformatikos centras „Gis-centras“ VĮ	Other	1,657	10,596	100%
Palangos Žvorūnė UAB	Other	1,385	15,260	100%
Panevėžio metrologijos centras VĮ	Other	1,350	1,228	100%
Valstybės turto fondas VĮ	Other	1,330	12,154	100%
Lauko gėlininkystės bandymų stotis UAB	Other	1,280	1,225	51%
Eismo sauga UAB	Transport	1,080	1,917	100%
Šilutės hidroprojektas UAB ***	Other	1,010	1,292	0%
Lietuvos kinas UAB	Other	909	4,129	100%
Kauno Naujamiesčio darbo rinkos mokymo centras UAB	Other	864	844	100%
Šiaulių metrologijos centras VĮ	Other	853	941	100%
Pajūrio vėtrungė VĮ	Other	693	7,664	100%
Valstybinė projektų ir sąmatų ekspertizė UAB	Other	599	658	100%
Klaipėdos žuvininkystės produktų aukcionas UAB	Other	390	4,565	100%
Šilutės veislininkystė UAB	Other	361	3,265	97%
Šeduvos avininkystė VĮ	Other	281	1,577	100%
Įrengimų projektavimo ir gamybos įmonė Kadis UAB *	Other	251	268	0%
Geležinkelio apsaugos želdiniai AB	Other	135	4,887	100%
Skalė VĮ	Other	123	-	100%
Svertuvas VĮ	Other	121	32	100%
Sartų žirgynas UAB	Other	79	1,850	85%
Dzūkijos šilas UAB	Forestry	26	5,974	100%
Visagino energetikos remontas UAB	Energy	n/a	n/a	100%
Respublikinė mokomoji sportinė bazė UAB	Other	n/a	n/a	100%
Sportininkų testavimo ir reabilitacijos centras UAB	Other	n/a	n/a	100%
Klaipėdos metrologijos centras VĮ	Other	n/a	n/a	100%
Lietuvos mokslų akademijos leidykla VĮ	Other	n/a	n/a	100%
Vilniaus Gedimino vaistinė VĮ	Other	n/a	n/a	100%
Ukmergės miškų urėdija VĮ	Forestry	n/a	n/a	100%
Vilniaus veterinarijos klinikinė ligoninė UAB	Other	n/a	n/a	100%
Marijampolės regiono veislininkystė AB	Other	n/a	n/a	89%
Nemuno žirgynas UAB	Other	n/a	n/a	90%
Panevėžio veislininkystė UAB	Other	n/a	n/a	97%
Žurnalo Mūsų girios redakcija VĮ	Other	n/a	n/a	100%
Vilniaus žirgynas UAB	Other	n/a	n/a	88%
KAM Savanoriškos krašto apsaugos tarnybos Tauragės valstybinis technikos ir sporto klubas VĮ	Other	n/a	n/a	100%
Žurnalas Sveikata UAB	Other	n/a	n/a	100%
Vilniaus radijo matavimo prietaisų mokslinio tyrimo institutas VĮ	Other	n/a	n/a	100%
Baldžio šilas UAB	Other	n/a	n/a	71%
Valstybės įmonė LASS VĮ	Other	n/a	n/a	100%
Greminta VĮ *	Other	n/a	n/a	100%
Profilis UAB *	Other	n/a	n/a	44%
Gelsita UAB *	Transport	n/a	n/a	0%

Enterprise	Industry	Net turnover, 2009	Total assets, 2009	Shareholding of the State
Rodyklė VĮ *	Other	n/a	n/a	100%
Valstybinė Upynos veterinarijos ligoninė VĮ *	Other	n/a	n/a	100%
Bendra Lietuvos ir Olandijos įmonė KTU-FESTO Pramonės automatikos centras UAB *	Other	n/a	n/a	0%
Eismo mokomasis centras VĮ *	Transport	n/a	n/a	100%
Vilniaus zonos valstybinė vaistinių įmonė VĮ *	Other	n/a	n/a	100%
Lietuvos farmacija AB *	Other	n/a	n/a	0%
Poreikis UAB *	Other	n/a	n/a	0%
Sveikata UAB *	Other	n/a	n/a	100%
Mažeikių elektrotechnika AB *	Other	n/a	n/a	0%
Alytaus tekstilė AB *	Other	n/a	n/a	70%
Bendra Lietuvos-Vokietijos įmonė VILBARA UAB *	Other	n/a	n/a	0%
Valstybinė koncertinė organizacija „Tonas“ VĮ *	Other	n/a	n/a	100%
Algirdiškiei UAB *	Other	n/a	n/a	0%
Danisco Sugar Panevėžys AB *	Other	n/a	n/a	0%
Vilniaus valstybinė autoremontu įmonė VĮ *	Other	n/a	n/a	100%
Valstybinė komercinė informacinio serviso firma Vika VĮ *	Other	n/a	n/a	100%
Firma Lietsportas VĮ *	Other	n/a	n/a	100%
Valstybės gyvulių veislininkystės informacijos centras VĮ *	Other	n/a	n/a	100%
Valstybinė kompiuterizavimo firma VĮ *	Other	n/a	n/a	100%
Mėsos ir pieno pramonės Kauno statybos ir remonto valstybinė įmonė VĮ *	Other	n/a	n/a	100%
Valstybinė visuomeninio maitinimo įmonė AUŠRA VĮ *	Other	n/a	n/a	100%
Valstybinė konstravimo įmonė Pramonės automatika VĮ *	Other	n/a	n/a	100%
Šiaulių valstybinė dviračių gamykla VĮ *	Other	n/a	n/a	100%
Valstybinė Naujosios Akmenės optikos parduotuvė VĮ *	Other	n/a	n/a	100%
Mažeikių valstybinis suskystintų dujų prekių-transportavimo cechas VĮ *	Other	n/a	n/a	100%
Vilniaus valstybinė įmonė Gyvenamųjų patalpų keitimas VĮ *	Other	n/a	n/a	100%
Gamtinių dujų terminalas UAB *	Transport	n/a	n/a	n.a.
Biržų agrolaboratorija VĮ **	Other	n/a	n/a	100%
Teisinės informacijos centras VĮ **	Other	n/a	n/a	100%

Notes:

* Companies which have gone bankrupt, discontinued activities or are in the process of liquidation.

** Companies which are under restructuring or reorganisation.

*** Companies which were privatised in 2009 and 2010.

1 LEO LT AB represents consolidated data including Interlinks UAB (100%), Lietuvos energija AB(96.4%), VST (98.2%), RST (71.3%), UAB Visagino atominė elektrinė (100%).

2 Lietuvos Dujos AB represents consolidated data including subsidiary Palangos perlas UAB.

3 Lietuvos Geležinkeliai AB represents consolidated data including Vilniaus lokomotyvų remonto depas UAB (100%), Geležinkelio tiesimo centras UAB (100%), and Gelmagis UAB (100%).

4 Ignalinos atominė elektrinė VĮ operates nuclear power plant which is in the decommissioning phase (ceased production on 31 December 2009 (last reactor was closed).

5 Rokiškio sūris AB represents consolidated data (2 affiliates, 8 subsidiaries and 1 entity controlled under joint venture agreement). The government owns 0.02% of shares.

Abbreviations and definitions

LTL	Litas (Lithuanian currency)
EUR	Euro
USD	United States dollar
LTLm	Million of Litas
2007	Financial year ended 31 December 2007 for income statement and as at 31 December 2007 for balance sheet
2008	Financial year ended 31 December 2008 for income statement and as at 31 December 2008 for balance sheet
2009	Financial year ended 31 December 2009 for income statement and as at 31 December 2009 for balance sheet
AB	Public limited liability company
UAB	Private limited liability company
VĮ	State company
Lithuania	The Republic of Lithuania
State, government	State of Lithuania, government of Lithuania
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
ROA	Return on assets is financial indicator showing how profitable a company is relative to its total assets and calculated as net profit divided by total assets
ROE	Return on equity represents the amount of net income returned as a percentage of shareholders equity and is calculated as net profit divided by total equity
P/E	Price-to-earnings ratio of a stock is a measure of the price paid for a share relative to the annual net income or profit earned by the company per share, either for the last four quarters, or any other clearly stated continuous 12 month period
P/B	Price to book ratio is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share
Operating margin	The operating margin ratio is calculated as operating profit divided by net turnover
EBITDA margin	The EBITDA margin ratio is calculated as EBITDA (earnings before interest, tax, depreciation and amortization) divided by the company's net turnover
IFRS	International Financial Reporting Standards
RST	Rytų Skirstomieji Tinklai AB
VST	VST AB
IAE	Ignalinos Atominė Elektrinė VĮ
VAE	Visagino Atominė Elektrinė UAB
LE	Lietuvos Energija AB
SOCA	State-owned commercial asset
SOE	State-owned enterprise
Pro-forma	The data which is prepared in order to aid comparison on a like for like basis
Aggregated	The data which is prepared as sum of enterprises' results not taking into account eliminations of intercompany transactions
Regulator	National Control Commission for Prices and Energy
KVJUD	Klaipėdos Valstybinio Jūrų Uosto Direkcija VĮ
LJL	Lietuvos Jūrų Laivininkystė AB
R&D	Research and development



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