

Lietuvos oro uostai VĮ
COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR
2022,
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,
2023-03-30 No 8F -

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INDEPENDENT AUDITOR'S REPORT

To the owners of Lietuvos oro uostai, VĮ:

Report on Financial Statements

Opinion

We have audited the financial statements of Lietuvos oro uostai, VĮ (hereinafter – the Company), which comprise the statement of financial position of the Company as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment (see note 4 in the financial statements)	
<p>The carrying amount of property, plant and equipment in the statement of the financial position amounted to EUR 195 072 832 as at 31 December 2022 (85% of total assets).</p> <p>Determining the value of property, plant and equipment requires significant management judgement based on the useful lives and the recoverable amount of these assets. The key assumptions used by the Company’s management are described in note 2.5 “Property, plant and equipment”, note 2.6 “Impairment of non-financial assets” and note 4 “Property, plant and equipment”.</p> <p>Assessment of useful life and recoverable value of property, plant and equipment requires subjective assumptions from the Company’s management when changes in these assumptions can lead to significant changes in the value of these assets.</p>	<p>We conducted these audit procedures, among others:</p> <p>We have considered the relevance of the Company’s accounting policy related to the assessment of useful life of property, plant and equipment and whether this policy complies with applicable financial reporting standards.</p> <p>We have identified, understood and evaluated the principles, processes, methods and assumptions used by the management of the Company in determining the useful life, residual values and depreciation methods for property, plant and equipment.</p> <p>We have inquired the management of the Company regarding items of property, plant and equipment that are soon to be or already fully depreciated and are still in use. We have evaluated the whether the useful lives of these assets are appropriate.</p>

<p>Due to significance of property, plant and equipment item in respect of the financial statements as a whole and subjective assumptions being used in determining the recoverable amount of these assets, we consider this area to be a key audit matter.</p>	<p>We have reviewed a sample of property, plant and equipment acquisitions and evaluated whether they meet the recognition criteria under the IFRS and if they were accounted for properly based on the agreements and other documents from suppliers. We have also checked the depreciation of property, plant and equipment attributable to 2022.</p> <p>We have evaluated management's impairment model's relevance, mathematical accuracy and compliance with the IFRS requirements.</p> <p>Based on our understanding of the Company, its past performance, business and customers, and our industry experience, we have reviewed the key assumptions related to the forecasted future cash flows and growth rate. We have also assessed the historical accuracy of the calculations by evaluating previous forecasts with actual results.</p> <p>We have evaluated the sensitivity of the model to changes in key assumptions such as forecasted growth rate and discount rate.</p> <p>We have considered completeness and relevance of related property, plant and equipment disclosures in the Company's financial statements.</p>
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Other Matters

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor, who expressed an unqualified opinion on those financial statements on 29 April 2022.

Other Information

The other information comprises the information included in the Company's annual report, including Corporate social responsibility report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual report has been prepared in accordance with the requirements of the Law on State and Municipal Enterprises of the Republic of Lithuania.

We also need to check that the Corporate social responsibility report has been provided. If we identify that the Corporate social responsibility report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under the decision of the owner, based on the agreement signed on 9 June 2022, we were appointed to audit the the Company's financial statements for the first time. The total uninterrupted term of appointment is 1 year.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the financial statements presented to the Company it's Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, in addition to the audit of financial statements, we have also provided interim and annual financial statement and management report translation services.

The audit engagement partner for this independent auditor's report is Romanas Skrebnevskis.

Auditor Romanas Skrebnevskis
Auditor certificate No. 000471

ROSK Consulting UAB
Audit company certificate No. 001514

Vilnius, Lithuania
30 March 2023

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report.

Statement of financial position

	Notes	31 December 2022	31 December, 2021
ASSETS			
Non-current assets			
Intangible assets			
Software		1 198 451	1 317 523
Other intangible assets		1 262	44 301
Total intangible assets	3	1 199 713	1 361 824
Property, plant and equipment			
Land		51 024 440	51 024 440
Constructions and buildings		116 025 727	126 759 610
Machinery and plant		10 679 450	10 836 798
Vehicles		4 221 059	5 018 112
Construction in progress		10 189 341	3 314 321
Other property, plant and equipment		2 932 815	2 922 454
Total property, plant and equipment	4	195 072 832	199 875 735
Investment property	5	8 258 557	7 147 200
Other assets		11 853	38 543
Deferred tax asset	20	742 599	2 342 477
Total non-current assets		205 285 554	210 765 779
Current assets			
Inventories	6	1 039 366	558 433
Trade receivables	7, 8	4 574 546	4 676 332
Other amounts receivable	9	179 734	54 237
Prepayments		21 401	29 811
Advance income tax		-	-
Other current assets		328 631	439 514
Cash and cash equivalents	10	19 449 756	15 080 710
Total current assets		25 593 434	20 839 037
Total assets		230 878 988	231 604 816

The accompanying notes are an integral part of these financial statements.

Statement of financial position (continued)

	Notes	31 December 2022	31 December, 2021
EQUITY AND LIABILITIES			
Equity			
Capital of the company's owner	11	28 409 377	27 035 165
Capital corresponding to assets which can only be state-owned according to laws	11	93 276 021	93 276 021
Reserves	12	2 193 729	1 904 421
Legal reserve		2 182 025	1 904 421
Other reserves		11 704	-
Retained earnings (losses)	12	3 728 351	5 552 078
Profit (loss) of the reporting year		3 184 847	(702 851)
Profit (loss) brought forward		543 504	6 254 929
Total equity		127 607 478	127 767 685
Amounts payable after one year and non-current liabilities			
Grants related to assets	13	57 282 107	53 563 820
Grants to compensate expenses	13	127 490	158 065
Non-current borrowings	15	32 226 041	35 214 987
Amounts payable and non-current liabilities	16	83 522	59 008
Prepayments received		-	-
Deferred tax liability		-	-
Non-current liabilities to employees	14	96 304	98 591
Total amounts payable after one year and non-current liabilities		89 815 464	89 094 471
Amounts payable within one year and current liabilities			
Current portion of non-current borrowings	15, 17	3 209 878	2 604 356
Trade payables	16, 17	4 305 933	5 440 242
Prepayments received	17	169 332	140 439
Corporate income tax liability	17	261 958	-
Employment related liabilities	14, 17	2 178 567	2 350 040
Other current payables	7, 17	3 330 378	4 207 583
Total amounts payable within one year and current liabilities		13 456 046	14 742 660
Total equity and liabilities		230 878 988	231 604 816

The accompanying notes are an integral part of these financial statements.

Acting Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Aurimas Stikliūnas

Indrė Kunigėlytė

Audronė Lučiūnaitė

Statement of profit (loss) and other comprehensive income

	Pastabos	2022	2021
Income from aviation activities	18	26 553 399	18 737 228
Income from non-aviation activities	18	18 154 651	10 245 039
Total income		44 708 050	28 982 267
Other income		149	152 530
Depreciation and amortisation	19	(10 078 654)	(8 491 795)
Asset impairment costs/reversal	19	-	624 849
Employee benefits and related social security costs	19	(14 505 254)	(11 586 117)
Maintenance, repairs of non-current assets and utilities	19	(8 395 698)	(5 222 912)
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	19	(30 946)	721 622
Taxes other than income tax	19	(1 233 846)	(1 186 379)
Other expenses	19	(5 121 016)	(4 583 563)
Profit/(Loss) from operations		5 342 785	(589 498)
Income from financing and investing activities		846	4 167
Expenses from financing and investing activities	19	(296 948)	(68 726)
Profit/(Loss) before tax		5 046 683	(654 057)
Corporate income tax	20	(1 861 836)	(48 794)
Net profit/(loss)		3 184 847	(702 851)
Other comprehensive income, which will be reclassified to profit or loss		-	-
Other comprehensive income, which will never be reclassified to profit or loss		-	-
Total comprehensive income		3 184 847	(702 851)

The accompanying notes are an integral part of these financial statements.

Acting Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Aurimas Stikliūnas

Indrė Kunigėlytė

Audronė Lučiūnaitė

Statement of changes in equity

	Notes	Capital of the Company's owner	Capital corresponding to assets which can only be state-owned according to laws	Legal reserve	Other reserves	Retained earnings (losses)	Total
Balance as at 31 December 2020		26 467 420	93 276 021	1 666 509	37 352	6 455 490	127 902 792
Correction of error		-	-	-	-	-	-
Balance as at 1 January 2021		26 467 420	93 276 021	1 666 509	37 352	6 455 490	127 902 792
Net profit (loss) for the year	-	-	-	-	(702 851)	(702 851)	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(702 851)	(702 851)	-
Profit contribution payable to the state budget		-	-	-	-	(1)	(1)
Increase of capital	11	567 745	-	-	-	-	567 745
Transfers between reserves		-	-	237 912	(37 352)	(200 560)	-
Changes related to the decisions of the company's owner		567 745	-	237 912	(37 352)	(200 561)	567 744
Balance as at 31 December 2021		27 035 165	93 276 021	1 904 421	-	5 552 078	127 767 685
Balance as at 1 January 2022		27 035 165	93 276 021	1 904 421	-	5 552 078	127 767 685
Net profit (loss) for the year		-	-	-	-	3 184 847	3 184 847
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	3 184 847	3 184 847
Profit contribution payable to the state budget		-	-	-	-	(4 719 266)	(4 719 266)
Increase of capital	11	1 374 212	-	-	-	-	1 374 212
Transfers between reserves		-	-	277 604	11 704	(289 308)	-
Changes related to the decisions of the company's owner		1 374 212	-	277 604	11 704	(5 008 574)	(3 345 054)
Balance as at 31 December 2022		28 409 377	93 276 021	2 182 025	11 704	3 728 351	127 607 478

The accompanying notes are an integral part of these financial statements.

Acting Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Aurimas Stikliūnas

Indrė Kunigėlytė

Audronė Lučiūnaitė

Statement of cash flows

	Pastabos	2022	2021
Cash flows from operating activities			
Net profit (loss)		3 184 847	(702 851)
Adjustments:			
Income tax expense		1 861 836	48 794
Depreciation and amortisation	3,4,5	15 005 797	11 774 197
Decrease (increase) in asset value	3,4,5	-	(624 849)
Amortisation of grants and subsidies	13	(4 927 143)	(3 282 402)
Elimination of results of disposal and write-off of property, plant and equipment		301 321	361 151
Elimination of results of financing and investing activities		296 102	64 559
Elimination of other non-cash items		2 786 882	(386 045)
Changes in working capital:			
(Increase) decrease in inventories	6	(476 850)	(135 622)
Decrease (increase) in trade receivables	8	6 050 484	(1 440 139)
Decrease (increase) in other receivables		(125 497)	23 725
(Increase) decrease in prepayments		8 410	(18 521)
(Increase) decrease in other current assets		28 893	149 751
Increase (decrease) in receives prepayments		110 883	(1 950 116)
Increase (decrease) in trade debtors	17	(3 037 249)	(1 410 004)
Increase (decrease) in non-current and current liabilities to employees	14	(189 079)	588 679
Increase (decrease) in other amounts payable and non-current liabilities		(2 839 587)	(5 344)
Increase (decrease) in other amounts payable and current liabilities		497 007	401 495
Paid income tax		-	-
Interest paid		(122 797)	(35 048)
Net cash from operating activities		12 840 496	3 421 410
Cash flows from investing activities			
Acquisitions of tangible and intangible assets	3,4,5	(9 593 562)	(34 899 556)
Disposals of tangible and intangible assets	3,4,5	149	152 533
Interest received		-	4 167
Other investing activities		-	-
Net cash flows from investing activities		(9 593 413)	(34 742 856)
Cash flows from financing activities			
Loans received		18 556	16 621 812
Loans repaid		(2 567 502)	(2 316 212)
Payment of lease liabilities		(124 845)	(95 649)
Profit contribution payable to the state budget		(4 719 266)	(1)
Grants received	13	8 688 324	22 181 191
Increase (decrease) of authorised capital		-	-
Other increases (decreases) in cash flows from financing activities		(173 304)	-
Net cash flows from financing activities		1 121 963	36 391 141

Statement of cash flows (continued)

Net increase (decrease) in cash flows		<u>4 369 046</u>	<u>5 069 695</u>
Effect of currency exchange fluctuations		-	-
Cash and cash equivalents at the beginning of the period		<u>15 080 710</u>	<u>10 011 015</u>
Cash and cash equivalents at the end of the period	10	<u>19 449 756</u>	<u>15 080 710</u>

. The accompanying notes are an integral part of these financial statements.

Acting Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Aurimas Stikliūnas

Indrė Kunigėlytė

Audronė Lučiūnaitė

Notes to the financial statements

1. General information

Lietuvos oro uostai VĮ ("the Company") is a State Enterprise registered in the Republic of Lithuania. The Company was registered on 30 September 1991, company code 120864074. The registered address is:

Rodūnios kelias 10a,
02189 Vilnius,
Lithuania.

The Company's data is collected and stored with the State Enterprise Centre of Registers.

The main activities of the Company include exploitation of airports, servicing of aircrafts and passenger service based on the standards and recommendations of the International Civil Aviation Organisation, international agreements and arrangements of the Republic of Lithuania in the field of air transport as well as requirements of other legal acts.

The Company was established from the State assets, it is state-owned and manages, uses and disposes the assets transferred to and acquired by it under the right of trust. The Company's shareholder is represented by the Ministry of Transport and Communications. The Company is a public legal entity of limited civil liability.

Tarptautinis Vilniaus oro uostas VĮ, Kauno aerouostas VĮ (KUN) and Tarptautinis Palangos oro uostas VĮ (PLQ) were reorganized by way of merger and as of 1 July 2014, act as one company with three branches: Vilnius, Kaunas and Palanga.

The reorganisation was implemented by merging KUN and PLQ to the Company (as a company continuing its activities after the reorganisation). At the time of reorganisation, the Company's name was changed to Lietuvos oro uostai VĮ. Following the reorganisation, KUN and PLQ seized their activities; their rights and obligations were transferred to the Company on the date of registration of the amended Articles of Association with the Register of Legal Entities of the Republic of Lithuania.

Company owner's capital in 2022 December 31 amounted to 28,409,377 euros (December 31, 2021 - 27,035,165 euros).

In 2022 December 31 the number of employees of the company was 569, of which 394 were employees of VNO and administration, 107 employees of KUN and 68 employees of PLQ branches (as of December 31, 2021, the total number of employees of three branches was 518).

In 2022 the Company's financial statements were audited by ROSK Consulting, UAB, company code 302692397, registered office at Laisvės av. 10A, Vilnius, Lithuania.

The financial year of the Company coincides with the calendar year.

The management of the Company signed these financial statements on 30 March 2023. The owner of the Company has the legal right to approve these financial statements or not to approve them and to require the management to prepare new financial statements.

2. Accounting policies

The principal accounting policies applied in the preparation of the Company's financial statements for the year 2022 are presented below. The following accounting principles were applied to all periods in these financial statements, unless otherwise stated.

2.1. Basis of preparation

The Company's financial statements for the year 2022 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The accounting policies and calculation methods applied comply with those that were applied in preparing the Company's annual financial statements for the year ended 31 December 2022. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The financial statements have been prepared based on the assumption that the Company will continue as a going concern in the near future. As at the date of approval of these financial statements, no indications exist that the Company will not be able to continue as a going concern. The Company's activities are not restricted.

The financial statements presented below, except for the cash flow statement, were prepared on an accrual basis.

2.2 Effect of amendments and interpretations of IFRS on the Company's financial standards

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period and were adopted by the Company:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 16 Leases: Covid 19 - Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after 1 April 2021).

The application of these standards, amendments and interpretations had no material impact on the Company's financial statements.

Standards, amendments and interpretations to existing standards issued by IASB, adopted by EU, but not yet effective

At the date of authorisation of these financial statements, the Company has not early adopted the following new and revised IFRS standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The management of the Company does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been endorsed by EU

IFRSs currently endorsed by EU are not significantly different from the standards, endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective date; Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The management of the Company does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

2.3. Presentation currency

The Company maintains its accounts and the amounts shown in these financial statements are presented and stated in the national currency of the Republic of Lithuania, the euro. Euro is the functional currency of the Company.

Transactions in foreign currency are accounted for at the exchange rates of the European Central Bank prevailing at the date of the transactions. Gains and losses from such transactions and from revaluation of assets and liabilities denominated in foreign currencies as at the reporting date are stated in profit or loss. Such balances are translated at period-end exchange rates.

2.4. Intangible assets

Individually acquired intangible assets are initially recognised at acquisition cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life.

The useful lives, residual values and amortisation methods are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets.

The Company has no intangible assets with indefinite useful lives.

The separate groups of assets determined at the Company:

- a) software;
- b) other intangible assets

Costs incurred due to the acquisition of new software are capitalised and recognised as intangible assets, if they do not constitute an integral part of computer hardware. Intangible assets are amortised over the period of 3 to 5 years.

2.5. Property, plant and equipment

Property, plant and equipment are tangible assets held for the purpose of service provision and intended to be used for a period exceeding one reporting period, its acquisition (production) cost can be reliably measured and its value is above the minimum acquisition value. Property, plant and equipment are accounted at acquisition cost (deemed cost) less accumulated depreciation and impairment, if any.

The initial value of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition or location for their intended use. Acquisition cost of assets transferred to the Company or assets given free of charge is determined by the Company's management considering the fair value of these assets. Expenditures, such as repair and maintenance costs incurred after the property, plant and equipment have been brought to their working condition, are normally charged to profit or loss in the period when such costs are incurred. In situations where it can be clearly demonstrated that the expenditures will result in an increase in the future economic benefits and/or useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the profit or loss.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Constructions	40–80 years
Buildings	12–25 years
Machinery and plant	8–15 years
Vehicles	6–15 years
Other property, plant and equipment	3–15 years

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The useful life is reviewed on a regular basis to ensure that the depreciation period corresponds to the expected useful life of property, plant and equipment. Useful life of an asset is defined in terms of the expected usefulness of the asset to the entity.

Construction in progress is stated at acquisition cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and are ready for intended use.

2.6. Impairment of non-financial assets

The carrying amounts of the Company's assets other than inventories and deferred income tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets not yet ready for use, the recoverable amount is measured at each statement of financial position date.

For impairment testing assets are grouped into the smallest cash generating groups. Recoverable amount of asset or cash-generating unit is the higher of the value in use of assets and the fair value of assets less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable value. Impairment losses are included in profit or loss.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have significantly decreased. The reversal is accounted under the same item of the statement of profit or loss as the impairment losses.

2.7. Investment property

Investiciniam turtui taikomi nusidėvėjimo metodai ir normatyvai atitinka taikomus ilgalaikiam materialiajam turtui. Investment property is assets held to earn lease revenue and/or income from the increase in the value of the assets. Investment property is carried at acquisition cost, including transaction costs. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of produced assets comprises the cost of materials, direct labour costs and other expenses directly related to the preparation of the investment property for use. The cost method applied to investment property is not different from the cost method applied to other property, plant and equipment.

Investment property is derecognised when it is sold or no longer used and when no economic benefits are expected from its sale or lease. Any gains or losses arising from derecognition of an investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised. The Company applies cost method to the accounting of the entire investment property. One part of the same assets can be held solely to receive income from asset lease and/or increase in an asset value, and the other part can be used to provide services or for administrative purposes.

The depreciation methods and rates applied to investment property coincide with those applied to property, plant and equipment.

2.8. Financial assets

Financial assets are classified into the following groups: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets are classified based on the above categories depending on the business model applied to the Company's financial assets. The business model, applied to a group of financial assets, is determined at the level which would reflect how the entire group of financial assets allow achieving the Company's business goals. The intentions of the Company's management regarding the separate financial instruments do not affect the business model applied. When managing financial assets, the Company may apply more than one business model.

The business model for financial assets management is a fact instead of solely a statement. Usually it is observed in the actions taken by the Company to achieve the set business model goals. When determining the business model which will be applied for the management of financial assets, the Company justifies its decision not based on one fact or action, but considering all directly related evidence existing as at the date of the decision.

The Company recognises a financial asset in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The purchase or sale of financial assets is recognised or derecognised using the transaction date.

Upon initial recognition, the financial assets are recognised at fair value (except for trade receivables without a significant financing component). Upon initial recognition, the financial assets are carried at fair value. For assets not at fair value through profit or loss, the Company adds expenses related to the acquisition of financial assets, when they can be directly attributed.

Transaction costs comprise fees and commissions which the Company wouldn't need to pay had it not entered into a financial instrument agreement. If the value of financial assets on initial recognition is different from the transaction price, the difference is recognised in profit or loss.

With regard to the business model applied to the management of a group of financial assets, financial assets are accounted for as follows:

Financial assets measured at amortised cost

Amounts receivable are accounted for in accordance with a business model that aims to hold financial assets to collect contractual cash flows that may arise from cash flows related to principal repayment and interest payments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when such assets are impaired, as well as through the amortisation process. Loans and receivables are initially recognised at acquisition cost (the fair value of consideration paid). Short-term receivables are subsequently measured at cost less impairment losses and long-term receivables and loans are carried at amortised cost using the effective interest method less impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability or, when appropriate, over a shorter period.

Loans and receivables are included in current assets, except for maturities greater than 12 months as of the date of the statement of financial position, in which case they are classified as non-current assets.

Trade receivables

Trade receivables are amounts receivable from customers for the services rendered in ordinary business operations. If the amounts are expected to be received within one year or a shorter period (or during the normal course of business, if later), trade receivables are classified as current assets. In other case, these amounts are classified as non-current assets.

Trade receivables after initial recognition are measured at amortized cost using the accrued interest method, including impairment allowances, while trade receivables with a maturity of less than 12 months from the date of recognition (i.e. not including the financing component) and which are not subject to factoring are measured at nominal value, as the associated discounting effect is negligible.

Impaired receivables are written off when they are assessed as uncollectible.

Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. The term of such investments does not exceed three months and the risk of changes in value is insignificant.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank accounts, and other short-term highly liquid investments. The carrying amount of an asset approximates its fair value.

Derecognition of financial assets

Financial assets are derecognised when:

- The rights to cash flows from the assets expire;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Impairment losses on financial assets: expected credit losses

Asset impairment requirements are applied for recognition of expected credit losses over the entire term of a financial instrument for which there was a significant increase in credit risk since initial recognition. If the credit risk of a financial instrument has not significantly increased following the initial recognition, the Company assesses the amount of losses for that instrument equal to 12 month expected credit losses.

The Company treats financial assets as unsettled, if the contractual payment term is overdue for 90 days and exceeds the advance payment made by debtor. However, in certain cases the Company may deem financial assets as unsettled when internal or external information shows that the Company will probably not recover all the contractual amount, before considering any credit enhancements available to the Company.

The Company monitors the increase of credit risk by monitoring if the debts are repaid in due time. Significant increase in credit risk is considered when the debt is delayed and no reasons exist for presuming that it will be settled in the near future.

The Company uses the following models for determining impairment allowances:

- general model (basic),
- the simplified model for trade receivables.

The expected credit losses (ECL) are calculated based on the "three-stage" model of impairment:

Stage 1

Financial instruments, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months

Stage 2

Comprises financial instruments for which there has been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3

Comprises financial assets with objective evidence of default at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount.

For trade receivables with no significant financing component the expected credit loss is recognised over the entire period of debt. For impairment of trade receivables, the Company uses a simplified approach. To calculate the expected credit loss, the Company took the following steps:

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- 1) Grouped amounts receivable based on the set criteria of customers
- 2) Determined the historical quantities of bad debts
- 3) Assessed macroeconomic indicators
- 4) Calculated the expected credit loss

The Company grouped amounts receivable based on the following criteria:

- Natural or legal persons,
- Based on the overdue period of debts (not overdue, overdue for 1-30 days, 31-60 days, 61-90 days, 91-365 days, more than 365 days).

Based on historical data, the Company has determined that on average, natural persons do not cover 9% of not overdue debts.

Legal entities do not settle:

- 1.68% of not overdue debts,
- 5.06% of debts overdue for 1-30 days,
- 16.09% of debts overdue for 31-60 days,
- 35.17% of debts overdue for 61-90 days,
- 58.97% of debts overdue for 91-365 days,
- 95.18% of debts overdue for more than 365 days.

Credit risk related to account balances at banks is limited since the Company performs transactions with banks that have high long-term borrowing ratings issued by foreign rating agencies. The banks' ratings are presented in Note 10. Considering the high ratings of banks creditworthiness, the company considers that the probability of bankruptcy of the banks used by the company is very low.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. Inventories, which cannot be realised, are written-off.

2.10. Equity

The equity of the Company's owner comprises the value of the assets transferred by the Company's owner to the Company, unless these are assets which can only be state-owned according to laws, or they can be a grant.

The amount of capital corresponding to assets which can only be state-owned according to laws, comprises the amount of assets, which under laws can be owned only by the state, whose management, use and disposal is entrusted to the company as established in the laws.

The legal reserve is formed from the Company's profit for distribution, applying the annual deductions set by the institution implementing the rights and obligations of the Company's owner. Deductions to legal reserve are equal to at least 1/20 of the profit for distribution. They are made until the reserve reaches 1/10 of the owner's capital. Any excess amount of the statutory reserve may be reallocated by distributing the Company's profits. The legal reserve can be used only to cover losses of the Company. After covering losses, the amount of the legal reserve is reinstated in accordance with the procedure set out in this section.

Other reserves are used for the following purposes:

- a) Investments;
- b) Training of employees;
- c) Employee bonuses, for social, cultural and similar purposes.

An increase in the value of owner's capital or assets, which under laws can be owned only by the state, is recorded:

- a) From the Company's funds; i.e. value of assets generated from retained earnings and other reserves (other than legal reserve);
- b) At the value of assets created from funds allocated to acquire, create or increase in value of owner's capital;
- c) At the value of the assets transferred by the Company's owner.

Retained earnings (losses) are formed from the total income of the current year and the total income of the previous periods after deduction of all profit contributions paid to the state budget.

2.11. Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are divided into loans received and amounts payable. Upon initial recognition, all financial liabilities are recognised at fair value, and in case of loans received and amounts payable – less directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans received

Subsequent recognition

Measurement of financial liabilities depends on their classification, as described below.

Loans

Loans received are initially carried at fair value less transaction costs incurred. Subsequently, loans received are carried at amortised cost and the difference between the proceeds received (less transaction costs) and the coverage amount is recognised in profit or loss of the period over the entire loan period.

Loans received are classified as current, except where the Company has an unconditional right to defer their payment at least for 12 months after the end of the reporting period.

Trade payables

Trade payables are liabilities to pay for goods or services provided by suppliers over the ordinary course of business. Trade payables are attributed to current liabilities if they must be settled within one year or a shorter period (or over the ordinary course of business if it is longer). Otherwise, they are attributed to non-current liabilities. Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when the Company's obligations are discharged, cancelled or they expire. When one existing financial liability is replaced by another liability to the same creditor but under different conditions, or when the conditions of the existing liability are substantially changed, such a change is considered as derecognition of the initial liability and origination of the new liability. Difference between the respective carrying amounts is recognised in profit or loss.

2.12. Grants

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the asset-related grants is recognised in the financial statements gradually according to the depreciation rate of the assets associated with this grant. In profit or loss, a relevant expense account is reduced by the amount of grant amortisation.

Assets created from funds provided to the Company are considered as grants when they are made available for the purchase or construction of infrastructure, or for the purpose of increasing the value of the infrastructure managed by the Company, if the infrastructure that would be acquired, created or the value of which would be increased is attributable to assets, which under laws can be owned only by the state. If grants of the Government and European Union are for the purchase or reconstruction of non-current assets, they are considered as grants related to assets.

Grants from the Government and the European Union that compensate the Company for expenses incurred during the current or previous periods or for income not received as well as all other grants and subsidies not attributable to asset-related grants, are considered as income-related grants. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

2.13. Employee benefits

Current year cost of employee benefits is expensed immediately in profit or loss. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Gain or loss resulting from changes in employee benefits (decrease or increase) is recognised immediately in profit or loss.

The employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised immediately in profit or loss.

2.14. Income tax

Income tax calculations are based on annual profit net of deferred income tax. Calculations of income tax are based on the requirements of the Lithuanian regulatory legislation on taxation.

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 15 %.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be reduced by taxable income earned from the transactions of the same nature. Starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

2.15. Recognition principles for revenue from contracts with customers

Revenue from contracts with customers, other than leases, in accordance with IFRS 15 is recognised using the 5-step model:

Step 1 - Identify contracts with customers.

A contract is an agreement between two or more parties (subject to the terms of the purchase or sale) which creates the rights to the Company to receive goods or services for consideration. A contract with a customer that is within the scope of IFRS 15 is accounted for when the following criteria are met:

- The parties have approved the contract (in writing, orally or in accordance with other usual business practices) and are bound by their respective obligations under the contract;
- It is possible to identify the rights of each party regarding the transferable goods or services;
- It is possible to identify the payment terms provided for the transferable goods or services;
- The contract is of a commercial nature;
- The Company will receive a consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer

Step 2 - Identify performance obligations in the contract.

A performance obligation is a contractual obligation to provide services. When services can be distinguished, the obligations are recognised separately. Each obligation is identified in one of two ways:

- A service (or bundle of goods or services) that is separate,
- A set of individual services that are essentially the same and passed on to the customer in a uniform model.

Step 3 - Determine the transaction price.

The Company takes into consideration the terms of the contract, the legislation of the Republic of Lithuania and its usual business practices when determining the transaction price. The transaction price is the amount of consideration that the Company expects to be entitled to in exchange for promised goods or services delivered to the customer, excluding amounts collected on behalf of third parties (such as certain sales taxes). The reward promised in the contract with the customer may include fixed amounts, variable amounts, or both.

Step 4 - Allocate the transaction price to each performance obligation.

When assigning a transaction price, the Company attributes a transaction price amount to each performance obligation which reflects the amount of consideration that the Company expects to be entitled to in exchange for the promised goods or services.

Step 5 - Recognise revenue when (or as) the Company satisfies performance obligations.

The Company recognises revenue when it meets its performance obligation by delivering the promised good or service to the customer. Performance obligations are settled over a period of time or at a particular point in time. The recognised amount of revenue is equal to the amount of implemented performance obligation. Revenue is recognised when the revenue amount can be reliably estimated and when it is probable that the economic benefits associated with the obligation will flow to the Company and the amount of the revenue can be measured reliably.

Sales are recognised net of VAT and discounts granted. Income from sales is recognised upon delivery of goods and transfer of all risks and rewards of ownership. The Company divides its income into income from aviation and income from non-aviation activities. Income is generated in Vilnius, Kaunas and Palanga airports. The split of income based on their type and airport, where the income was earned, is presented in Note 18.

When generating income, the Company issues an invoice for services rendered immediately and amounts receivable are attributed to amounts receivable from customers. Contractual liabilities comprised deposits received and discount accruals, which are presented in the statement of financial position under other current amounts payable.

Income from aviation activities

Aviation activities comprise maintenance and management of aircraft runways, passenger terminals, VIP halls, airport equipment, baggage administration, ensuring of aviation security and other activities under the standards and recommendations of the International Civil Aviation Organisation, international agreements and arrangements of the Republic of Lithuania in the field of air transport and other legislative requirements. Revenue is recognised based on an actual number of aircrafts that landed and took-off and the number of passengers. Income from aviation activities account for 59% of all Company's income, the major part of which comprises fees for using airport services (52% of all Company's income).

Centralized infrastructure charges are calculated based on General Terms of Provision of Groundhandling Services in the Airports Managed by Branches of Lietuvos oro uostai VĮ approved by Order No 1R-112 dated 21 July 2021.

Central infrastructure charges are paid by the provider of groundhandling services and in case the respective documents have been submitted to the airport – directly by the airline. The invoices shall be paid by the last business day of the next month.

The charges are determined by the Company based on the following (relevant versions in 2022):

- General Terms of Airport Usage (Order No 1R-84 of the Chief Executive Officer of Lietuvos oro uostai VĮ dated 28 May 2021);
- Law on Aviation of the Republic of Lithuania (17 October 2000, No VIII-2066, including later amendments);
- Order No 3-118 of the Minister of Transport and Communications of the Republic of Lithuania dated 28 February 2011 "On Approval of the Description of Procedure of Payment and Application of Airport Usage Charges";
- Directive 2009/12/EB of the European Parliament and of the Council of 11 March 2009 on Airport Charges;
- Document No 9082 of the International Civil Aviation Organisation ICAO's Policies on Charges for Airports and Air Navigation Services.

The procedure for payment of charges is set in the General Terms of Airport Usage. Users of airport who start the usage of airport and are willing to pay monthly, must pay a deposit which is repaid to the user in half a year if liabilities are properly fulfilled. In this case, the invoices shall be paid by the last day of the next month. In addition, there is a possibility to enter into agreements with the general aviation regarding regular settlement and to enter into a written arrangement with a third party regarding the payment for airport services. In other cases, advance payments are made but no later than the take-off of the aircraft.

The Company fulfils its liabilities set in aviation activity agreements at the time when the service is used, e.g. the client uses aircraft runway or passenger terminal. The Company must ensure that the client can use the service as agreed in the service agreement. Revenue is recognised at the moment of service provision to a client.

In aviation activity services, discounts are applied for new flight routes, increased frequency of cargo flights, increase in the number of passengers. Discounts are recognised at the point in time upon provision of service to which the discount is applied. No guarantees are applied to services.

Contract liability is recognised if the client makes an advance payment for related goods or services before the provision of the service. Contract liabilities are recognised as income when the Company carries out contract liabilities (i.e. transfers the control of goods or services to the client)

Loyalty programme

The company applies the following loyalty programs:

- The promotion program of the Lithuanian airport network applies to airlines that operate flights in at least two airports managed by the Company and carry the number of passengers corresponding to the limits of the number of passengers provided for in the program. The discount of the amount provided in the program is applied to the fees paid during the period. The discount applies to the following airport fees: departure passenger fees, aircraft landing fees, security fees. The size of the discount depends on the number of flights operated at several airports and the expected number of passengers transported
- The program for promoting the activities of airlines at the Vilnius airport applies to the promotion of new routes and the increase in the frequency of cargo flights.
- The program for promoting the activities of airlines at Palanga Airport applies to the promotion of new routes.
- The program for promoting the activities of air carriers at Kaunas Airport is applied according to the number of passengers carried by a group of airlines or a tour operator.
- In Vilnius Airport and Palanga Airport, a route growth promotion program is applied, according to which a discount is applied to the departure passenger fee, comparing the number of passengers carried by the airline last month with the corresponding number of passengers transported by the airline in the same month of 2021.

The Company recognizes a contractual obligation when the airlines fulfill the established requirements of the loyalty programs.

Income from non-aviation activities

Income from non-aviation activities comprise asset lease, car parking, advertising, business club and other income. The majority of contracts have a fixed charge; however, part of the contracts also have a variable charge based on the turnover, which may not be lower than a fixed charge set out in the contract. The Company implements contract liabilities and recognises income at a point in time when the service is rendered, except for lease services. No guarantees are applied to services.

Lease revenue

Lease revenue under operating lease agreements are recognised on a straight-line basis over the lease period. Discounts or other incentives to enter into a lease agreement are recognised over the lease period irrespective of cash flows. Lease term is a minimum period when the lessee must lease a leased object. Lease term includes an additional period for which the lessee is entitled with a possibility to extend the lease agreement if the Company's management reasonably expects that the lessee will use this possibility.

Income from agreement termination or compensation for the damage inflicted by a lessee is carried when it is probable that the Company will receive the benefits related to termination of agreement or inflicted damage.

Income from utility services

The Company ensures the provision of utility services to clients who lease premises from the Company. The Company itself does not provide utility services but makes sure that such services are rendered to the client; therefore, the Company acts as an intermediary. Only the net income, i.e. the Company's commissions, is recognised as income. Revenue is recognised at a point in time when services are rendered.

2.16. Recognition of expenses

Expenses are recognised on an accrual and comparative basis for the reporting period when the related income is earned and notwithstanding when the cash is spent. Expenses incurred during the reporting period, which cannot be directly related to generation of specific income and which shall not generate income in future reporting periods, are recognised as costs of the period when incurred.

The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

2.17. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of arrangement as at inception date. It is assessed whether the contract is associated with the use of specific assets and whether the contract gives the right to use the asset

The Company as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. The Company recognises a right-of-use asset and a lease liability considering all lease arrangements where it acts as a lessee, except for short-term leases (defined as a lease which lease term does not exceed 12 months) and low-value assets (e.g. notebooks and laptops, small items of office furniture or phones). For these lease agreements, the Company recognises lease payments as operating expenses on a straight-line basis over the lease period, unless other systematic basis provides a better reflection of a time pattern over which economic benefits are received from the leased assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the lessee is reasonably certain to exercise; and
- Penalties for early termination of a lease if the lease term reflects the exercise of the option to terminate lease agreement

Lease liability in the statement of financial position is attributed to amounts payable. Lease liability is subsequently measured increasing the carrying amount to represent lease liability interest (using the effective interest rate method) and decreasing the carrying amount to represent the lease payments made.

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The Company assesses the lease liability (and adjusts the related right-of-use assets accordingly) when:

- There was a change of lease term or a significant event occurred or there was a change in circumstances which led to the change in assessment of application of purchase option right; in this case, the lease liability is remeasured by discounting the revised lease payments based on revised discount rate.
- Lease payment change arises from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; in this case, the lease liability is remeasured by discounting the revised lease payments based on unchanged discount rate (unless there is a change in lease payments).
- There was a change in lease agreement, and lease modification is not accounted for as a separate lease; in this case, the lease liability is remeasured considering the term of the amended lease agreement by discounting the revised lease payments based on a revised discount rate. In 2022 and 2021, the Company did not make any such changes.

The right-of-use assets comprise the initial measurement of the respective lease liability, lease payments made at the commencement date of before less lease incentives received and all initial direct costs. Subsequently they are measured at cost less accumulated depreciation and impairment losses. Each group assumes liabilities related to costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, as required by terms and conditions. Provision is recognised and measured under IAS 37. To the extent that expenses are related to right-of-use assets, the expenses are included into the related right-of-use assets unless these expenses were incurred to produce inventories.

The right-of-use asset is depreciated over the lease term or the useful life of the underlying asset, whichever is shorter. If ownership rights to underlying asset have been transferred or the price of the right-of-use asset reflects the Company's expectation to acquire the purchase option, the related right-of-use assets are depreciated over the useful life of the asset. Depreciation is calculated from the commencement date.

Variable lease prices that do not depend on an index or a rate are not included into measurement of right-of-use assets and lease liability. Related payments are recognised as costs in the period when the event or condition that triggered these payments occurs.

The Company as a lessor

The Company as a lessor enters into lease agreements for its investment property. Leases where the Company is a lessor is classified as finance or operating leases. When under the lease terms substantially all the risks and benefits of ownership are transferred to a lessee, the agreement is classified as finance leases. All other leases are classified as operating lease.

Lease income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating over the lease of non-current assets and adding the leased assets are added to the carrying amount of the leased assets and are recognised on a straight-line basis over the lease term.

Amounts payable by lessees under finance leases are recognised as amounts receivable.

2.18. Finance income and costs

The Company's finance income and costs comprise interest income, interest expenses and positive or negative effect of currency exchange fluctuations on the financial assets and liabilities, loan administration fees. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Positive or negative effect of currency exchange fluctuations on the financial assets and liabilities is carried at net value as finance income or finance costs depending on whether changes in exchange rates comprise net profit or net loss.

2.19. Use of estimates and judgements

The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. The significant areas in these financial statements that use estimates include amortisation of intangible assets and depreciation of property, plant and equipment, impairment of non-current assets, income concessions (under the loyalty programmes), impairment allowance for receivables, non-current employee benefits and contingent liabilities. Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

Management makes estimates when accounting for the Company's capital, which comprises assets managed under the right of trust, which can only be state-owned based on legislation.

Impairment of property, plant and equipment

The management assesses whether objective evidence of impairment of assets or cash-generating units exists. Impairment losses of property, plant and equipment are accounted for using the accounting policies described in Note 2.6 when, as to the management's assessment, the asset's carrying amount exceeds its recoverable amount. Impairment of assets was calculated using free cash flow model. Based on the requirements of IAS 36, stating that cash-generating unit is the smallest group of assets which can impudently from other asset units generate revenue. For calculation purposes, all three of the Company's airports were considered separate cash-generating units. More details of asset impairment calculations is presented in Note 4.

Income concessions under loyalty programmes

The managements makes an assessment whether the airlines, which are a part of loyalty programmes, will fulfil their obligations and be able to grant the concession of the loyalty programme to themselves. The Company periodically assesses the results of fulfilment of the airlines' obligations during the period, takes into consideration forecast of a number of flights and carried passengers, and makes an estimate whether the airlines will meet the requirements of the loyalty programme. On the basis of these estimates, the income concessions are calculated which reduce the income from aviation activity.

Depreciation of property, plant and equipment and amortisation of intangible assets

At the end of each financial year, the Company's management assesses whether the useful life for respective groups of property, plant and equipment and intangible assets is appropriate. More details on applied useful life is presented in Notes 2.4 and 2.5.

Recognition of deferred tax assets

Deferred tax assets are recognised in the Company's statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. When it is probable that a portion of deferred tax will not be utilised, this portion of deferred tax is not recognised in the financial statements.

Non-current employee benefits

The Company records pension accruals for employees in order to pay severance pay to retiring employees of retirement age, as provided by law. Also, the company records accruals for employees, which are paid according to the procedure established by the Company in the amount determined for the anniversary of the employees. The Company's management evaluates the key actuarial assumptions applicable to long-term employee benefits at the end of each financial year. More detailed information on the indicators used to calculate pension savings is provided in notes 2.13 and 14.

Impairment of receivables

The Company does not monitor changes in the level of credit risk during the period of validity of the instrument and determines expected credit losses until the end of the intended period of use of the instrument. The Company recognizes a case of insolvency when the client defaults 90 days after the date of receivables. In order to estimate expected credit losses, the Company uses a provision matrix, calculated taking into account the historical level of repayment and collection of receivables from customers. The firm incorporates information about future periods into the parameters used in the expected loss model, adjusting the key default probability parameters. Expected credit losses are calculated when the receivable is recognized in the statement of financial position and are updated each subsequent last day of the reporting period, depending on the number of days the receivable is overdue. Recognition and restoration of the expected decrease in the value of trade and other receivables to the main receivables is recorded in the income (expenses) line of other activities as losses (removal of losses) due to the decrease in the value of financial instruments, and interest for late payment is recorded in the income (expenses) line of financial activities as losses (losses cancellation) due to the decrease in the value of financial instruments (note 8).

Going concern assumption

Considering the impact of the pandemic on the aviation sector, the main planned cash flows of the Company, although reduced compared to the pre-pandemic period, are rapidly recovering and remain positive, so the Company will be able to continue operations and make the necessary payments. The management assessed the impact of the war in Ukraine on the volume of operations, which was not significant and was compensated by revenues from flights in other directions. The increased costs due to the increase in the price of energy resources, the rise in wages and other macroeconomic reasons are managed by increasing the efficiency of operations, carrying out strict control of variable costs, so the management does not see any risk to the continuity of operations.

Assets managed under the right of trust

As noted in Note 1, the legal status of the Company is state enterprise and its capital structure is governed by the Law on State and Municipal Enterprises of the Republic of Lithuania, which provides that assets transferred to a company by the owner and acquired by the company is owned by the owner, i.e. the state. Pursuant to the Law on the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania, the company manages, uses and disposes of the owner's property under the right of trust. Article 33(2) of the Law on Aviation of the Republic of Lithuania stipulates that the airport land is managed, used and disposed under the right of trust by the company managing international airport in accordance with the Law on Aviation of the Republic of Lithuania, Law on the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania and the Law on Land of the Republic of Lithuania. The Company manages the airport infrastructure transferred by the Company's owner under the right of trust and in accordance with the Law on the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania, the Company's Articles of Association and other legislative requirements.

When examining whether assets managed by the Company under the right of trust should be accounted for in accordance with IFRIC 12 *Service Concession Arrangements*, it is assessed whether the business model is consistent with the guidelines and legal bases for applying concession services. Item 7 of the Company's Articles of Association sets out the goals of the Company's activities:

- When operating the international airports of Vilnius, Kaunas and Palanga, to provide public services ensuring the strategic interest of the state, i.e. to manage and develop the infrastructure of Vilnius, Kaunas and Palanga airports, to guarantee the highest level of flight security and aviation, to seek business value growth and profit yield;
- To carry out other activities to satisfy public interests;
- To pursue commercial activities.

Item 9 of the Company's Articles of Association sets out that when implementing the Company's business goals and mission, the Company's tasks are:

- To create modern infrastructure which, in terms of technical parameters, safety and quality of services meets the needs of air carriers, passengers and other users of airports;
- To ensure safe, efficient and reliable operation of the Company and its infrastructure.

The legislation does not state to whom the services are provided; the Company enters into agreements with the recipients of services directly. Based on Article 33 of the Law on Aviation of the Republic of Lithuania and Resolution No 1098 of 8 November 2006 of the Government of the Republic of Lithuania Regarding Leasing of Land at International Airports, the Company leases airport land by way of an auction or other way provided that the conditions set out in the legislation are existent. Initial land lease charge, if the land lease auction is announced, or land lease charge, if the land lease agreement is concluded in other way than by way of auction, is determined based on Resolution No 1088 of 31 October 2006 of the Government of the Republic of Lithuania Regarding the Approval of the Description of the Procedure for Calculation of Land Lease Charge of International Airports and its Size. Article 50(3) of the Law on Aviation stipulates that charges for use of airports and their sizes are set by the head of the company managing international airport in accordance with Order No 3-118 of the Minister of Transport and Communications of the Republic of Lithuania dated 28 February 2011 On Approval of the Description of Procedure of Payment and Application of Airport Usage Charges. Therefore, the Company has an actual control over the main prices proposed by the Company. All other services provided by the Company are in no way regulated by the Company's owner. Asset management under the right of trust is legalised, there is no asset management contract, no maturity term for asset management under the right of trust is determined. In the light of the above, it is concluded that asset management under the right of trust performed by the Company does not comply with the model of service concession arrangements.

Given that, under IFRS, ownership of an asset is not an essential feature for the recognition of an asset and that the Company is responsible for maintenance, operation, repair and investment of the asset, and that the Company controls the asset either for its own revenue or for administrative purposes, i. e. the Company, through the use of assets obtains and expects future economic benefits, the cost of the asset is measured reliably, the assets managed, used and disposed under the right of trust by the Company are recognized and accounted for in the statement of financial position of the Company.

Capital corresponding to assets which can only be state-owned according to laws

As noted in Note 2.10, the capital corresponding to assets which can only be state-owned according to laws includes the assets transferred to the Company which can only be state-owned according to laws. As described above, under Articles 11 and 33 of the Law on Aviation of the Republic of Lithuania, Article 6(2) of the Law on the Principles of the Activities of Transport of the Republic of Lithuania, such assets comprise airport land and infrastructure, which is owned by the Republic of Lithuania and has been transferred to the Company for the management, use and disposal under the right of trust.

Based on the composition of the company's equity under the Law on State and Municipal Enterprises of the Republic of Lithuania, providing that one of the equity's compound parts is capital corresponding to assets which can only be state-owned according to laws, and which, under the Law on Aviation of the Republic of Lithuania and the Law on the Management, Use and Disposal of State and Municipal Assets of the Republic of Lithuania, are transferred to the company for an unlimited time without an obligation to be returned, the Company accounted for this capital not under liabilities but under equity because it does not comply with the definition of liabilities under IFRS, as adopted by the European Union. This view was also based on the fact that this capital gives the owner of the Company the same rights as ordinary capital – the right to retained earnings, the right to control and make operational and financial decisions, and so on.

2.20. Contingencies

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements except for the cases when probability of losing the resources embodying economic benefits is low.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.21. Subsequent events

Events that provide additional evidence on conditions that existed as at the date of the Company's statement of financial position (the adjusting events) are recognised in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to the financial statements when material.

2.22. Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain standard specifically requires such set-off.

2.23. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Determination of the fair value is based on the assumption that the asset sale or liability transfer transaction is performed either:

- on the primary asset or liability market, or
- if primary market is not available – on the market, which is the most favourable for an asset or a liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For the purposes of a more consistent and comparable measurement of the fair value, the fair value hierarchy set out in IFRS 13 is applied. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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For assets and liabilities which are repeatedly recognised in the financial statements, the Company, when reassessing the allocation, decides on whether the amounts were transferred between hierarchy levels. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

In 2022 and 2021 December 31 The balance value of the Company's financial assets and liabilities is approximately equal to their fair value, set at level 3 fair value hierarchy level, except for received loans. The fair value of financial liabilities related to debt obligations to state-controlled investment banks is calculated by discounting future cash flows according to the interest rate applicable in the contracts. Cash flows are discounted using a discount rate based in the agreements No. L6132 (1) and No. L588/429917 (2), respectively at 1.764 percent and 2.818 percent (In 2021, 0.121 percent and 0.458 percent, respectively). The valuation of the financial liabilities related to these debts is assigned to level 3 of the fair value hierarchy, as the loans obtained are targeted to create assets that are specific to the Company.

The table shows the distribution of the Company's financial obligations in 2022 December 31 by hierarchy levels:

thousand Eur	Residual value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities for which the value is disclosed				
Loan from Nordic Investment bank (1)	11 000	-	-	9 711
Loan from Nordic Investment bank (2)	24 215	-	-	20 981

The table shows the distribution of the Company's financial obligations in 2021 December 31 by hierarchy levels:

thousand Eur	Residual value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities for which the value is disclosed				
Loan from Nordic Investment bank (1)	5 700	-	-	5 127
Loan from Nordic Investment bank (2)	26 764	-	-	26 578

2.24. Correction of errors

Errors of the previous period are omission of information or inaccuracies in the previous periods arising because the information is not used or irrelevant information is used which:

- Was available at the time of issue of financial statements for that period;
- Reasonable expectations exist that when preparing the financial statements the information was available to obtain and consider.

Such errors include the effects of mathematical mistakes, errors in application of accounting policies, ignoring facts or erroneous interpretation and fraud.

Errors may occur in recognition, measurement, presentation and disclosure of the items of financial statements. The detected possible errors of a reporting period are corrected before the approval of financial statements. However, at times significant errors are not detected until the subsequent period and these errors of the previous period are corrected in comparative information presented in the financial statements for that other period.

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3. Intangible assets

	Software	Other assets	Total
Acquisition cost:			
Balance as at 31 December 2020	1 792 156	574 648	2 366 804
Additions	91 531	-	91 531
Disposed and written-off assets	(508 919)	(54 100)	(563 019)
Reclassifications	1 335 930	-	1 335 930
Balance as at 31 December 2021	2 710 698	520 548	3 231 246
Additions	106 433	1 683	108 116
Disposed and written-off assets	(38 351)	(9 775)	(48 126)
Reclassifications	493 747	-	493 747
Balance as at 31 December 2022	3 272 527	512 456	3 784 983
Amortisation and impairment losses:			
Balance as at 31 December 2020	1 461 483	470 157	1 931 640
Amortisation for the year	436 791	60 190	496 981
Impairment of assets	-	-	-
Disposed and written-off assets	(505 099)	(54 100)	(559 199)
Reclassifications	-	-	-
Balance as at 31 December 2021	1 393 175	476 247	1 869 422
Amortisation for the year	719 252	44 722	763 974
Impairment of assets	-	-	-
Disposed and written-off assets	(38 351)	(9 775)	(48 126)
Reclassifications	-	-	-
Balance as at 31 December 2022	2 074 076	511 194	2 585 270
Net book value as at 31 December 2020	330 673	104 491	435 164
Net book value as at 31 December 2021	1 317 523	44 301	1 361 824
Net book value as at 31 December 2022	1 198 451	1 262	1 199 713

The company has no internally generated intangible assets. Amortization costs of intangible assets are included in the depreciation and amortization expense item in the profit (loss) statement.

The company performed a calculation of the recoverable amount of fixed assets and did not identify any impairment in any cash-generating unit. See Note 4 for more detailed information on the determination of impairment.

Part of the Company's long-term intangible assets, the acquisition value of which on 31 December 2022 amounted to EUR 1 676 997 (as of 31 December 2021 – EUR 1 094 830), were fully amortized, but is still used in operations.

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4. Property, plant and equipment

	Land	Constructios and buildings	Machinery and plant	Vehicles	Construction in progress and advances paid	Other proprrty, plant and equipment	Total
Acquisition cost:							
Balance as at December 2020	51 024 440	215 099 866	30 390 319	15 792 314	14 642 906	8 852 087	335 801 932
Additions	-	20 716	50 444	-	37 875 312	322 040	38 268 512
Disposed and written-off assets	-	(1 271 519)	(2 792 728)	(1 029 398)	(279 883)	(1 134 534)	(6 508 062)
Reclassifications	-	37 891 429	6 825 840	359 303	(48 924 014)	475 408	(3 372 034)
Balance as at December 2021	51 024 440	251 740 492	34 473 875	15 122 219	3 314 321	8 515 001	364 190 348
Additions	-	259 710	285 780	24 038	9 699 322	1 119 538	11 388 388
Disposed and written-off assets	-	(3 773 173)	(94 851)	(5 862)	(8 767)	(700 087)	(4 582 740)
Reclassifications	-	59 406	804 410	-	(2 815 535)	20 093	(1 931 626)
Balance as at December 2022	51 024 440	248 286 435	35 469 214	15 140 395	10 189 341	8 954 545	369 064 370
Accumulated depreciation and impairment:							
Balance as at 31 December 2020	256 550	118 408 582	25 715 951	10 117 496	-	5 585 310	160 083 889
Depreciation for the year	-	8 207 485	633 995	742 192	-	1 270 102	10 853 774
Impairment (reversal) of assets	(256 550)	(368 299)	-	-	-	-	(624 849)
Disposed and written-off assets	-	(1 266 886)	(2 712 869)	(932 533)	-	(1 085 913)	(5 998 201)
Reclassifications	-	-	-	176 952	-	(176 952)	-
Balance as at 31 December 2021	-	124 980 882	23 637 077	10 104 107	-	5 592 547	164 314 613
Depreciation for the year	-	10 791 846	1 195 308	817 997	-	1 110 150	13 915 301
Impairment (reversal) of assets	-	-	-	-	-	-	-
Disposed and written-off assets	-	(3 512 020)	(42 621)	(2 768)	-	(680 967)	(4 238 376)
Reclassifications	-	-	-	-	-	-	-
Balance as at 31 December 2022	-	132 260 708	24 789 764	10 919 336	-	6 021 730	173 991 538
Net book value as at 31 December 2020	50 767 890	96 691 284	4 674 368	5 674 818	14 642 906	3 266 777	175 718 043
Net book value as at 31 December 2021	51 024 440	126 759 610	10 836 798	5 018 112	3 314 321	2 922 454	199 875 735
Net book value as at 31 December 2022	51 024 440	116 025 727	10 679 450	4 221 059	10 189 341	2 932 815	195 072 832

As at 31 December 2022, the Company accounted right-of-use assets under the Vehicle group. In 2022, a write-off was made for the amount of EUR 5 862 of expired lease agreements. Acquisition cost of right-of-use assets amounted to EUR 353 441 as at 31 December 2022 (31 December 2021 – EUR 359 303), and accumulated depreciation was EUR 174 183 (31 December 2021 – EUR 176 951). The residual value of the property managed by the right of use amounted to EUR 179 258 (31 December 2021: EUR 182 352).

The Company capitalised EUR 2 459 of interest expense under construction in progress on the loan received for the purchase of investments (2021 – EUR 0)

During 2022, the Company wrote off and liquidated unused assets, the acquisition value of which was EUR 4 566 851. During 2021, the Company wrote off and liquidated unused assets, the acquisition value of which was EUR 4 545 337.

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The residual value of the written-off asset is included in the other expense item of the profit (loss) statement. During 2022, the company sold unused assets, the acquisition value of which was EUR 1 260.

When preparing the financial statements for the year 2022, the Company prepared calculations of recoverable amount of its property, plant and equipment based on cash-generating units: airports of Vilnius, Kaunas and Palanga. As at the reporting date, the carrying amount of each cash-generating unit was determined. The carrying amount was determined based on carrying amounts of assets and grants related to the respective asset units. The table below shows the carrying amounts and the recoverable amount of each cash-generating unit:

Cash-generating unit	Carrying amount of assets	Grants related to assets	Carrying amount	Recoverable amount
Vilnius	127 444 651	(24 553 474)	102 891 177	626 034 458
Kaunas	31 513 485	(10 067 334)	21 446 151	29 992 839
Palanga	35 322 289	(14 110 009)	21 212 280	21 425 734
Total	194 280 425	(48 730 817)	145 549 608	677 453 033

The recoverable amount calculations were performed based on free cash flow model. The assessment was made by discounting expected future cash inflows by each cash-generating unit.

The forecast of the results of cash-generating units was based on these key assumptions:

1. Cash flows were forecast for 2023-2033 period;
2. The forecasted income growth in individual years reaches 7% on average (in all cash-generating units);
3. Cash flows after a ten-year period were extrapolated using a 3.5% perpetuity growth rate;
4. After assessing that the Company's income in 2022 was significantly better than planned, but the costs remained at a similar level, the Company considers that in the period of the Company's growth in 2025-2032, the costs should not grow significantly, therefore a 2% growth is applied to both salaries and other costs. The Company has sufficient capacity for revenue growth, applies operational efficiency improvement methods and management practices, so costs should increase moderately.
5. EBITDA margin is forecasted to be from 28% in 2022 to 51% in 2032. According to data and forecasts from international aviation industry organizations IATA and ACI Europe, international passenger flows are expected to return to pre-pandemic levels in 2024-2025;
6. A discount rate of 6.65% was applied when discounting the forecasted cash flows. The discount rate is calculated based on the weighted cost of capital method (WACC). This method evaluates both the Company's debt and equity capital. The cost of the equity capital represents the return that investors expect from investing in the capital of the Company in question. The cost of borrowed capital is the interest at which the Company could borrow funds.

The impairment test showed that the recoverable amount was not lower than the carrying amount in any of the branches.

Below is a sensitivity analysis for the sum of the recoverable amount of each individual cash-generating unit.

According to the changes in terminal value and discount rate:

Vilnius (EUR thousand)		Discount rate		
		6.15%	6.65%	7.15%
Terminal value	3%	656 206	543 252	458 171
	3.5%	775 634	626 034	518 181
	4%	950 785	740 159	597 308

Kaunas (EUR thousand)		Discount rate		
		6.15%	6.65%	7.15%
Terminal value	3%	31 372	23 654	17 902
	3.5%	40 431	29 993	22 538
	4%	53 723	38 736	28 656

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Palanga (EUR thousand)		Discount rate		
		6.15%	6.65%	7.15%
Terminal value	3%	22 330	17 808	14 428
	3.5%	27 510	21 426	17 070
	4%	35 110	26 416	20 555

Part of the Company's tangible assets, the acquisition value of which on 31 December 2022 equals to EUR 42 430 841, (2021 – EUR 44 053 035) was fully depreciated, but still used in the activity.

In 2022, the Company transferred assets with a balance sheet value of EUR 329 032 in accordance with the resolution of the Government of the Republic of Lithuania, and showed a decrease in the shareholder's capital by this amount (note 11).

In 2022 the Company accounted for property received free of charge from tenants, the value of which at the time of takeover was EUR 85 900, this value will be accounted for as lease income throughout the lease period. In 2021 the Company received property for EUR 17 900 free of charge from tenants, which was recognized as income immediately.

In 2022, the Company accounted for assets that have no owners (parking lots), which were registered with the Real Property Register and Cadastre after cadastral measurements and the value was determined based on the relevant average market values set by the Centre of Registers and amounted to EUR 33 478. The assets were carried under income from non-aviation activities in profit (loss) statement.

The Company had no pledged property, plant and equipment as at 31 December 2022 and 2021.

5. Investment property

Acquisition cost:

Balance as at 31 December 2020	11 971 625
Additions	-
Disposed and written-off assets	-
Reclassifications	2 036 104
Balance as at 31 December 2021	14 007 729
Additions	-
Disposed and written-off assets	-
Reclassifications	1 437 879
Balance as at 31 December 2022	15 445 608
Accumulated depreciation and impairment:	
Balance as at 31 December 2020	6 437 087
Depreciation for the year	423 442
Impairment of assets	-
Disposed and written-off assets	-
Reclassifications	-
Balance as at 31 December 2021	6 860 529
Depreciation for the year	326 522
Impairment of assets	-
Disposed and written-off assets	-
Reclassifications	-
Balance as at 31 December 2022	7 187 051
Net book value as at 31 December 2020	5 534 538
Net book value as at 31 December 2021	7 147 200
Net book value as at 31 December 2022	8 258 557

Lease income on investment property amounted to EUR 14 295 thousand in 2022 (2021: EUR 7 937 thousand).

The investment property of Lietuvos oro uostai VĮ consists of the part of the airport's buildings, equipment and premises, which is rented out. The company applies an exception to IAS 40 and accounts for the value of investment property using cost method, because airports are a specific business area that has no analogues in the domestic market, so it becomes impossible to reliably determine the fair value of the investment property on a regular basis. The cost method is applied when there is clear evidence that the entity operates in atypical market conditions, the lease conditions of the property differ significantly from the lease conditions of other buildings in the country, and there is simply no comparable property. Also, there are few transactions in this business area, quoted prices are outdated and there are no reliable methods of determining the fair value of investment property.

As disclosed in Note 4, the Company calculated the recoverable amount of non-current assets and did not determine any impairment.

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6. Inventories

	2022	2021
Materials and spare parts	900 901	498 269
Fuel and other oil products	169 303	97 807
Food products	10 688	7 966
Write-down of inventories	(41 526)	(45 609)
	1 039 366	558 433

The value of inventories and spare parts was written down to net realisable value having assessed each item of inventories. Impairment losses of inventories are carried in profit or loss. During 2022, the Company used and wrote off inventories in the amount of EUR 1 311 047 (2021: EUR 880 561). Write-down of inventories is carried under other costs in profit or loss.

7. Contract assets and liabilities

	2022	2021
Trade receivables (Note 8)	4 574 546	4 676 332
Contract assets	38 543	118 141
Contract liabilities (Note 17)	(3 229 642)	(2 342 522)

The Company does not have contract assets, except for the not received lease income described below, because all services, except for rent, are recognized at the time the service is provided.

Contractual obligations consist of deposits received from customers for services provided by the Company and accruals related to the loyalty program due to the promotion of new routes, additional cargo transportation. Contractual commitment in 2022 consisted of: EUR 1 171 783 received deposits (EUR 1 196 425 in 2021), and EUR 2 057 859 loyalty program accruals (EUR 1 146 097 in 2021).

During 2022 a total of EUR 2,058,759 of contractual obligations was recognized as a reduction of aviation revenue (EUR 2 119 723 was recognized in 2021).

Due to the announcement of the Covid-19 quarantine, the Company did not receive lease income from tenants during the quarantine period from March 16 until the end of May in 2020. There were also agreements signed with the tenants where the rent was reduced by 80%. The lost lease income due to the consequences of the Covid-19 quarantine in 2020 amounted to EUR 3 364 289. The amount of the granted discount is recognized over the entire period of the lease agreements. In 2022 the lease income was reduced by EUR 79 598 (in 2021 – EUR 412 338) and it will be reduced by EUR 11 853 in the next year, and EUR 26 690 in the period from one to five years.

8. Trade receivables

	2022	2021
Trade receivables	4 842 472	10 892 956
Impairment by expected credit losses	(267 926)	(6 216 624)
Total	4 574 546	4 676 332

In 2022, the Company wrote off old bad debts from buyers for EUR 5.9 million. Since these debts were already impaired, after writing off the bad debts, the impairment reserve was also reduced. The risk was assessed based on debt aging and the expected losses by each client group. The impairment of these amounts is reflected in the profit (loss) statement.

Ageing analysis of trade receivables:

	Not past due trade receivables (after assessment of impairment)	Past due trade receivables (after assessment of impairment)				Total
		Less than 30 days	30 – 60 days	60 – 90 days	Overdue for over 90 days	
31 December 2021	3 317 965	1 187 786	106 365	6 186	58 030	4 676 332
31 December 2022	4 095 195	371 064	49 401	28 954	29 932	4 574 546

A more detailed disclosure of credit risk is provided in note 21 of the financial statements.

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9. Other amounts receivable

Other amounts receivable comprised the following:

	<u>2022</u>	<u>2021</u>
Budget debt to the company	179 541	54 237
Employee debts and accountable persons	193	-
	<u>179 734</u>	<u>54 237</u>

Ageing analysis of other amounts receivable:

	Other not past due receivables	Other past due receivables				Total
		Less than 30 days	30 – 60 days	60 – 90 days	Overdue for over 90 days	
31 December 2021	54 237	-	-	-	-	54 237
31 December 2022	179 734	-	-	-	-	179 734

Impairment of other amounts receivable is assessed based on expected credit loss. In 2022 and 2021, no expected credit losses were recognised for other amounts receivable.

10. Cash and cash equivalents

The Company's cash and cash equivalents comprised the following:

	<u>2022</u>	<u>2021</u>
Cash at bank	19 400 270	15 057 271
Cash in hand	11 548	6 440
EVP payments	37 938	16 999
	<u>19 449 756</u>	<u>15 080 710</u>

As at 31 December 2022 and 2021, the Company did not have any pledged cash assets.

Credit risk related to cash at banks is limited since the Company performs transactions with banks that have high long-term borrowing ratings issued by foreign rating agencies.

Bank	Moo'y's	Standard & Poor's
Citadele bankas	Baa2	-
Luminor Bank AB	Baa1	-
AB SEB bankas	Aa3	A+
Swedbank AB	Aa3	A+

11. Capital

Capital of the company's owner

	<u>2022</u>	<u>2021</u>
Balance as at 1 January	27 035 165	26 467 420
Movement of capital during 2021:		
- Resolution of the Government of the Republic of Lithuania regarding the capital increase of the owner of the State Enterprise Lithuanian Airports 10.02.2021 No. 110	-	567 748
- Transferred property according to the resolution of the Government of the Republic of Lithuania dated 03.17.2021 No. 162	-	(3)
Movement of capital during 2022:		
- Resolution of the Government of the Republic of Lithuania regarding the capital increase of the owner of the State Enterprise Lithuanian Airports 05.01.2022 No. 7	1 703 244	-
- Transferred property according to the resolution of the Government of the Republic of Lithuania dated 15.06.2022 No. 644	(329 032)	-
Gruodžio 31 d. likutis	28 409 377	27 035 165

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	2022	2021
Capital corresponding to assets which can only be state-owned according to laws	93 276 021	93 276 021
	93 276 021	93 276 021

12. Reserves

Reserves comprised the following:

	2022	2021
Legal reserve	2 182 025	1 904 421
Other reserves:	11 704	-
- Reserves intended for social, cultural and similar purposes	11 704	-
- Reserves for investments	-	-
	2 193 729	1 904 421

Based on the order no. 3-308 issued by the Minister of Transportation of the Republic of Lithuania on 10 June 2022, 5% (EUR 277 604) of the Company's profit was transferred to the legal reserve while distributing profit for the year 2021. The legal reserve was not fully formed as at 31 December 2022.

Profit contribution

The profit contribution of state enterprises is paid in accordance with the Law on State and Municipal Enterprises. In 2022, the Company paid a profit contribution of EUR 4,719,266. In 2021, the Company paid a profit contribution of EUR 1.

13. Grants**Grants related to assets**

Information on the Company's grants related to assets:

	2022	2021
Balance at 1 January	53 563 820	34 823 096
EU fund grants received	2 004 755	11 891 027
State budget grants received	6 683 569	10 132 099
Grants written off	(42 894)	-
Amortization per year	(4 927 143)	(3 282 402)
Likutis gruodžio 31 d.	57 282 107	57 282 107

Grants based on residual value in 2022 December 31 consist of the following grants for the implementation of EU structural support projects related to the modernization of airport infrastructure, the implementation of environmental protection measures, the updating of aprons and runways, and the development of passenger terminals. Also, part of the grants were received during the implementation of other projects financed by external funds.

Grant amortisation expenses are included in the statement of profit or loss, item of depreciation and amortisation expenses. Information on the grants received by the Company as at 31 December 2022 is presented below:

	Period of receipt	Grants received	Accumulated depreciation	Carrying amount
Reconstruction of Vilnius airport's runway and signal light system	2017-2018 and 2021	9 818 307	4 362 080	5 456 227
Modernization of the Vilnius airport noise monitoring system	2019	254 597	254 590	7
Construction of taxiway and platform at Kaunas airport	2015	1 937 864	1 130 420	807 444
Reconstruction of the fence of Vilnius International Airport	2013-2014 and 2021	1 307 289	831 489	475 800
Reconstruction of the garage into the building of the fire rescue station	2013-2014	1 560 128	631 109	929 019

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Expansion of the passenger terminal of Kaunas International Airport (building)	until 2014-06-30	13 030 531	4 936 535	8 093 996
Modernization of Kaunas airport airfield (runway)	until 2014-06-30	2 975 427	2 305 313	670 114
Reconstruction of the Vilnius airport terminal (building)	until 2014-06-30	3 615 339	921 912	2 693 427
Reconstruction of the pavement of the Vilnius International Airport platform	until 2014-06-30 and 2021	8 607 651	4 760 744	3 846 907
Reconstruction of VNO taxiway Z	2020-2022	2 252 634	202 902	2 049 732
ES_VNO taxiway "F" reconstruction	until 2014-06-30 and 2020-2022	4 371 247	879 142	3 492 105
ES_VNO Reconstruction of the northern platform	2020-2022	2 279 247	285 038	1 994 209
VNO surface wastewater management system	2021	1 813 703	174 184	1 639 519
Reconstruction of VNO B taxiways	2022	1 069 410	88 830	980 580
Reconstruction of PLQ runway, taxiway and aprons	2021	8 883 351	440 361	8 442 990
Implementation of the LOU Airport Operations Management Information System (AMS).	2021	719 672	380 107	339 565
Installation of AIS systems	2022	2 773 369	0	2 773 369
Modernization of VNO perimeter video system	2021	307 273	0	307 273
Installation of automatic gates	2021	123 264	36 025	87 239
For installation of VSAT premises	2021	8 740	2 709	6 031
VNO Installation of surface sewage diversion and treatment	2022	1 048 946	0	1 048 946
Reconstruction of VNO T4 terminal (advance payment)	2022	4 000 000	0	4 000 000
Other grants	until 2014-06-30	17 735 312	10 587 704	7 147 608
Total		90 493 301	33 211 194	57 282 107

Income-related grants

Information on the Company's income-related grants:

	2022	2021
Balance at 1 January	158 065	-
Grants to cover expenses (LSA)	37 000	37 000
Grants to cover expenses (route development)	492 991	400 000
Grants for salaries related to downtime period (COVID)	-	20 318
Grants to cover expenses (ALIGHT)	(30 574)	164 921
Reversal of grant expenses	(529 992)	(857 165)
Transferred to liabilities	-	-
Balance at 31 December	127 490	158 065

In 2022, the company received EUR 37 000 (EUR 829 991 in 2021) in income-related grants from the state budget under the program "Supervision of Civil Aviation Activities and Ensuring Flight Safety and Security". Measures implemented under the mentioned program:

- servicing of very important persons - EUR 37 000 to be used to compensate related costs.

Several avia companies did not fulfill the requirements according to the 2021 received compensation for the promotion of new routes, increasing the number of passengers from/to Lithuanian airports, so in 2022 they returned part of the unappropriated amount - EUR 492 992, which the Company transferred to the Ministry of Finance.

The Company used EUR 30 574 in 2022 from the received EU grant of EUR 164 921 according to the EU general research and innovation program "Horizon 2020" project ALIGHT. The Company plans to use the remaining grant amount of EUR 127 491 by 2024.

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14. Employee benefit liabilities

Liabilities related to employment relations comprised the following:

	2022	2021
Pension accruals	90 193	88 025
Non-current	70 364	76 440
Current	19 829	11 585
Accruals for anniversary payments	36 163	27 235
Non-current	25 940	22 151
Current	10 223	5 084
Bonus accruals	571 208	432 846
Accrual for termination benefits	-	-
Payable remuneration	19 123	19 123
Payable personal income tax contributions	6 839	178 934
Payable social security contributions	298 906	247 593
Vacation accruals	1 252 439	1 011 112
	2 274 871	2 448 631

In 2022 long-term liabilities related to wages amounted to EUR 96 304 (in 2021 – EUR 98 591). Short-term liabilities related to wages amounted to EUR 2 178 567 (in 2021 – EUR 2 350 040). The costs associated with accounting for these liabilities are included in the Company's employee benefit costs in the profit (loss) statement.

In 2022 severance pay for retiring employees was EUR 28 280. The balance of employee benefit liabilities changed by EUR 30 448 due to changes in actuarial assumptions.

Pension accruals are calculated based on the following ratios:

	2022	2021
Discount rate, %	2,88	0,16
Employee turnover rate, %	19,89	19,89
Anticipated annual salary increase, %	6	6

15. Loans

Bank loans granted to the Company:

	2022	2021
Non-current loans	35 226 041	35 214 987
- Loan from Nordic Investment bank	35 226 041	35 214 987
Current portion of non-current loans	3 209 878	2 604 356
- Loan from Nordic Investment bank	3 209 878	2 604 356
Total loans:	35 435 919	37 819 343

Loan maturities:

	2022	2021
Within 1 year	3 209 878	2 604 356
From 1 to 5 years	13 715 784	10 195 784
After 5 years	18 510 257	25 019 203
Total:	35 435 919	37 819 343

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Information on the loans received as at 31 December 2022 and 2021 is presented below:

Loan issuer	Loan issue date	Maturity	Interest rate
Nordic Investment Bank	1 June 2017	3 May 2032	6-month Euribor+fixed margin
Nordic Investment Bank	23 September 2020	15 August 2035	6-month Euribor+fixed margin

The Company has fully utilized the loan of the first contract of EUR 29.6 million. The repayment of the first loan from Nordic Investment bank started in 2020, a total of EUR 5 385 013 was repaid by the end of this financial year. The payable balance at the end of the year amounted to EUR 24 215 thousand.

In 2020, the Company signed a new contract with Nordic Investment bank for EUR 70 million loan. As of 31 December 2021, the Company has used EUR 11 000 000 of the loan amount, in 2022 no additional loan amount was used.

During 2022 EUR 289,347 of interest costs were incurred, which are accounted for in the financial and investment activity costs article of the profit (loss) statement (in 2021 – EUR 50 452).

The loan agreements bear covenant requirements that the Company must comply with:

- ownership ratio greater than 40%;
- the ratio of net debt ratio to EBITDA by the end of 2022 must not exceed 6.5:1.

In 2022 and 2021 The company complied with the covenant requirements.

EBITDA is calculated as the Company's net profit before taxes for the financial year, adjusted by adding interest expense, depreciation and amortization, including impairment losses on fixed assets, and eliminating exceptional or special transactions, as well as asset revaluation or book value gains and losses arising from the disposal of assets in those financial years.

In addition, in October 2022 the Company extended the credit limit (overdraft) agreement of EUR 5 million concluded with SEB bank in October 2020 (no financial covenants are set in the agreement). The term of validity of the contract is until October 2023. The agreement bears 3 months Euribor plus fixed margin interest. During the financial year, the Company used EUR 18 556 of the credit limit that was fully repaid at the end of the financial year.

Movement of financial debts during the year:

	Borrowings
Net debt as at 1 January 2021	(23 492 493)
Loans received	(16 621 812)
Loans repaid	2 316 212
Loan interest (liability)	(21 250)
Net debt as at 31 December 2022	(37 819 343)
Loans received	(18 556)
Loans repaid	2 567 502
Loan interest (liability)	(165 522)
Net debt as at 31 December 2022	(35 435 919)

16. Leases

Operating lease agreements are accounted for as finance leases based on the requirements of IFRS 16. Right to use is accounted for under property, plant and equipment and disclosed in Note 4. The Company's operating lease liabilities are included in the following items of the statement of financial position: Non-current – under *Amounts payable and non-current liabilities*, Current – under *Other current amounts payable*. The discount rate used for calculations of new lease agreements of 2022 is 3.74% (2021: 3.74%). Lease liabilities consisted of:

	2022	2021
Non-current liabilities	-	59 008
Current liabilities	57 926	122 243
	57 926	181 251

The majority of lease agreements will expire in 2023. Amounts payable within one year amount to EUR 57 926.

Exemption in IFRS 16 was applied to short-term leases and leases of low-value equipment; therefore, such leases are accounted for under operating expenses. The Company leases software licenses and other low-value assets. For these assets, the Company chose not to recognise right of use asset.

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Operating lease expenses recognised in profit or loss:

	2022	2021
Short-term car leases	177 433	126 799
Rental costs of other assets that qualify as low-value assets	21 964	-
Interest related to right-of-use assets	4 895	7 293
	204 292	134 092

The Company as a lessor

The Company as a lessor has concluded several operating lease agreements. The terms of these contracts do not determine any restrictions on the Company's activities in relation to dividends, additional debts or additional long-term lease.

Future minimum lease payments receivable under operating lease agreements are as follows:

	2022	2021
Within one year	3 241 820	2 606 489
One to five years	3 846 569	2 958 944
After five years	494 646	101 200
	7 583 035	5 666 633

Income under operating leases is recognized directly as rental income throughout the lease period and is accounted for in the statement of profit (loss) and other comprehensive income.

The Company received property worth EUR 85 900 free of charge from its lessees. This amount will be recognized over the term of the lessee's lease on a pro rata basis. The long-term accumulated amount of lease income is EUR 83 522, short-term - EUR 2 220.

17. Current liabilities

	2022	2021
Current year debt to credit institutions	3 209 878	2 604 356
Trade payables	4 248 007	5 440 242
Prepayments received	169 332	140 439
Corporate income tax liabilities	261 958	-
Employment related liabilities:	2 178 567	2 350 040
Pension accruals	19 829	11 585
Accruals for anniversary payments	10 223	5 084
Bonus accruals	571 208	432 846
Accruals for termination benefits	-	-
Payable remuneration	19 123	462 886
Payable personal income tax contributions	6 839	178 934
Payable social security contributions	298 906	247 593
Vacation accruals	1 252 439	1 011 112
Contract liabilities	3 229 642	2 342 522
Other taxes payable to the state budget	54 703	12 750
Amounts received from the state budget to increase capital	-	1 703 244
Operating lease commitments	57 926	122 243
Other amounts payable	46 033	2 624
	13 456 046	14 742 660

18. Income

Income from aviation activities

	2022				2021			
	VNO	KUN	PLQ	Total:	VNO	KUN	PLQ	Total:
Fees	19 207 765	2 448 726	1 773 881	23 430 372	13 231 940	3 004 969	861 599	17 098 508
Income from central infrastructure	1 722 195	32 641	222 672	1 977 509	945 177	41 698	72 372	1 059 247
Other aviation income	844 423	250 801	50 294	1 145 518	393 635	129 364	56 474	579 473
Total:	21 774 383	2 732 167	2 046 848	26 553 399	14 570 752	3 176 031	990 445	18 737 228

Income from aviation activities is recognised only after the service has been provided.

Income from non-aviation activities

	2022				2021			
	VNO	KUN	PLQ	Total:	VNO	KUN	PLQ	Total:
Lease income on investment property	11 026 897	2 789 155	479 071	14 295 123	6 031 202	1 612 736	293 433	7 937 371
Marketing services	338 572	29 054	22 869	390 495	212 570	15 074	7 801	235 445
Car parking services	383 821	896 608	245 152	1 525 581	278 426	423 179	87 481	789 086
Fast track	175 464	-	-	175 464	72 407	-	-	72 407
Business lounge services	852 788	-	-	852 788	272 123	-	-	272 123
Event organisation services	91 101	2 989	400	94 490	59 217	7 610	30	66 857
Production of permits	61 812	29 101	1 986	92 899	58 283	21 524	2 394	82 201
Transportation service	22 768	9 980	6 720	39 468	35 683	18 010	4 712	58 405
Training services	70 296	11 511	670	82 477	46 451	13 518	2 183	62 152
Income from loyalty programme	26 181	-	-	26 181	15 906	-	-	15 906
Other income from non-aviation activities	322 034	143 786	62 577	528 397	290 617	232 744	67 665	591 026
Delinquency	27 044	20 344	3 900	51 288	59 258	1 046	1 756	62 060
Total:	13 398 778	3 932 528	823 345	18 154 651	7 432 143	2 345 441	467 455	10 245 039

Lease income is recognized on a pro rata basis over the entire lease term. The lost lease income due to the consequences of the Covid-19 quarantine in 2020 amounted to EUR 3 364 289. The amount of the granted discount is recognized over the entire period of the lease agreements. In 2022, the amount of recognized discounts amounted to EUR 79 598, in 2021 it was EUR 412 338. In the next year, the lease income will be reduced by EUR 11 853 and in the period from one to five years, it will be reduced by EUR 26 690.

Other income includes the gain on disposal of assets which amounted to EUR 149 in 2022, in 2021 – EUR 152 530.

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19. Expenses

The Company's expenses comprised the following

	2022	2021
Depreciation and amortisation	10 078 654	8 491 795
Asset impairment costs (reversal)	-	(624 849)
Employee benefits and related social security costs	14 505 254	11 586 117
Remuneration	13 477 741	10 864 259
Bonuses	423 602	432 846
Vacation accruals, pension expenses	239 200	19 680
Social security costs	249 804	197 402
Other expenses related to remuneration	114 907	71 930
Maintenance, repairs of non-current assets and utilities	8 395 698	5 222 912
Asset repair and maintenance costs	4 128 482	3 122 316
Leased assets	21 964	20 477
Utilities	4 132 951	1 964 150
Environmental expenses	112 301	115 969
Taxes other than income tax	1 233 846	1 186 379
Civil aviation fee costs	526 000	497 971
VAT expenses	93 936	75 299
Environmental protection tax expenses	74 133	21 178
State property tax expenses	540 703	529 348
Other taxes, fees	(926)	62 583
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	30 946	(721 622)
Other expenses	5 121 016	4 583 563
Maintenance of transport	881 283	557 679
Transport lease	177 434	149 894
Business trip expenses	139 240	67 351
Personnel-related expenses	762 333	380 379
Communications	54 545	98 284
Stationary supplies and services	-	9 516
Insurance expenses	285 428	233 636
Other expenses not attributed to any item	2 820 753	3 086 824
Finance costs	296 948	68 726
Interest expenses	291 503	59 624
Other finance costs	5 445	9 102
Total:	39 662 362	29 793 021

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Classification of expenses based on branches:

	2022				Total:
	VNO	KUN	PLQ	LOU	
Remuneration	3 242 302	2 359 540	1 453 622	7 085 079	14 140 543
Social security costs	57 161	40 860	25 584	126 199	249 804
Business trip expenses	10 417	16 937	16 665	95 221	139 240
Other personnel expenses	123 483	157 436	80 471	400 929	762 319
Asset maintenance expenses	2 757 234	1 199 083	426 662	626 786	5 009 765
Asset lease expenses	652	34 783	16 191	147 772	199 398
Depreciation of assets	6 326 542	1 912 929	876 293	962 890	10 078 654
Asset impairment costs (reversal)	-	-	-	-	-
Utilities and communications	2 756 871	923 466	225 464	281 695	4 187 496
Operations	428 584	104 335	13 200	66 976	613 095
Taxes and fees	107 306	27 488	11 798	1 087 254	1 233 846
Insurance expenses	344	235	154	284 695	285 428
Acquisition of low-value assets	13 417	38 050	9 793	148 117	209 377
Other finance costs	1	292	-	5 152	5 445
Interest expenses	2 328	1 327	959	286 889	291 503
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	-	-	-	30 946	30 946
Other expenses	138 325	23 641	9 997	2 053 540	2 225 503
Total:	15 964 967	6 840 402	3 166 853	13 690 140	39 662 362

	2021				Total
	VNO	KUN	PLQ	LOU	
Remuneration	5 015 089	1 837 964	1 023 327	3 440 405	11 316 785
Social security costs	90 615	32 070	17 943	56 774	197 402
Business trip expenses	4 512	11 057	6 911	44 871	67 351
Other personnel expenses	159 507	116 958	52 645	123 199	452 309
Asset maintenance expenses	2 130 224	862 980	313 764	373 027	3 679 995
Asset lease expenses	88 313	33 292	20 432	28 334	170 371
Depreciation of assets	5 406 780	2 185 187	712 759	187 069	8 491 795
Asset impairment costs (reversal)	-	-	(624 849)	-	(624 849)
Utilities and communications	1 502 693	411 338	97 078	51 325	2 062 434
Operations	482 552	114 819	18 784	-	616 155
Taxes and fees	790 565	248 138	52 519	95 157	1 186 379
Insurance expenses	9 684	5 206	3 446	215 300	233 636
Acquisition of low-value assets	70 246	38 650	10 780	69 887	189 563
Other finance costs	6 838	1 410	172	682	9 102
Interest expenses	54 167	2 619	1 865	973	59 624
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	-	-	-	(721 622)	(721 622)
Other expenses	913 555	69 500	114 293	1 309 243	2 406 591
Total:	16 725 340	5 971 188	1 821 869	5 274 624	29 793 021

Item of depreciation and amortisation expenses of the statement of profit or loss includes depreciation and amortisation expenses of property, plant and equipment and intangible assets and grant amortisation expenses.

Interest expenses for 2022 include interest of EUR 4 614 (2021: EUR 9 172) for operating lease, which is accounted for as right-of-use assets.

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20. Corporate income tax

Components of the income tax expense (income):

	2022	2021
Current income tax expense	261 958	-
Adjustments of income tax for the previous year	-	-
Change in deferred income tax	1 599 878	48 794
Income tax (benefit) expenses recognised in profit or loss	1 861 836	48 794

The reported amount of income tax expenses in profit or loss attributable to the result for the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate of 15% to pre-tax income as follows:

	2022	2021
Profit before taxation	5 046 683	(654 057)
Income tax rate of 15%	757 002	(98 109)
Non-deductible expenses	508 294	178 296
Non-taxable income (-)	(8 915)	(13 672)
Utilisation of tax losses for which no deferred tax asset was generated previously	-	-
Accrual of lease income concession	(5 781)	(17 721)
Utilization of income tax (tax losses) of previous periods	611 236	-
Corporate income tax	1 861 836	48 794

Deferred tax consists of the following:

	Statement of financial position		Statement of other comprehensive income	
	2022	2021	2022	2021
Impairment allowance for trade receivables	40 189	932 493	(892 304)	(108 244)
Write-down of inventories	6 229	6 841	(612)	(8 892)
Impairment of assets	588 734	598 062	(9 328)	(99 036)
Tax losses carried forward	90 993	770 071	(679 078)	242 180
Accrued lease income concession	(5 781)	17 721	(23 502)	(61 851)
Deferred social security of employees	3 282	2 638	644	2 581
Pension, anniversary, bonus accruals	18 953	14 651	4 302	(15 532)
Total deferred income tax:	742 599	2 342 477	(1 599 878)	(48 794)
Deferred tax income (expenses)	-	-	(1 599 878)	(48 794)
Deferred tax assets (liabilities)	742 599	2 342 477	-	-

During the next periods, the Company expects to earn sufficient taxable profit and utilise temporary differences, therefore, it recognised deferred tax assets.

(all amounts are in EUR unless otherwise stated)

21. Financial risk management

Credit risk

In 2022 aviation fees account for 59% of the Company's income (in 2021, they accounted for 64%). The concentration of fee-paying partners is sufficiently high.

Amounts receivable from the Company's 12 main buyers in 2022 on December 31 accounted for about 65.1%, and in 2021 on December 31 accounted for about 65% of the Company's total receivables from customers. If 1% of receivables were not recovered, the company would incur additional costs of EUR 45 745.

The Company's formed expected credit losses for receivables as at 31 December are specified in Note 8. Information on banks' creditworthiness is disclosed in Note 10.

The table below provides information on the probability of trade receivables losses based on future factors:

	2022		2021	
	Loss probability	Recognised losses	Loss probability	Recognised losses
Not overdue	1,68%	69 975	1,46%	49 160
Overdue for 1–30 days	5,06%	19 777	4,11%	50 910
Overdue for 31–60 days	16,09%	9 473	12,93%	15 795
Overdue for 61–90 days	35,17%	15 707	29,20%	2 551
Overdue for 91–365 days	58,97%	35 712	50,47%	51 802
Overdue for more than 365 days	95,18%	117 282	90,81%	6 046 406
Total		267 926		6 216 624

Movement of recognized losses during the year:

	2022	2021
In the beginning of the year	6 216 624	6 938 246
Recognized	4 610	-
Restated	(5 953 308)	(721 622)
Total in the end of the year	267 926	6 216 624

The Company applies measures to ensure on a continuous basis that services will be provided to customers with appropriate credit history and sales will not exceed the credit exposure limit established. Regularly, at the beginning of each calendar month, the clients that did not pay their invoices on time, are informed about that in the form of a reminder. The clients who are late making payments for more than 31 days, are informed about that in the form of a written claim. The clients whose payments continue to be delayed, are informed about that in the form of a repeated claim. For debts that are overdue for more than 90 days, after having sent 2 claims, debt collection procedures through the judicial system are started.

The Company does not issue guarantees to secure the fulfilment of obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including financial derivatives in the statement of financial position, if any. Therefore, the Company's management considers that its maximum exposure is reflected by the amount of trade receivables, net of impairment allowance recognised at the reporting date.

The maximum credit risk is equal to the value of trade receivables, contract assets and cash and cash equivalents:

	2022	2021
Accounts receivable from customers	4 574 546	4 676 332
Assets of contracts	38 543	118 141
Money and money equivalents	19 449 756	15 080 710
Iš viso	24 062 845	19 875 183

Market risk

Market risk is the risk that the value of financial instruments will change due to changes in market prices. The company has secured the prices of goods and services by contracts, the share of goods or services purchased on the public exchange is insignificant, therefore this risk is considered insignificant.

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2022

(all amounts are in EUR unless otherwise stated)

Interest rate risk

All of the Company's loans have a variable interest rate that is linked to EURIBOR and creates interest rate risk. In 2022 December 31 and 2021 the Company did not have any financial instruments designed to manage the risk of interest rate fluctuations. If EURIBOR increases/decreases by 1%, the Company's interest expenses would increase or decrease by EUR 351 600.

Foreign exchange risk

The company's monetary assets and monetary liabilities in 2022 and 2021 are denominated in euros, except for individual transactions in other currencies, so there is no significant foreign currency risk.

Liquidity risk

The Company's policy is to maintain a sufficient amount of cash and cash equivalents or to secure financing with the help of credit lines of an appropriate amount in order to fulfill the obligations stipulated in its strategic plans. The Company's liquidity (total short-term assets / total payables and liabilities within one year) and quick coverage (total short-term assets - reserves / total payables and liabilities within one year) ratios were 1.90 and 1.82, respectively as at 31 December 2022 (31 December 2021 -1.41 and 1.38).

The table below summarizes the repayment terms of the Company's financial obligations as at 31 December 2022 and 2021 by undiscounted contractual payments:

	On demand	Less than 3 months	3 to 12 months	From 1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	109 098	3 100 780	13 715 784	18 510 257	35 435 919
Trade payables	-	4 305 933	-	-	-	4 305 933
Debts under asset lease agreements	-	28 423	29 503	-	-	57 926
Other current liabilities	-	54 703	-	-	-	54 703
Interest and liabilities, future periods.	-	35 563	834 820	3 863 335	2 783 598	7 517 316
Balance as at 31 December 2022	-	4 533 720	3 965 103	17 579 119	21 293 855	47 371 797
Interest bearing loans and borrowings	-	-	2 604 356	10 195 784	25 019 203	37 819 343
Trade payables	-	5 440 242	-	-	-	5 440 242
Debts under asset lease agreements	-	31 700	36 230	59 687	-	127 617
Other current liabilities	-	12 750	-	-	-	12 750
Balance as at 31 December 2021	-	5 484 692	2 640 586	10 255 471	25 019 203	43 399 952

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains sound capital ratios in order to support its business.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The Company monitors capital using debt to equity ratio. The capital of the Company comprises the owner's capital, capital corresponding to assets, which under laws can be owned only by the state, reserves and retained earnings (loss) attributable to the Company's owner. The Company has to maintain a debt to equity ratio of less than 1.5 for the period of 2022-2024. The Company maintains this requirement.

Lietuvos oro uostai VĮ, company code 120864074, Rodūnios kelias 10A, Vilnius, Lithuania
COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2022

(all amounts are in EUR unless otherwise stated)

The Law on State and Municipal Enterprises sets the procedure for making a profit contribution, payable to the state budget, as well as its size when distributing a company's profit for distribution. No contribution shall be made if at least one of the following conditions is met:

- the company implements or participates in the implementation of an economic project important to the state and part of the profit is allocated to this project;
- The enterprise is insolvent or it would become insolvent after paying the profit contribution to the state or municipal budget;
- The amount of profit/loss available for distribution is negative (losses have been incurred);
- The enterprise's equity capital after paying the profit contribution to the state or municipal budget would be less than the aggregate amount of the owner's capital corresponding to assets which can only be state-owned according to laws and capital corresponding to assets which are used to carry out the functions of the state institutions and agencies and are transferred to the manager of the centrally managed state assets for the management, use and disposal under the right of trust, legal and revaluation reserve.

When transferring assets to other entities by the right of ownership or under the right of trust under a decision of the Government, the Law on State and Municipal Enterprises requires the Government to assess the risk arising from the transfer of such assets with regard to satisfying the claims of the Company's creditors from the state budget of the Republic of Lithuania.

The council decision of the Government to transfer part of the assets of the Company to other entities must indicate in which part of the equity – the owner's capital or capital corresponding to assets which can only be state-owned according to laws – the impairment of the Company's assets has to be recorded.

	2022	2021
Total assets	230 878 988	231 607 062
Amounts payable and liabilities	45 989 403	50 273 312
Debt ratio (%)	20	22

22. Related party transactions

Management remuneration and other payments

The remuneration calculated to the Company's management (Chief Executive Officer, Director of Commerce Department, Director of Operation and Infrastructure Department, Director of Finance and Administration Department, Director of Airports Safety and Security Department) in January-December 2022 and other payments amounted to EUR 484 051 (31 December 2021: EUR 407 912). As at 31 December 2022, no loans, guarantees or asset transfers were granted to the Company's management.

In 2022, remuneration to board members amounted to EUR 89 767 (2021: EUR 86 533). Remuneration to audit committee members amounted to EUR 16 285 in 2022 (2021: EUR 14 588)

Transactions with other related parties

The parties are deemed as being related when one of them could control another or could have significant influence on the other party when making financial and operating decisions. The related parties of the Company are state enterprises, which owner's rights and obligations are implemented by the Ministry of Transportation and Communications of the Republic of Lithuania.

Transactions with companies and agencies under regulation of the Ministry of Transportation and Communications of the Republic of Lithuania in 2022:

	Amounts receivable	Amounts payable	Sales	Purchases
Oro navigacija, VĮ	67 383	-	533 790	76 720
Transporto kompetencijų agentūra VŠĮ	4 796	3 703	42 219	574 826
Other companies and agencies under regulation of the Ministry of Transportation and Communications of the Republic of Lithuania	157	4 024	3 251	6 783
Total :	72 336	7 727	579 260	658 329

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2022

(all amounts are in EUR unless otherwise stated)

Transactions with companies and agencies under regulation of the Ministry of Transportation and Communications of the Republic of Lithuania in 2021:

	Amounts receivable	Amounts payable	Sales	Purchases
Oro navigacija, VĮ	36 311	15 645	352 433	64 613
Transporto kompetencijų agentūra VŠĮ	306	4 230	11 130	529 158
Other companies and agencies under regulation of the Ministry of Transportation and Communications of the Republic of Lithuania	206	-	2 953	134
Total:	36 823	19 875	366 516	593 905

23. Contingencies

The company has not provided guarantees to third parties.

For the period from 2014 January 1 until 2022 December 31 the tax inspectorate has not performed a full tax audit of the Company. According to the current laws, the tax inspectorate can at any time check the Company's accounting registers and records for the 3 years preceding the reporting tax period, and can calculate additional tax liabilities and sanctions. The Company's management is not aware of any circumstances that could result in additional tax liabilities being calculated for the Company.

In February 2022, after the Russian Federation attacked Ukraine, the impact of the military conflict was also felt in Lithuania. Lithuanian airports no longer operated flights to these countries, but the lost income was not significant, since these markets were not a priority for Lithuanian airports. In addition, new routes and recovering passenger traffic helped to offset these revenues and further improve the result above the forecast. However, the resulting global economic situation, disruptions in supply chains, the increase in the prices of labor and energy resources increased the Company's operating costs, and the increase is predicted to continue in 2023 as well. Nonetheless, the Company managed to earn EUR 44.7 million of income from aviation and non-aviation activities, with a moderate increase in operating costs to EUR 29.3 million.

Legal disputes

In 2022 The company participates as a creditor in the following court cases:

- "Company 1" bankruptcy case. The company's assets are currently being sold. At the first meeting of creditors, the creditors approved three stages of asset sales, the second stage is currently underway, so the amount of income received from asset sales has not been calculated to date. The next meeting of creditors is likely to be called after the third round of asset sales. The Company's management in 2018 in October, assessing the situation due to the possible insolvency of the Company, took steps to reduce debts. Appeal was filed to the Transport Competence Agency regarding the restriction of the client's activities until part of the debt is paid. In November 2018 the company covered debts for EUR 1 008 400. After the announcement of the company's bankruptcy, Lithuanian Airports in 2019 February 26 submitted a creditor's claim to the bankruptcy administrator for the amount of EUR 475 501.

At the time of preparing the financial statements, the outcome of the listed cases is not clear, therefore it is not possible to reliably estimate the planned recovered amounts for today. In 2022 and 2021 December 31 full impairment has been recognized for these receivables.

Long-term construction contracts

During the reporting period, the Company entered into airport infrastructure construction (reconstruction, repairs) and related contracts. After the completion of the contracts, the Company will have a liability to contractors:

Values of contracts:

	2022	2021
Contracts to be implemented within one year	21 942 644	5 998 640
Contracts to be implemented from one to five years	27 736 510	87 242
Contracts to be implemented after five years	-	-
Total	49 679 154	6 085 882

24. Events after the end of the reporting period

The company planned to change legal status from a state-owned company to a joint-stock company in 2022, however due to unforeseen circumstances, these plans were postponed until the third-fourth quarter of 2023. In connection with this, the Company plans to conduct an asset (business) valuation, the results of which will also be used for asset revaluation.

In January 2023 in the Vilnius District Court, a lawsuit filed by the airline companies, with the aim to revoke the new effective airport tolls instated from 1 January 2023 at Vilnius airport. Temporary protective measures (suspension of validity of tolls or others) have not been applied, therefore the Company maintains the updated pricing at the moment of preparation of this report.

There were no other significant subsequent events that would affect the financial statements prepared for the year ended 31 December 2022, except as disclosed above.

30 March 2023

Acting Chief Executive Officer

Aurimas Stikliūnas

Director of the Finance Department

Indrė Kunigėlytė

Head of the accounting department

Audronė Lučiūnaitė

Vilniaus oro uostas



KAUNO
ORO UOSTAS


PALANGOS ORO UOSTAS

State enterprise Lithuanian airports
ANNUAL REPORT FOR THE YEAR 2022

State enterprise Lithuanian Airports details:

Company code 120864074

VAT payer's code LT208640716

Tel. +370 5 273 9326

E-mail: info@ltou.lt

Rodūnios kelias st. 10A, 02189 Vilnius

Vilnius, 2023



Aurimas Stikliūnas. Acting Chief Executive Officer

Although exhausted by the pandemic and uncertainty and facing another geopolitical challenge, we started the year optimistically. At the end of 2021, we observed the first signs of aviation recovery, so we felt stronger and set ambitious goals for the future.

At the beginning of 2022, the impact of the pandemic and travel restrictions could still be felt. The first months of the year saw a slow start, which later led to a rapid recovery in the sector's activity. It seemed to take time to get up to speed and then to fly once it gained momentum.

A fundamental turning point occurred in the months of March-April, when most European countries lifted the pandemic restrictions on travelers, and Lithuanian airports witnessed a rapid increase in the number of passengers and flights. Meanwhile, Kaunas Airport has already surpassed the records of 2019 in April. The strategic decisions taken earlier and the recovery indicators we demonstrate have allowed us to establish ourselves among the leaders of the European Union.

The leading positions made it possible to ensure a wide range of destinations for our passengers, the total number of which exceeded those of 2019. We paid a lot of attention to business trips and sought to meet the growing demand for business destinations. Therefore, today we can be happy that from 2023 spring, for the first time in history, as many as four Lufthansa group companies will operate flights to important business destinations - to Frankfurt, Zurich, Vienna, and Brussels. This is the result of our long-term work and successful negotiations.

We observed the correct direction of our work by evaluating the results of commercial activities. Growing passenger and flight flows were reflected in the financial results of our partners. But it certainly wasn't the only factor. The ongoing sales promotion initiatives of partners, organized trainings, and secret passenger investigations also contributed to ensuring consistent income growth. Mutual cooperation today allows us to be happy that the turnover of our partners has exceeded the period before the pandemic, and we are also observing record levels of passenger and partner satisfaction.

Over the past year, our team has managed to achieve impressive results in various areas. Despite the previous challenges of the pandemic, we were ambitious and managed potential threats. Today, our success is also visible when looking at the financial results of LTOU - in 2022 we will end up working profitably. For me, this is proof that we can overcome all adversity and move forward purposefully.

We are constantly increasing our team. During 2022 the company employed 147 employees - this was the fastest growth in the number of employees in the entire history of the organization. Five of our former employees also returned to Lithuanian airports. As we say, aviation always brings special people together - we want to return here and contribute to the development of the organization with our personal contribution. It

was the involvement of all employees that made me happy last year. I am sure that in our team, we each take personal responsibility for the success of our company.

We can also be proud of the fact that, according to the public survey, we are rated as the most transparent state company in the transportation sector. Even half of the respondents stated that the operations of Lithuanian airports are transparent. This is a great appreciation for us, which is also an obligation to maintain high standards of transparency and quality of operations in the future. We constantly try to inform the public in a simple and clear way about airport operations, flight options, strategic projects, and organizational management principles. We will continue to adhere to these principles.

Next, we paid great attention to environmental protection and sustainability in Lithuanian airports. We purposefully carry out activities that would allow us to achieve climate neutrality by 2030. We know that the projects so far will contribute to the realization of this ambition, because already Vilnius Airport managed to reach ACA (Airports Carbon Accreditation) level III, when not only the airport, but also the partners operating in it are included in the reduction of emissions. We undertake to continue these activities in the coming years.

Starting in 2023 will be even more intense, but we will continue to strive to be leaders in all areas. The most important priorities will be the development of infrastructure, the start of the flight promotion model, cost control, changes in the legal status, and we will continue to try to attract talent.

A strategically important change is the construction of the new passenger departure terminal of Vilnius Airport. This whole project consists of many elements - it is not only a construction project, but also a platform for implementing innovations in airports, where we will finally be able to apply the most modern technologies to increase the efficiency of airports and the comfort of passengers. We are also planning the expansion of the passenger terminal and the northern platform of Kaunas Airport. Additional aircraft parking and engine testing areas will be created during the project. I believe that in the near future we will be able to plan other works, and for this we will use the long-term development plans (masterplans) prepared by experts.

Among the most important goals for 2023 is the aspiration to maintain the same rapid growth rates of aviation as last year. Therefore, together with the Ministry of Transport of the Republic of Lithuania, we will start developing a flight promotion model. Its essential components are increasing accessibility, development of new and existing directions. We will continue to focus on the needs of the business traveler segment.

We want to continue to ensure financial stability, therefore one of the most important priorities in 2023 for the aviation market and airports specifically will be to manage the global challenges arising from the growing energy costs. We will also make every effort so that in 2023 the legal status of Lithuanian airports changes. We will aim for the company to be transformed from a state-owned company to a joint-stock company in the second half of this year.

Finally, we will strive to continue to make LTOU a great place to work. We welcome the year with several dozen new jobs, so we hope that targeted talent management will allow us to build a special team, attract new members and retain existing ones.

Thank you to everyone who contributed to the successful 2022. I believe that the coming year will be even better, and with the help of each of you, we will be able to overcome the challenges of the future. Good flight to all of us!



Eglė Čiužaitė, Chairman of the Lithuanian Airports Board

After two years of uncertainty, we entered 2022 stronger and saw the first signs of recovery in the aviation sector. Although at the beginning of the year, the pandemic changed geopolitical challenges, we believed in our own strength and continued to implement strategic plans for development and financial stability.

From the second quarter, the growth of aviation indicators at all airports was positive, and Kaunas Airport became one of the leaders in the entire region and demonstrated an impressive recovery rate. Even for nine months in a row, this airport exceeded its pre-pandemic results: both passenger and flight flows grew.

The marked recovery of Lithuanian airport operations enabled the beginning of the phase of active development. We have entered a significant stage of new investments, which in the long term will help the organization move more firmly towards leadership in the Baltic region.

We consider the successful selection of a contractor for the passenger departure terminal of Vilnius Airport to be one of our most important achievements. After signing the contract, at the end of the year, we started the first preparatory works for construction, all works will last at least two years. The new terminal is not only the most strategically important project of Lithuanian airports in the perspective of several years, but it is also a new quality bar for passenger infrastructure.

In 2022, a record number of employees were employed at Lithuanian airports - 147 employees were employed. The organization should maintain a similar growth rate in the number of employees in 2023. It was possible to ensure smooth continuity of operations even after the changes in the management team, internal studies show that the changes did not affect the strategic indicators of employee engagement either - they even grew and continue to show positive trends.

One of the most important tasks that we aim to complete in 2023 is the transformation of Lithuanian airports into a joint-stock company, which continues to be one of the strategic goals of operational efficiency and competitiveness for the coming years.

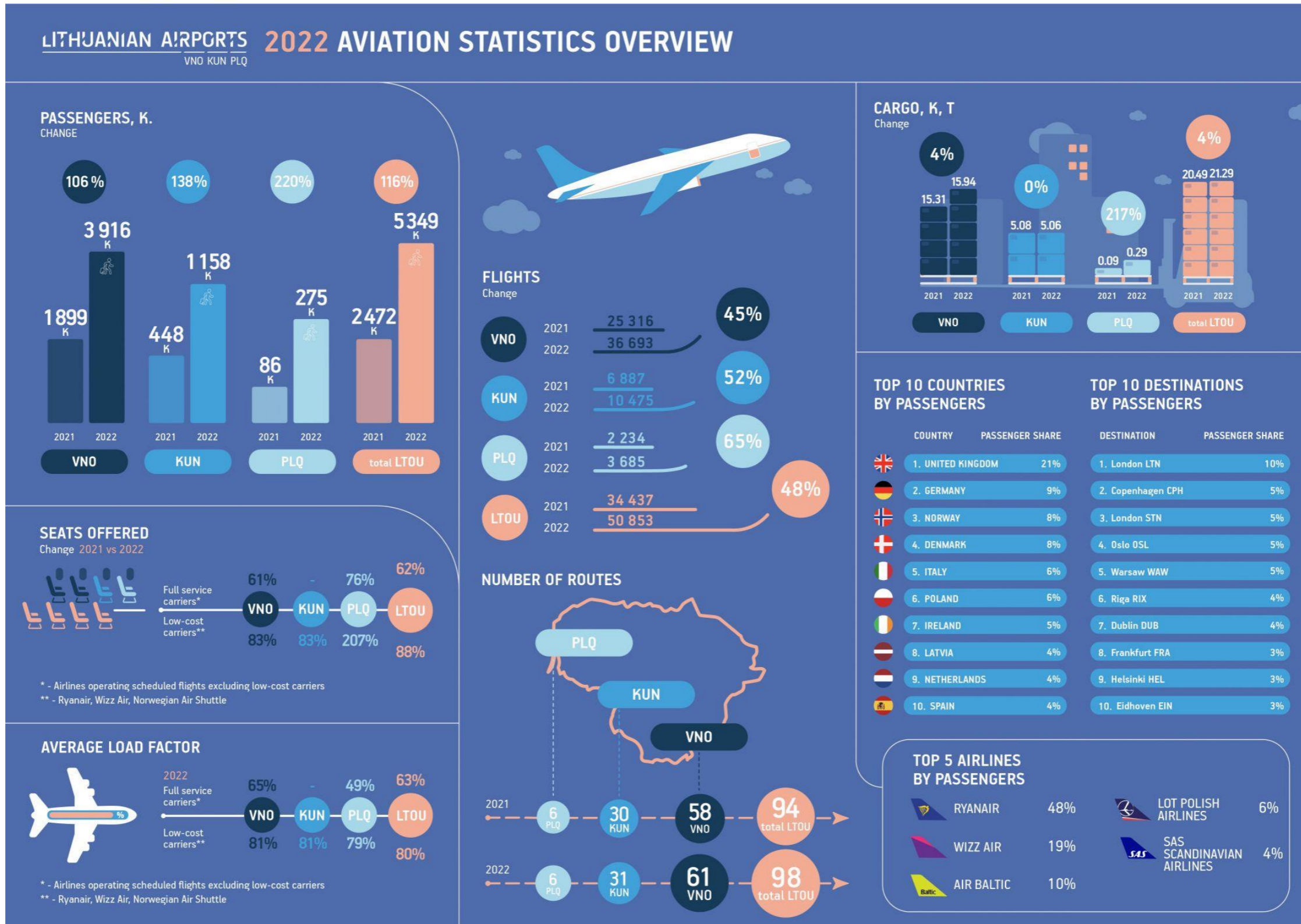
We will strive to maintain the rapid growth rates of aviation volumes, therefore, together with the Ministry of Transport, we will prepare and implement a new, additional flight promotion model. The new flight promotion model is and will be strategically important for the entire country. It will be aimed both at increasing accessibility and at developing new and existing flight routes. We will focus on the development of flight destinations important to business travelers.

We will continue to consistently work towards the effective implementation of the investment program at Vilnius and Kaunas airports. We have predicted that in 2023 alone, we will invest more than 40 million euros in these airports.

The preparation of long-term development plans (master plan) of Lithuanian airports is no less important. During 2023 a study will be prepared that will outline guidelines for the development of the airport network in the coming decades. When preparing the study, we undertake to include all interested parties and to evaluate the good practices of foreign countries. This is an important step, as long-term development plans will become a solid basis for the organization's strategic priorities in the long term.

Also, the starting year will be an important starting point for planning the integration of ongoing programs into the future strategic plan. We hope that sustainability, ESG (Environmental, social and governance) and net-zero programs will become full-fledged components of the strategic plan in 2023. Another priority for the year is the inclusion of the contribution of the partners at the airports in the planned activities.

We are among the leaders of aviation recovery not only in the Baltic region, but also in the whole of Europe, so by cooperating with all interested parties, with the help of a strong and motivated team of employees, we will be able to continue the growth of operations, improve the passenger experience, and implement strategic goals.



* the number of flights in 2022 is provided excluding the number of flights performed by general aviation

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1. Operational strategy and objectives

Lithuanian Airports - a state enterprise connecting and managing Vilnius, Kaunas and Palanga airports since the year 2014, developing the activities of these airports in a coordinated manner, offering a wide variety of services and high-quality standards for passenger and partner services. The ideology and strategy of Lithuanian airports is focused on the goal of "Bringing the world closer to Lithuania".

The following is basic information about each of the airports that make up the Lithuanian airport network.

Vilnius Airport (VNO)

Address	Rodūnios kelias st. 10A, Vilnius
Director	Arnas Dūmanas (Dainius Čiuplys until 14 January 2022)
Number of employees	377
Length of runway	2 515 m
Maximum passenger terminal capacity	3,5 million
2022 key performance indicators	Number of passengers served - 3,9 million. Number of flights – 36,7 thousand. The amount of cargo - 15,9 thousand. t. Income from aviation activities – 21,8 mln. Eur Non-aviation income – 13,4 mln. Eur
Provided non-aviation services	Rent of buildings and premises Rent of parking spaces Car parking Advertising Business club VIP (very important person services) Quick check Event organizing Land lease, etc.
Carriers	A total of 12 carriers operating scheduled flights. Maximum number of passengers carried: 1. Ryanair 2. Wizz Air 3. AirBaltic 4. LOT Polish Airlines 5. Lufthansa
Directions	Total — 61 directions. Most popular: 1. Warsaw 2. London Luton 3. Riga 4. Oslo 5. Frankfurt

Kaunas Airport (KUN)

Address	Oro uosto st. 4, Karmėlava
Director	Arnas Dūmanas (Dainius Čiuplys until 14 January 2022)
Number of employees	104
Length of runway	3 250 m
Maximum passenger terminal capacity	1 million
2022 key performance indicators	Number of passengers served – 1,2 million. Number of flights – 10,5 thousand. The amount of cargo - 5,1 thousand. t. Income from aviation activities – 2,7 mln. Eur Non-aviation income – 3,9 mln. Eur
Provided non-aviation services	Rent of buildings and premises Car parking Advertising Land lease, etc.
Carriers	Total - 2 carriers: <ul style="list-style-type: none"> • Ryanair • Wizz Air

Directions	Total — 31 directions. Most popular: 1. London Luton 2. Copenhagen 3. Dublin 4. London Stansted 5. Edinburgh
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Palanga Airport (PLQ)

Address	Liepojos highway 1, Palanga
Director	Arnas Dūmanas (Dainius Čiuplys until 14 January 2022)
Number of employees	66
Length of runway	2 300 m
Maximum passenger terminal capacity	0,3 million
2022 key performance indicators	Number of passengers served - 0,27 million. Number of flights – 3,7 thousand. The amount of cargo - 294 t. Income from aviation activities – 2,0 mln. Eur Non-aviation income - 0,8 mln. Eur
Provided non-aviation services	Rent of buildings and premises Car parking Advertising Event organizing Land lease, etc.
Carriers	Total - 5 carriers: Maximum number of passengers carried: 1. SAS 2. Ryanair 3. Norwegian 4. AirBaltic 5. Wizz Air
Directions	A total of 6 directions. Most popular: 1. Copenhagen 2. Oslo 3. Riga 4. London Stansted 5. London Luton

The services provided by the Company are divided into two main groups: aviation and non-aviation (commercial). Aviation service providers include airlines, suppliers of ground handling services to aircraft and passengers, as well as cargo and mail operators. Non-aviation (commercial) service providers are Companies engaged in commercial activities at the airport. The Company has no special obligations. The following is the scheme of the business model of the state enterprise Lithuanian Airports (hereinafter - Lithuanian airports, LOU, Company):

Key partners	Main activities	Value offered	Upkeeping communications	Client segment
Air carriers	Infrastructure management and maintenance	Ensured growth (number of passengers, flights)	Meetings	Low cost airline companies
Trading companies		Geographical location (coverage area includes residents of other countries)	Events	Traditional airlines
Ground handling companies	Efficient aircraft management		Exhibitions	Charter airlines
MRO companies	Environmental control	Fast passenger service	Social Networks	Companies operating cargo flights
Transport competences agency	Coordination of aircraft maintenance		Online Inquiries	Passengers
PI "Investuok Lietuvoje"				

Government of the Republic of Lithuania Ministry of Transport and Communications of the Republic of Lithuania Public Security Service (PBS), State Border Guard Service (SBGS), Customs Lithuanian Transport Safety Administration	Resources	Wide geography of flights	Sales channels
	Infrastructure	Competitive rates of fees and infrastructure charges	Direct Sales (B2B) Indirect Sales (B2C)
	Aircraft coordination system		
	Personnel		
External suppliers			
Cost structure		Income structure	
Infrastructure ensuring and maintenance costs		Income from aviation charges	
Aviation security costs		Income from Infrastructure charges	
Personnel costs		Lease income	
Tax costs		Other commercial income	
Utility costs			
Other costs			

Being the largest provider of civil aviation infrastructure services in Lithuania, LOU is one of the catalysts for the development of Lithuanian economy, attracting direct foreign or local business investment and creating workplaces. Through various incentive programs for airlines, airports attract additional flights and increase passenger flows. In recent years, there has been a trend observed - LOU is moderately increasing the number of directions every year and is currently approaching the position of the regional leader.

The statement of the organization's mission emphasizes the ambitious goal of partnership between *clients, partners, shareholders, colleagues* and *society* in order to unite resources to achieve a common goal - to bring the world closer to Lithuania. Ensuring joint commercial and / or social projects and programs between LOU and other organizations, the incentive is to seek to create mutual value and strengthen partnerships. Emphasis is placed on high quality services and service standards for passengers, aiming to form a positive passenger opinion about the airport and create an emotionally attractive personal experience, on which the image of a particular airport and its opportunities to attract new service providers and additional passenger flows depends.

1.1 Mission, vision, values, and strategic directions

Lithuanian airports have identified the main stakeholders: clients, shareholder, partners, colleagues and the public. In order to meet the expectations of stakeholders, the Company formulated a mission, vision and strategic directions.

MISSION - BRING THE WORLD CLOSER TO LITHUANIA

Commitments:

For clients: offer a competitive network of directions and a variety of services and careful, attentive servicing.

For partners be open and impartial, creating an attractive business environment.

For shareholders: develop a safe and efficient infrastructure.

For colleagues: act in unison and ambition in managing different partnerships.

For the public be the wings of Lithuania's prosperity and sustainable growth.

VISION - TO TURN A NEW PAGE IN THE HISTORY OF LTOU BY REACHING 10 MILLION PASSENGERS

The Company's vision is based on two perspectives:

- A **short-term perspective**, covering a development phase of up to 10 million passengers at all three Lithuanian airports (Vilnius, Kaunas and Palanga). The existing airport network needs to be expanded to cater for these passenger flows. Planning the investment so that it pays for itself in 10-15 years.
- A **long-term perspective** (referred to in the vision as the "New page in LTOU history") covers a period when passenger traffic at all of the three airports shall exceed 10 million passengers. Higher passenger flows require new strategic solutions to adequately serve these passenger volumes.

Strategic directions:

For clients: increased accessibility to inbound traffic and passenger ***** (five-star) experience

For partners: attractive to market leaders and delivering mutually beneficial business models.

For shareholders: sustainable returns through the development of the necessary airport infrastructure with a clear financing model.

For Colleagues: motivated colleagues with internationally recognized competences.

For society: increased public support as the cornerstone engine of the economy.

VALUES - CREATIVITY, TRUST, GOOD SENSE OF OWNERSHIP

Creativity

I am looking for non-traditional solutions, I find solutions with existing resources, I offer alternative solutions to achieve the objective, I encourage colleagues to express themselves: to speak, to try, to learn.

Trust

I keep agreements and follow promises, I communicate in a timely and open manner about the course / activity / process, my actions do not cause risk the Company's reputation, I create long-term mutually beneficial relationship.

Good sense of ownership

"I lift rubbish off the road" I treat the Company's assets responsibly, I communicate about problems and look for solutions in my own and colleagues' environment, I share good practices with colleagues.

STRATEGIC ACTIVITY DIRECTIONS

For the medium term, LOU has identified the following key strategic directions of activities that are in line with the Company's vision:

- Increased accessibility to inbound passenger traffic and passenger ***** (five-star) experience (for passengers).
- attractive to market leaders and enabling mutually beneficial business models.
- Sustainable returns from developing the necessary airport infrastructure with a clear financing model (for the shareholder).
- Motivate colleagues with internationally recognized competences.
- increased public support for airport development as the cornerstone engine of the economy.

TABLE 1 . Strategic objectives and indicators

Indicators	Indicator units of measurement	Plan	Fact	Responsible for implementation
		2022	2022	
Airport loyal passenger (<i>NPS Promoters</i>) indicator	Percent.	58	72	General director
				Director of Operations and infrastructure department
Number of passengers	Mln.	4.7	5,3	General director
				Head of Aviation services section
EBITDA margin	Percent.	25	35	General director
				Director of Finance and administration department
Employee involvement	Percent.	63	67	General director
				Head of Law, personnel and administration section

1.2 The most important projects implemented by the Company:

1.2.1. Strategic infrastructure projects

Currently, the infrastructure available at VNO is not adapted for 2019 level of former passenger flow and only partially satisfies the passenger experience indicators, which will be critical in order to restore and expand Lithuania's accessibility map by attracting new airlines and new destinations and maintaining passenger growth opportunities. Also, due to the tightening of safety requirements, it is necessary to update the baggage transportation and its inspection systems, which do not physically fit in the premises of the current terminal. The implementation of this program also takes into account the Ministry of Transport's expectation that airports must ensure the capacity to serve all passenger and cargo flows by 2030.

The goal of the VNO program is to create infrastructure that would be able to serve 2 400 passengers / hour (one way) during peak hours and increase non-aviation income per passenger by more than 40 percent. The program covers three main parts of the infrastructure: *landside access*, the terminal, and the *airside*. Following the implementation of the program projects, Vilnius Airport would be able to service passenger flows up to 2030.

In the part of VNO landside accesses, it is planned to reorganize the access zone of the terminal, ensuring the optimal distribution of traffic flows and ensuring the required number of parking spaces near the terminal and at its entrances.

It is planned to redevelop the VNO terminal and expand it to the north side of the land plot. The redevelopment of the terminal will help solve the capacity issues of the most critical areas of the terminal. The biggest "bottle necks" occur in aviation security screening, the extension of which in the current terminal contour is complicated. Much attention is paid to the passenger departure hall, luggage transportation and sorting system, increasing the number of boarding gates, increasing the number of non-Schengen checkpoints both on arrival and departure.

In the VNO airside part for 2020-2022, projects related to the extension of the apron, the renewal and reconstruction of the taxiways are implemented, along with a system of surface wastewater management facilities, which is currently being installed.

It should be emphasized that the consequences of the COVID-19 pandemic for the entire aviation industry and the financial capabilities of the Company will influence the deadlines for the implementation of the investments planned in the previous strategic planning period. Depending on the importance of the project and the receipt of additional state funding, they will be implemented from 1 to 4 years later. In the face of recovery of passenger flows together with the Company's financial capacity to continue the main investment projects, they will be carried out in the following order of priority:

- VNO program T4 terminal construction with the essential technologies needed for its operation;
- Development of KUN MRO infrastructure;
- Reconstruction of KUN terminal and replacement of necessary technologies;
- LOU's long-term *master plan*;
- EU-funded projects in the VNO aerodrome program;
- Reconstruction of emergency condition objects (e.g., reconstruction of the roof of the VNO T1 terminal) and the most critical technological projects necessary for business continuity (e.g., VNO passenger registration system);
- the Company's special transport upgrade program;
- other investment projects initiated by the enterprise.

2. Company management structure, management bodies

Lithuanian airports are owned by the state according to ownership rights. The institution implementing the rights and obligations of the owner of the enterprise is the Ministry of Transport and Communications of the Republic of Lithuania (hereinafter - Lithuania). It performs the following specified functions:

- I. approves the Company's business strategy;
- II. approves the Company's articles of association;
- III. makes a decision to change the registered office of the Company;
- IV. appoints and revokes the head of the Company, determines the terms of the employment contract with the head of the Company, concludes and terminates the employment contract with the head of the Company on behalf of the Company, approves the regulations of the position of the head of the Company;
- V. elects and recalls members of the Board;
- VI. determines the performance indicators of the company;
- VII. approves the Company's annual asset acquisition and borrowing plans, annual income and cost estimates;
- VIII. approves the set of annual financial statements of the Company and the distribution of profit (loss);
- IX. select a certified auditor or audit firm to audit the Company's set of annual financial statements;
- X. makes a decision to reorganize the Company;
- XI. makes a decision to reorganize the Company, except for the cases established by law;
- XII. makes decisions to liquidate the Company and cancel the liquidation of the Company;
- XIII. appoints and dismisses the liquidator of the Company.

The institution implementing the rights and obligations of the owner of the Company shall resolve other issues specified in the Law on State and Municipal Enterprises of the Republic of Lithuania and assigned to its competence in the articles of association of the enterprise.

The collegial management body is the board of the Company, the sole management body is the head of the Company. The corporate governance structure is set out in Annex 1.

The Board of Lithuanian Airports consists of persons appointed by the order of the Minister of Transport and Communications of the Republic of Lithuania. In 2022, the board consisted of three independent and one dependent member.

TABLE 2. Lithuanian airport management bodies

Management	Name surname	Education
Chairman of the Board*	Eglė Čiužaitė, independent member of the Board, independent member of the Board of AB "Vilniaus šilumos tinklai, chairperson of the Audit Committee; member of the Board of VŠĮ "Jaunimo linija", business consultant, business development manager of UAB "Saulės graža", founder of MB "Socialinės inovacijos", member of the audit committee of UAB "Akropolis group"	<i>Master of Science</i> in Finance and International Business Sciences — Aarhus University, School of Business and Social Sciences, Denmark Bachelor's degree in business administration (Finance) — Bellevue University, USA Completed the training program for members of the Board of "Baltic Institute of Corporate Governance".
Members of the Board	Gediminas Almantas, independent member of the Board, member of the Board of EPSO-G UAB, Member of the collegial management body of the public institution "LITHUANIA NATIONAL RADIO AND TELEVISION", Member of the Board of Directors of the State enterprise "ORO NAVIGACIJA", Chairman of the Board of the Lithuanian Red Cross Society. Chairman of the Board of the public institution "OPEN SOCIETY FOUNDATION", Chairman of the board of AB "LTG Infra"	Vilnius University, Master in Law. University of Bern, Switzerland, Master in Law. Copenhagen Business School, Ethics of Business Negotiation, Industrial PhD.
	Saulius Kerza, dependent member of the Board, director of the Department of Budget and Investments of the Ministry of Communications of the Republic of Lithuania	Master's degree in law, Vilnius University Bachelor's degree in law, Lithuanian Academy of Law
	Tadas Vizgirda, Independent Board Member, Head of UAB "Shift4 Payments Lithuania"; Chairman of the Board of "American Chamber of Commerce in Lithuania"	BSBA in Business Administration - Kaplan University, USA "Baltic Institute of Corporate Governance" company management program
	Darius Makauskis, Independent Board member, HR Director at UAB "Ukmergės pramonės parkas"	Personnel management and international trade studies, Vilnius University Personnel development studies at Cornell University (USA)
Director of the Department of Commerce	Gintarė Norvilaitė-Tautevičė	Master of International Marketing and Management, ISM University of Economics and Management, 2014 Bachelor of Economics, Vilnius University, 2011
Director of the Finance Department	Indrė Kunigėlytė	ISM Executive Master of Business Administration, 2023 Law LLB, King's College London, United Kingdom, 2009 Law studies, Université de Paris 1-Panthéon Sorbonne, France, 2008
Director of Operations and Infrastructure Department	Arnas Dūmanas	Norwegian Business School and ISM Executive Master of Business Administration, 2020 Bachelor of Construction Engineering, VGTU, 2006
Acting general director Head of Aviation services section	Aurimas Stikliūnas	Norwegian Business School and ISM Executive Master of Business Administration 2021 Master of Management and Investment Management, Vilnius Gediminas Technical University, 2011 Bachelor of Management and Business Administration, Vilnius Gediminas Technical University, 2009 International Business Program, University of Pablo de Olavide, Spain 2009

Management	Name surname	Education
Head of the Personnel and Administration Department	Danguolė Armanavičiūtė	Master of Real estate management, Royal Institute of Technology (Sweden), 2007 Bachelor of electrical engineering, Kaunas University of Technology, 2000
Director of the Safety and security department	Vidas Kšanas	Business administration, Baltic Institute of Management, 2008 Master of Management and business administration, Vytautas Magnus University, 2008 Bachelor of Management and business administration, Vilnius University, 2003
Head of Law, personnel and administration section	Diana Bankauskienė	Master of Business Law, Mykolas Romeris University, 2015 Bachelor of Laws, Mykolas Romeris University, 2013
Head of Communication section	Marius Zelenius	Bachelor of Landscape management, Klaipeda University, 2002

Selection criteria for collegial bodies

The selection of candidates to the collegial supervisory or management body shall be carried out by the shareholder, the Ministry of Transport and Communications of the Republic of Lithuania, in accordance with the current wording of the Government of the Republic of Lithuania's Resolution No. 631 of 17 June 2015. The Resolution establishes the essential principles and processes for the selection of candidates to the collegial supervisory or management body of a state or municipal enterprise, state-owned or municipally-owned Company or its subsidiary:

- **Autonomy.** This includes the appointment of independent members of the collegial body and restrictions on the participation of public politicians in these bodies. All State-managed Companies (hereinafter SMC) are subject to the requirement that, in a collegial body elected directly by the shareholder/owner, members meeting the criteria of independence must represent at least half of the members of the collegial body. Meanwhile, state politicians or civil servants with political trust cannot be appointed to the collegial bodies of a state-managed Company.
- **The collegial bodies of an SMC are formed on the basis of the principles of competence and taking into account the specificities of the SMC activities and strategic objectives.** The legislation stipulates that the collegial body of a SMC must have appropriate competences in strategic planning and governance, financial management and the sector of the economy in which the SMC operates. Other competences required are tailored to individual needs. The selection of the members of the collegial body is based on this principle.
- **Professional and transparent selection.** The selection of independent members is subject to detailed selection procedures, covering the steps from the initiation of the selection process to the appointment as a member of the collegial body. The selection procedures established are public and follow the principle of a detailed screening process, whereby the candidate is evaluated by both a professional selection agency and a selection panel set up specifically for the selection.
- **Authorized.** The functions of the collegial bodies of state-managed Companies (SMC's) are similar to global governance practices, i.e. they follow generally accepted corporate governance principles: they appoint and dismiss the CEO, approve the Company's strategy and oversee the implementation of the Company's strategy. Currently, the functions of the boards of the SMCs with the Public institution legal status are limited and they are more advisory bodies.

2.1. Functions of the Board

The Board:

- determines the structure of the Company;
- submits conclusions to the Ministry of Transport and Communications on the Company's draft business strategy, on the Company's distributed profit (loss) distribution project, on the Company's annual income and costs estimates, annual asset acquisition and borrowing plans, as well as on the Company's activity report for the reporting financial year;
- approves the rules of remuneration and promotion of the Company's employees;
- can submit proposals to the Ministry of Transport regarding the determination of the specific amount of the variable part of the monthly salary of the Company manager, the promotion of the Company manager and the recording of violations of his work duties;
- approves the draft performance indicators of the Company;
- approves the Company's purchase transactions:
 - goods and services, the value of each transaction of which is 435 thousand Eur excluding VAT;
 - works, the value of each transaction of which is 870 thousand Eur excluding VAT;
- before announcing the public procurement of goods, services or works, the estimated value of which, excluding VAT, is equal to or exceeds 1/20 of the Company's equity capital, and before the announcement of the procurement of goods and services, the estimated value of which is equal to or higher than 435 thousand EUR without VAT or the purchase of works whose estimated value is equal to or exceeds 870 thousand EUR without VAT, considers drafts of public procurement documents submitted by the Company's manager;
- approves the Company's asset pledge transactions;
- makes decisions regarding the establishment of the Company's branches and the termination of their activities;
- forms the Company's Audit Committee and approves its regulations;
- performs other functions assigned to the competence of the board in the law of state and municipal enterprises of the Republic of Lithuania and the Company's statutes.

Meetings held: 15 meetings of the Board took place in 2022.

2.1.1. Key issues considered

Monthly overview of the Company's activities; Presentation of the implementation process of the plan for the transformation of the company into an AB; Consideration of procurement terms and approval of transactions attributed to the Board's competence; Discussion of Board assignments; Report of the company's plan of measures according to the conclusions of the independent audit and audit committee for the year 2021; Internal audit activity report; in 2021 Report of the audit committee; Annual Company 2022 procurement plan; Plan of measures according to the 2020/21 SOE good governance index evaluation report of the Company; Presentation of VNO Airport Pricing; Self-assessment of the Board's activities; Presentation of transport programs, planned purchases; Presentation of the implementation of personal data protection requirements in the Company; 2022 KPIs of possible top managers of the Company; Revision of the policy of purchasing services from external service providers (outsourcing); Review of measures to improve cyber security; Action plan for strengthening the company's sustainability/ESG practices and implementation progress; Companies in 2030 strategy presentation; Presentation of the implementation progress of the objectives listed in the letter of expectations; Company's Operational and financial results of the 1st quarter 2022; Annual evaluation of the company manager; Company's presentation of annual activity and financial results in 2021, independent audit report (conclusion on the activity report of the reporting year and the distribution of profit (loss) project; information on updating the 2022 budget and performance indicators; Prevention of corruption - presentation of the situation in the company and discussion of the recommendations of the Audit Committee; General Director discussion of the transfer of work; discussion of changes in the company's organizational structure; review/presentation of the progress of the LEAN project;

presentation of the activity report of the Company's Audit Committee for the first half of 2022; presentation of the risk management situation; Presentation of the Net Zero Strategy Preparation Plan; Reintroduction of the transport program; Operational and financial results of the II quarter 2022; Appointment of the secretary of the board meetings; Consideration of alternatives to the process of transforming the company into a joint-stock company; Aviation and non-aviation revenue outlook (preparation for 2023 budget, 2023-2025 SVP issues); Presentation of the company's commercial (investment) real estate development guidelines; Presentation of the results of the internal audit of information technology infrastructure management; Operational and financial results of the 3rd quarter 2022; Company's 2023 consideration of budget and operational KPIs (initial); Consideration of the implementation of the transformation of the company into a joint-stock company in accordance with the action plan of the transformation into a joint-stock company, by changing the accounting policy; Company's consideration of budget and performance indicators for 2023; 2023-2026 of the company's strategic business plan. consideration (initial); Presentation of the selection process of members of the audit committee; 2023-2026 of the company's strategic business plan. consideration; 2023 Audit Committee activity plan and 2022 activity report; Approval of the updated work regulations of the board and the provisions of the audit committee; 2023-2026 of the company's strategic business plan (SVP). consideration and submission of a conclusion to the Ministry of Transport regarding the Company's SVP project; in 2023 annual board activity plan.

Board in 2022 approved the conclusion of the Company's transactions listed below (the initial values of the transactions are indicated):

1. 2022 February 24 the board, by joint decision of the board members, approved the conclusion of the transaction with the winner of the procurement of advertising and marketing services UAB "Milk Agency" (value of the transaction - EUR 600,000.00 excluding VAT).
2. 2022 March 31 the board, by joint decision of the board members, approved the conclusion of the transaction with the winner of the procurement of Vilnius airport area cleaning and maintenance services, UAB "Ecoservice" (value of the transaction - EUR 550,000.00 excluding VAT).
3. 2022 March 31 the board, by a joint decision of the board members, approved the conclusion of the transaction with the winner of the contract "Reconstruction works of the passenger terminal (T4) of the Vilnius airport", UAB "EIKOS STATYBA", on the condition that no claims will be received or they will be rejected and that the protection of objects important to national security will be obtained the decision of the coordination commission or the Government of the Republic of Lithuania that the transaction is in the interests of national security (value of the transaction – EUR 37,878,654.84 excluding VAT).
4. 2022 April 28 the board approved the conclusion of the transaction with the purchase of "Technical project "Transport purpose building [7.6] Rodūnios kel. 2, Vilnius. The winner of the reconstruction project "Contract works of stages 9A and 12A" is UAB "Jungtiniai projektai" (transaction value - EUR 2,598,000 excluding VAT).
5. 2022 June 2 The board, by joint decision of the board members, approved the conclusion of the transaction with the procurement "Surface sewage networks and treatment plant Rodūnios kel. 2, Vilnius weekly UAB "Arionex LT" as the winner of "design and construction works", on the condition that a decision of the Coordination Commission for the Protection of Objects Important to Ensuring National Security or the Government of the Republic of Lithuania is received that the transaction meets the interests of national security (value of the transaction - EUR 2,898,700.00 excluding VAT).
6. 2022 June 23 the board, by joint decision of the board members, approved the conclusion of the transaction with the winner of the "Video surveillance services" contract, UAB "Dusmann Service" (value of the transaction - EUR 1,120,500.00 excluding VAT).
7. 2022 June 23 the board, by joint decision of the members of the board, approved the conclusion of a transaction with the winner of the electricity purchase JV Lithuanian Airports Vilnius, Kaunas and Palanga branches UAB "Ignitis" (value of the transaction - EUR 4,201,318.66 excluding VAT (electricity price is calculated according to the Nord Pool Spot price of the electricity exchange Eur/kWh and the fixed margin offered by the electricity supplier)).

8. 2022 August 12 the board, by a joint decision of the board members, approved the conclusion of the transaction with the winner of the contract "Reconstruction works of the passenger terminal (T4) of the Vilnius airport", UAB "EIKOS STATYBA", on the condition that no claims will be received or they will be rejected and that the protection of objects important to national security will be obtained the decision of the coordination commission or the Government of the Republic of Lithuania that the transaction meets the interests of national security (value of the transaction EUR 41,487,407.91 excluding VAT).
9. 2022 September 22 the board, by a joint decision of the board members, approved the conclusion of a transaction with the winner of the public tender "HaskoningDHV Nederland B.V." for the provision of services for the preparation of long-term development plans for Lithuanian airports (VNO, KUN and PLQ), on the condition that the approval of the Coordination Commission for the Protection of Objects Important for National Security is received or Decision of the Government of the Republic of Lithuania that the transaction is in the interests of national security (value of the transaction – EUR 824,000 excluding VAT).
10. 2022 September 22 the board, by joint decision of the members of the board, approved the conclusion of a transaction with the winner of the public procurement UAB "ATEA" for the delivery, installation, testing, installation and other related services of explosives detection equipment for outbound baggage screening (EDS) (the value of the transaction - EUR 3,492,000.00 excluding VAT).
11. 2022 December 15 the board, by a joint decision of the board members, approved the conclusion of a transaction with the winner of the public tender, UAB "FIMA" for the delivery, installation, testing, installation and other related services of the baggage management system at the passenger departure terminal of Vilnius Airport, on the condition that objects important for ensuring national security will be obtained the decision of the Defense Coordination Commission or the Government of the Republic of Lithuania that the transaction is in the interests of national security (value of the transaction – EUR 5,697,721.95 excluding VAT).
12. 2022 December 15 the board, by a joint decision of the board members, approved the conclusion of a transaction with the winner of the public procurement - a group of suppliers, consisting of UAB "LD Galia" and UAB "Elektros darbai" for passenger service, operation, repair and maintenance services of Vilnius airport baggage facilities and systems, with the condition, that a decision of the Coordination Commission for the Protection of Objects Important to Ensuring National Security or the Government of the Republic of Lithuania will be received that the transaction is in the interests of national security (value of the transaction – EUR 1,659,959.62 excluding VAT).
13. 2022 December 15 the board, by a joint decision of the board members, approved the conclusion of a transaction with the winner of the public procurement UAB "Vitaresta" regarding the provision of cleaning services for Vilnius airport premises (value of the transaction - EUR 2,800,000 excluding VAT).

Summarized in 2022 period:

- 2022 the aim was to ensure the financial sustainability of LTOU, there was a significant recovery of LTOU's activities after the pandemic and the phase of active development and significant new investments began. Ensured business continuity and employee engagement at LTOU following changes in the top management team, including the resignation of the CEO.
- Oriented towards the goals pursued by the state and the expectations set for the Company, defined in the Letter of Expectations, the aim is to achieve a growing number of passengers and flight destinations (in particular, an increase in the number of attractive routes with the main business centers of attraction), profitable and sustainable operations of the Company, high-quality passenger service and the implementation of strategic investment projects .
- In 2022, in preparation for the next stage of development, the following strategic initiatives were initiated: development strategy for commercial and other non-aviation activities (MRO, cargo transportation, etc.), development of airport territories, initiation of preparation of master plans for all three airports.
- When moving from the Company's activity model during the crisis period to the development phase, additional attention was paid to the development of the organization and personnel, increasing the number of employees and strengthening the activities, and a review of the motivational system was started.

- 2022 in the course of the year, the company's income and expenses plan was additionally revised in order to respond to better-than-planned income results and to cover growing expenses, ensuring a higher achievement of the EBITDA goal.
- 2022 during the period, issues related to the transformation of the company into a joint-stock company, management of emerging risks, selection of alternative solutions, adoption of necessary changes related to the company's assets. In November 2022 the board approved the updated action plan for the Company's transformation into a joint-stock company, changing the Company's accounting policy, an important priority of LTOU in 2023. the change of legal form and regulatory environment remains, preparing the organization for effective work in the following period.
- 15 board meetings were held and 3 resolutions were additionally adopted on issues relevant to the company in accordance with the competence of the board without calling meetings.

The main long-term priorities of the board from 2022 and continued in 2023:

- A clear LTOU activity model and evaluation system based on complex goals: financial, competitiveness, development of aviation and non-aviation activities, implementation of sustainable investments, balanced financing, process automation, environmental protection / ESG, innovation implementation goals.
- Preparation and implementation of the flight promotion model.
- Ambitious growth and business development by investing in projects that generate long-term returns.
- Preparation and coordination of long-term development plans (Masterplan) with interested parties, delineating the long-term development directions of the airport network.
- Initiation and implementation of the development programs of Vilnius and Kaunas airports in order to ensure the capacity of the growing passenger flow.
- Systematic risk management, strengthening of internal controls and application of good governance practices to achieve the highest standards in all evaluation categories (transparency, collegial bodies, strategic planning and implementation).
- Preparation and implementation of sustainability, ESG (Environmental, social and governance) and zero CO2 (net-zero) programs.
- Effective and comprehensive transformation of the Company into a joint-stock company (planned for 2022, deadline moved to the second half of 2023).

2.1.2. Meeting attendance of Board members

Total attendance percentage of members in 2022 was 99 percent.

TABLE 3. Attendance at meetings

Eil. nr.	Date of meeting	Number of members present	Attended	Did not attend	Total members	Attendance percentage
1.	February 1	5	Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas Darius Makauskis	-	5	100 %
2.	February 24	5	Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas Darius Makauskis	-	5	100 %
3.	March 31	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %

4.	April 28	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
5.	May 4	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
6.	June 2	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
7.	June 23	4	Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	Darius Makauskis	5	80 %
8.	July 21	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
9.	September 13	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
10.	September 22	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
11.	October 21	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
12.	November 9	5	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza Gediminas Almantas	-	5	100 %
13.	November 17	5	Gediminas Almantas Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	5	100 %
14.	December 15	5	Gediminas Almantas Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	5	100 %
15.	December 28	5	Gediminas Almantas Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	5	100 %

2.1.3. Remuneration received for the position of a member

The procedure for payment of remuneration to the members of the Board is established in the state and municipal enterprise board member remuneration appointment order description, approved by the 14 October 2015 Ruling of the Government of the Republic of Lithuania No. 1092. Board members are paid an hourly rate in euros. The hourly rate for the activities of a member of the Board during the coordination of the draft agreement shall be set by the Ministry of Transport and Communications. Currently, the hourly salary of a board member is 50 Eur.

At the end of the quarter, the board member shall submit a written report on the activities of the board member to the institution implementing the rights and obligations of the Company owner within 10 calendar days, providing information on the board member's activities during the respective quarter and the number of hours allocated for these activities. The remuneration of a member of the Board shall be granted by the decision of the institution implementing the rights and obligations of the owner of the Company, taking into account the number of hours indicated in the report.

If the activities of a member of the Board require reasonable travel (transport) expenses, the Company shall reimburse such reasonable travel expenses. For members of the board in 2022 fuel costs were compensated for 267,60 Eur.

The remuneration accounted to members of the Board for their work during 2022 (including all taxes and contributions payable) — 89.767,46 Eur.

TABLE 4. Board members' salaries

Name, Surname	Position	Period of service as a member of the Board in 2022	Estimated remuneration for work in 2022 including taxes
Eglė Čiužaitė	Chairman (Independent)	2022-01-01 - 2022-12-31	25.691,86
Saulius Kerza	Member (civil servant)	2022-01-01 - 2022-12-31	7.792,00
Tadas Vizgirda	Member (Independent)	2022-01-01 - 2022-12-31	18.901,08
Darius Makauskis	Member (Independent)	2022-01-01 - 2022-12-31	18.691,26
Gediminas Almantas	Member (Independent)	2022-01-01 - 2022-12-31	18.691,26

2.2. Audit committee

In the year 2019 the Board of Lithuanian Airports, by its 26 March 2019 resolution No. 1VN-8, has approved the audit committee. The Audit committee consists of three members.

TABLE 5. Composition of the Audit committee of SE Lithuanian Airports

Composition of the committee	Name surname	Education
Chairman of the Committee	Laura Garbenčiūtė - Bakiėnė, independent member of the Audit Committee; UAB "Investicijų ir verslo garantijos", member of the Supervisory Board, PI "Ignalinos Atominė Elektrinė", Chairman of the Audit and Risk Committee, independent member of the Board of UAB "Plungės vandenys", member of the Board of the Energy Efficiency Fund in Ukraine, board member/donor representative, portfolio of small and medium-sized Lithuanian and foreign	Master of Finance, Vilnius Gediminas Technical University; Bachelor of Business administration, Kaunas University of Technology. ACCA, QIAL, CIA, CRMA, CPA (non-active).

	Companies, financial management, internal audit services (UAB "Baltijos ekonomistas").	
Committee members	Inga Kuktienė, independent member of the Audit Committee; SME Bank Director of the Risk management department, Member of the Board. Member of the Independent Audit Committee of AB "Utenos trikotažas"	Vilnius University — Master of Business Administration; Stockholm School of Economics — Bachelor of Economics and Business Administration.
	Aurelija Aukščionė, independent member of the Audit committee; "Rimi Baltic", Head of internal audit.	Master of Business management and administration, Vilnius University; Bachelor of business management and administration, Vilnius University. CIA, ACCA.

2.2.1. Beginning / end of terms of office

The Board of Lithuanian Airports appointed the members of the Audit committee for a period of four years. Beginning of the term of office of the members of the Audit committee:

TABLE 6. Beginning / end of the term of office of the LOU Audit committee members:

Member	Beginning of term	End of term
Laura Garbenčiūtė - Bakienė	2019 03 26	2023 03 26
Inga Kuktienė	2020 07 28	2023 03 26
Aurelija Aukščionė	2019 03 26	2023 03 26

2.2.2. The main functions of the Audit committee are:

The Audit committee:

- monitors the financial reporting process and makes recommendations on ensuring its reliability;
- monitors the audit of the annual financial statements, paying special attention to its fulfilment, taking into account the shortcomings of the audit of the financial statements identified during the inspection of the Company and the conclusions reached;
- reviews and monitors the independence of the auditor (s) or audit firms;
- informs the Chairman of the Board and the Head of the Company of the information provided to the Audit committee by the audit firm on the problematic issues raised during the audit, in particular when significant deficiencies in internal control over the financial statements are identified;
- informs the Head of the Company about the results of the audit of the financial statements and explains how this audit contributed to the reliability of the financial statements and what was the role of the Audit committee in doing so;
- monitors the effectiveness of internal quality control and risk management systems affecting the Company's financial reporting, the prevention of corruption, bribery of foreign officials in international transactions, money laundering and terrorist financing, and the effectiveness of internal audit, without violating the independence of internal audit;
- monitors the effectiveness of internal audit without compromising the independence of internal audit;
- reviews and makes recommendations to the Board on the internal audit methodology, the risk assessment based internal audit plan, the annual report, the internal audit budget and the appointment, dismissal, remuneration and evaluation of the Head of the internal audit function. Gets acquainted with the conclusions and recommendations of the performed internal audits and informs the Board about the main conclusions of the internal audits and the status of implementation of the recommendations;
- performs other duties provided for in the legislation.

Meetings held: In the year 2022, 14 meetings of the audit committee took place.

2.2.3. Key issues considered

Discussion of independent auditor's conclusion and financial audit results; evaluating the selection procedure of external auditors and providing a recommendation on which audit firm to appoint; monitoring the progress and results of long-term asset evaluation; Assessment of the impact of changing the status of the company and the change in accounting policy, assessment of risk management related to the war in Ukraine; performance evaluation of the internal audit department, review of annual, long-term plans and activity reports, evaluation of information from internal audit reports; formulation of annual goals for Internal Audit and department manager; assessment of supervision of corruption prevention (procedure for declaration of private interests, investigation of anonymous reports and implementation of further actions); evaluating the effectiveness of the risk assessment and management system and providing recommendations to the board; evaluation of the implementation of external and internal audit and recommendations of external institutions; evaluating the effectiveness of money laundering and terrorist financing prevention; review of the order, process and the transactions themselves; compliance risk management assessment.

2.2.4. Meeting attendance of Board members

Total attendance percentage of Audit committee members in 2022 was 100 percent.

TABLE 7. Attendance at meetings

No.	Date of the meeting	Number of members present	Attended	Did not attend	Total members	Attendance percentage
1.	January 25	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
2.	February 11	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
3.	March 18	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
4.	March 30	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
5.	29 April	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
6.	May 3	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
7.	May 17	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
8.	May 24	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
9.	June 16	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
10.	July 14	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
11.	September 15	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
12.	October 20	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė	-	3	100 %

			Inga Kuktienė			
13.	November 30	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
14.	December 19	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %

2.2.5. Remuneration received for the position of a member

The procedure for payment of remuneration to the members of the audit committee is established by the 2018 August 20 by order of the Minister of Communications no. 3-420 approved description of the procedure for determining the remuneration of board members and committee members of joint-stock companies whose state-owned shares are managed by the Ministry of Transport and the regulatory area of the Ministry of Transport, and its amendment on 07/04/2022 Based on p. 23 of the Description. the annual remuneration of the committee member and the chairman of the committee is determined according to the category of the state-owned enterprise.

The annual remuneration of a member of the Audit committee, together with all fees for the actual activities of a member of the Audit committee, may not exceed 4/75 of the total annual remuneration set for the Head of the Company (annual and variable parts, annual bonuses and salary-related annual sum of taxes). The remuneration of a committee member must be reduced if the committee member does not participate in committee meetings, withdraws from questions due to conflicts of interest, does not express an opinion on agenda items, does not vote on them, does not perform the activities of a committee member or performs it improperly.

Remuneration to the committee member is paid monthly, paying no more than 1/12 Description p. 23. stated annual amounts. Committee members are paid within 10 calendar days after the end of the month
The remuneration accounted to members of the Audit committee for their work during 2022 (including all taxes and contributions payable) — 16.284,96 Eur.

3. Main events significant to the Company's operations during the reporting period

3.1. Implementation of investment projects

One of the essential 2022 achieved guidelines in the implementation of infrastructure projects - a contract for the reconstruction of the VNO T4 departure terminal module with transport access was signed. This is a fundamental project that will allow serving 2.400 cars/hour. (in one direction), but also to ensure the strategic development of VNO's existing terminals.

Also, in order to increase the throughput of passengers served by the KUN terminal, the KUN development program was initiated, which includes the reconstruction of the terminal and the updating of the necessary systems (baggage system, installation of self-service solutions and safety and security solutions). The expansion of the KUN terminal will be conducted on a modular basis - by expanding the terminal in two directions, the expansion of the terminal area will not only ensure the necessary area for the installation of technological systems, but also increase the range of services offered and the spaces of the waiting rooms.

for the efficiency of LTOU activities in 2022 the financial management system and personnel salary calculation system projects were implemented. VNO modernized the perimeter surveillance system, a video surveillance center was also established during the project. The emergency element management projects have also been completed - T1 terminal roof repair and other projects.

In 2022 preparation of the long-term airport development plan (Masterplan) was started. The long-term development plans will outline the principal guidelines for future growth and development for all three

Lithuanian airports. After the analysis of the current situation, future perspectives will be evaluated, the evaluation of which will form the basis for considering alternatives and possibilities, after evaluating the alternatives, possible development scenarios will be identified. According to the identified possible development scenarios, the necessary steps for the implementation of long-term development in the short and long periods will be detailed below.

3.3. Application of LEAN management methods

In 2022 The company continued the application of measures to increase operational efficiency. In addition, LEAN management methods and practices are actively implemented. View and update about 50 percent. available processes (about 130 processes). LTOU's total number of processes is 262. Successfully implemented Lean project implementation plan to achieve LTOU's main goals while maintaining a balance between focusing on goals, processes and developing people's capabilities. 175 Kaizen ideas were submitted, of which 126 (72%) were implemented. 74 ideas implemented without any investment. Employees who have implemented the most useful ideas for performance improvement are rewarded. 5S projects are being developed in individual units of LTOU.

3.4. Transformation of the company into joint stock Company

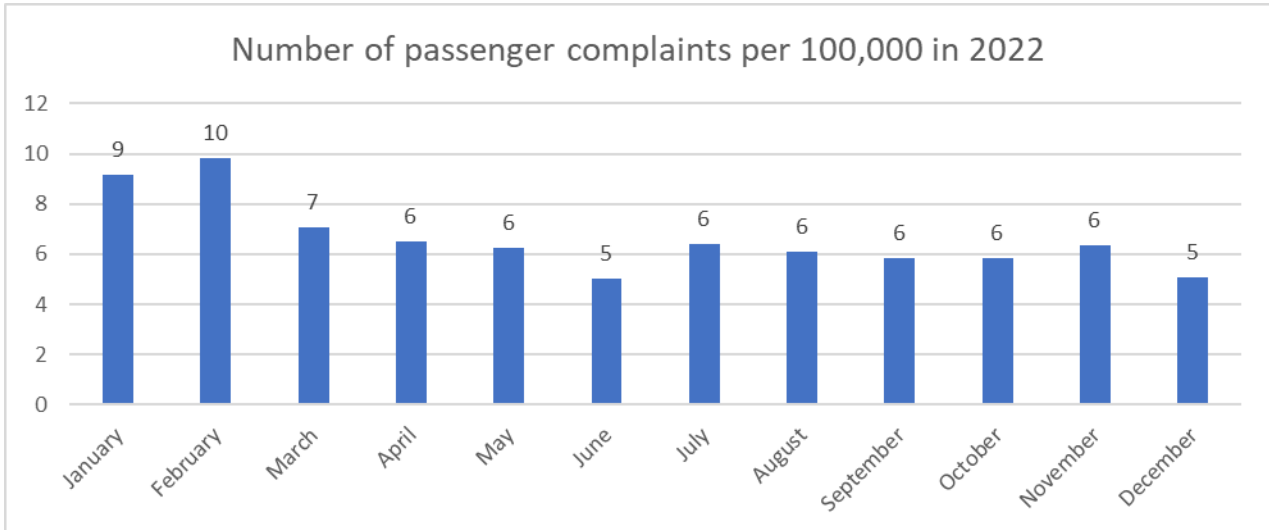
In order to increase the efficiency of operations and taking into account the recommendations made by the OECD to transform state enterprises performing economic activities into companies, LOU together with the Ministry of Transport in 2017 started the implementation of the project of transformation of LOU into AB. According to the prepared action plan for transformation into a joint-stock company, all actions are planned to be carried out by 2022 but in order to reflect the market values of the company's assets, the project deadline was moved to 2023 II half-year.

3.5. Improving the passenger experience

In the spring 2022, after most of the travel requirements related to the COVID pandemic were lifted, the number of travelers in all three Lithuanian airport terminals increased rapidly. As flights recover, managing peak passenger flows has become a challenge again. Also, after a nearly two-year hiatus due to the pandemic, travelers returned with travel skills forgotten, so there was a greater focus on support and streamlining the travel process. From 2022 additional employees were hired to regulate passenger flows and provide information at Vilnius airport in spring. An analysis of the passenger travel process was also carried out at the airports of Vilnius, Kaunas and Palanga, updates of information and marking tools were carried out, helping passengers to travel more smoothly. Due to the increase in passengers, the number of chairs at the waiting gates in Vilnius and Palanga airports has been renewed and increased. During passenger surveys at the airports, it was found out that there is a lack of phone charging stations for passengers, so an additional number of them have been installed. In 2022 the passenger experience improvement strategy was updated, expanding and providing passenger experience improvement guidelines and targets for the period up to 2030. There is a worldwide trend that passengers want individual services and solutions adapted to their needs, therefore in 2023 it is planned to pay more attention to finding out passenger needs and introducing new services, as well as passenger education and new travel experiences.

During 2022 received 339 passenger complaints regarding the operations of Vilnius, Kaunas or Palanga airports. The indicator monitored and analyzed in the company is the number of complaints per 100 thousand served passengers. In 2022 the goal is less than 13 complaints per 100 thousand passengers. Since March, after the pandemic restrictions were lifted, the number of complaints received has decreased significantly. The monthly change of this indicator is in Chart 1. Most complaints were received regarding ground handling activities (passenger registration, boarding, baggage) and aviation security screening processes. Each complaint is investigated, involving interested parties, the customer is answered, and preventive measures are taken to manage the situation.

CHART 1. Number of passenger complaints per 100,000 passengers, 2022 data



Big focus in 2022 was also allocated to improving the service of passengers with special needs. In 2022 11,958 passengers with special needs were served at all three airports (Vilnius, Kaunas, Palanga). From 2021 the initiative continues - representatives of various disability associations are invited to the airport for educational purposes. In this way, they learn about travel and assistance options, and provide airports with valuable information on improving the adaptability of infrastructure and processes. During 2022, 561 employees participated in the training on how to serve passengers with special needs.

During 2022 carried out surveys of passenger opinions, showed that a total of 72 percent Passengers of Vilnius, Kaunas and Palanga airports tend to recommend (in the NPS survey, the recommendation was rated 9 and 10 points). Vilnius Airport was rated particularly high. The dynamics of loyal passengers, strong supporters of NPS (9-10) of Vilnius, Kaunas and Palanga airports in a five-year period are presented in graphs 2, 3 and 4.

CHART 2. Vilnius Airport loyal passenger volume and NPS Indicator, 2018-2022

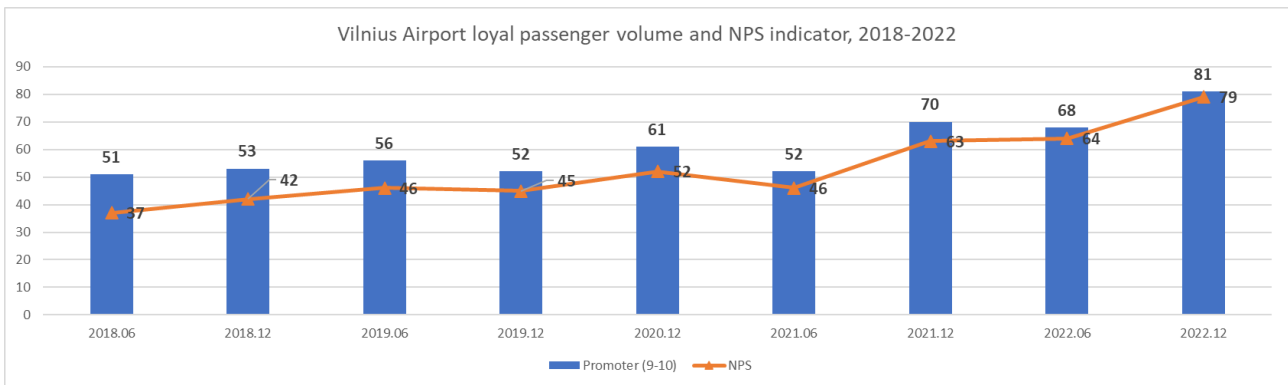


CHART 3. Kaunas Airport loyal passenger volume and NPS Indicator, 2018-2022

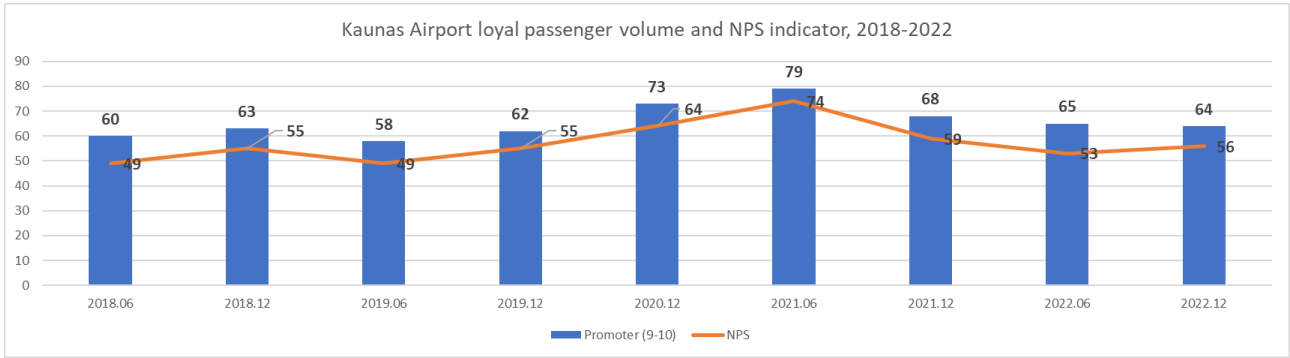
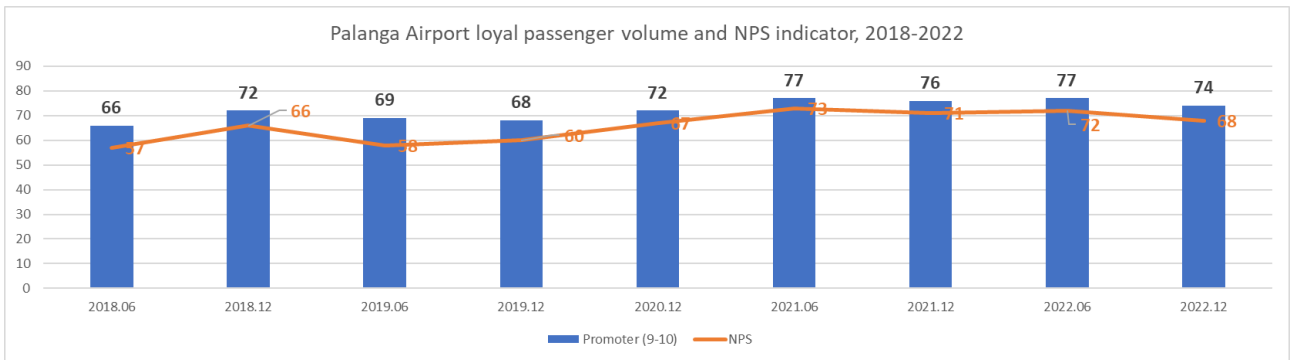


CHART 4. Palanga Airport loyal passenger volume and NPS Indicator, 2018-2022



4. Solution of asset management issues

LOU Airports manages, maintains and operates various real estates - plots of land, airport buildings and various other purpose buildings, administrative premises, engineering structures and networks. Currently, JSC Lithuanian Airports manages 413 real estate objects, including 10 land plots, 3 aircraft runways, and 8 taxiways. In 2022 26 new real estate objects in VNO and PLQ were registered in the real estate register, as well as 26 real estate objects were deregistered, new projects are being implemented in part of their territory.

Almost 80% of the real estate held by the trust is used for direct operations - passenger and aircraft services - or reserved for future development. The rest is leased or made available free of charge to institutions related to direct activities. LOU Airports has granted the use of premises to the territorial customs offices of Vilnius, Kaunas and Klaipeda, the State Border Guard Service under the Ministry of Internal Affairs, the Public Security Service under the Ministry of Internal Affairs, and the Lithuanian Hydrometeorological Service in order to carry out the activities stipulated in the legal acts. The use of the land is granted to the Lithuanian Hydrometeorological Service. In 2022 after the end of the term of the beneficiary's use contract and the need for additional premises, SE Lithuanian Airports signed two new property use contracts.

In 2022 LOU Airports transferred to the ownership of the Vilnius City Municipality real estate owned by the state and managed by SE Lithuanian Airports in trust (water supply, rainwater, heat supply networks, footpaths, etc.), other long-term material (traffic light system, lighting poles and lamps etc.) and short-term material (road signs, traffic lights for pedestrians and cyclists, etc.), a total of 23 real estate objects and 199 movable property objects were transferred.

In preparation for becoming a joint-stock company, LOU Airports actively carried out a review and assessment of its movable assets and, in accordance with Government Resolution no. 1250 "On approval of the procedure for write-off, disassembly and liquidation of state and municipal property recognized as unnecessary or unsuitable (unusable)" carried out procedures for write-off and liquidation of property recognized as unsuitable (unusable) for various reasons. In total, about 138 objects of movable fixed assets were written off and liquidated.

5. Overview of aviation services

5.1. 2022 world aviation overview

The first of 2022 quarter of the year, the entire world was shocked by Russia's military actions against Ukraine, and the aviation sector was no exception. According to IATA (International Air Transport Association), the impact of the war in Europe is greater than in the world - Ukraine traffic in 2021 amounted to about 3.3%, and Russia about 5.7% of the total passenger flown. The most affected regions are Europe and Asia. After the start of the conflict, demand for flights on some European routes fell due to increased uncertainty. However, in the second week of March, demand flows normalized and reached 74% of 2019 level. Rising aviation fuel prices (+78.3 percent compared to 2021) increased the costs incurred by airlines - in 2022 the world price peak reached in the first half of the year began to decrease at the end of the year but did not shrink to the pre-pandemic level and maintained a gap from the prevailing oil prices (34.5%).

5.2. 2023 aviation forecasts in the world

As uncertainty continues to prevail in the aviation sector due to fluctuations in energy resource prices, operational challenges, high inflation, the geopolitical situation and the ongoing impact of COVID-19, aviation organizations are cautiously predicting the possible recovery of the sector. According to the forecast of the international organization "IATA" (International Air Transport Association), it is expected that in 2023 global demand will exceed the level of supply (in Europe, demand will grow +8.9 percent, and supply - +6.1 percent). IATA predicts that a full recovery of global passenger traffic is possible by the end of 2024. It is planned that all regions will restore flows in 2024, with the exception of Asia (due to the impact of COVID-19), which will should be restored 2019 flows by no earlier than 2025. Also, based on the fact that at the end of 2022, the aviation industry showed positive income streams, it is expected that in 2023 this trend will continue. IATA also predicts that in 2023 aircraft deliveries will grow both globally (+5 times) and in Europe (+8 times).

When it comes to aviation forecasts in Europe, the recovery forecast by ACI Europe (Airport Council International), an association that unites airports, is similar to that of IATA. Full recovery is expected no earlier than 2025. Below is the 2023 the recovery forecast corresponds to the market situation. Based on the table below, it can be seen that a stronger recovery is forecasted in the second half of 2023. It is expected that the summer will continue with a similar trend as in 2022, so operational challenges in the industry will not be avoided. Overall, in 2023, the expected average loss of passenger traffic at European airports would reach 9%. (according to the base scenario). Similar forecasts are provided by the European air navigation organization Euro control, which predicts that in 2023 about 92 percent of 2019 European supply level will be restored.

TABLE 8. Aviation flow forecast 2023

ACI	Monthly passenger traffic forecast for 2022			
	Q1	Q2	Q3	Q4
Optimistic scenario	-12 %	-8 %	-6 %	-5 %
Base scenario	-14 %	-9 %	-7 %	-7 %
Pessimistic scenario	-15 %	-11 %	-8 %	-8 %

5.3. Results of Lithuanian airports

TABLE 9. Distribution of TOP 10 carriers in LOU in 2022

Airline	Market share
Ryanair	48 %
Wizz Air	19 %
airBaltic	10 %
LOT Polish Airlines	6 %

Airline	Market share
SAS-Scandinavian Airlines	4 %
Lufthansa	3 %
Norwegian	3 %
Turkish Airlines	3 %
Finnair	2 %
Brussels	1 %

TABLE 10. The main directions of flights in LOU 2022.

Airport	Percentage of passengers
London LTN	10 %
Copenhagen FRA	5 %
London STN	5 %
Oslo OSL	5 %
Warsaw WAW	5 %
Riga RIX	4 %
Dublin DUB	4 %
Frankfurt FRA	3 %
Helsinki HEL	3 %
Eindhoven EIN	3 %

Table 11. Supply restoration LOU in 2022.

Airline	level of seats offered in 2022	Supply level reached in 2019
Ryanair	43%	117%
Wizz Air	18%	71%
airBaltic	15%	117%
LOT Polish Airlines	6%	65%
SAS	5%	71%
Norwegian	3%	99%
Lufthansa	3%	67%
Turkish Airlines	3%	111%
Finnair	2%	83%
Brussels Airlines	1%	50%

5.3.1. Lithuanian airports

As in the entire world, challenges in 2022 are inevitable in Lithuania. LTOU did not experience major negative fluctuations in the number of passengers due to the geopolitical situation, since the largest demand from LTOU is created for other European countries (Ukraine's passenger traffic was usually about 5 percent of the total annual LTOU traffic). Encouraged by LTOU, some airlines acted quickly – forced to stop routes to Ukraine, they replaced former routes with new routes of similar distance, which started in the second quarter 2022 (Vilnius - Gdansk, Vilnius - Nuremberg, Vilnius - Hamburg, Kaunas - Warsaw). This made it possible to reduce demand flow losses to 3 percent. Thus, appropriate adaptation and the ability to manage risks allowed for further growth in demand for LTOU.

In April, recovery was replaced by growth - the pre-pandemic level of transported passengers was exceeded at Kaunas airport due to the full opening of the United Kingdom routes and the growth of holiday traffic. This growth in demand was maintained until the end of the year. In June, a turning point was set at Vilnius Airport, when the monthly number of passengers on charter flights exceeded 2019. demand quantity for the same month. In total during 2022 the demand for charter flights at Vilnius airport was exceeded by 3% compared to 2019. The added new routes made it possible to increase the reach of Lithuania to 98 regular destinations in 2022 (94 directions in 2021). According to "IATA", the accessibility of Europe decreased by 93% during the pandemic, so it is strategically important to restore proper communication. Both newly opened routes and the restoration of pre-pandemic routes and normal seasonality have a significant impact on the state's economy - thus creating a more attractive environment for attracting direct foreign investment, encouraging bilateral trade, growing inbound traffic, which directly impacts aviation traffic and airport revenue. Aviation revenue is expected to increase by 43 percent in 2022 compared to 2021. It becomes critical to support the continued implementation and maintenance of funding models to maintain consistent growth.

5.3.2. Vilnius Airport (VNO)

In 2022 The number of passengers at Vilnius airport reached 3,916 thousand. (+106 percent compared to 2021). The number of flights also grew, reaching 37 thousand. (+45 percent compared to 2021).

- 2022 8 new destinations opened (Zurich ZRH - 2 weekly flights, Yerevan EVN - 2 weekly flights, Bergen BGO - 2 weekly flights, Split SPU - 2 weekly flights, Gdansk GDN - 3 weekly flights, Hamburg HAM - 3 weekly flights, Nuremberg NUE - 2 weekly flights, Turin TRN - 2 weekly flights).
- The frequencies of 7 destinations have been increased (Frankfurt, Warsaw, Riga, Brussels, Helsinki, Stockholm, Istanbul)
- The average plane load of traditional airlines reached 65 percent, and low-cost airlines - 81 percent.
- Cargo transportation flows have grown by 4 percent since last year.

5.3.3. Kaunas Airport (KUN)

In 2022 The number of passengers at Kaunas airport reached 1,158 thousand. (+138 percent compared to 2021). The number of flights also grew, reaching 10,000. (+52 percent compared to 2021).

- KUN 2022 continued to increase the number of destinations offered - flights were launched in 3 new destinations (Brussels CRL - 2 weekly flights, Warsaw WMI - 2 weekly flights, Eilat ETM - 1 weekly flight).
- The growth of the supply caused the growing demand - in 2022 KUN almost restored pre-pandemic passenger traffic (99.8 percent)
- The average occupancy of low-cost airlines reached 81 percent.

5.3.4. Palanga Airport

In 2022 The number of passengers at Palanga airport reached 275 thousand. (+220 percent compared to 2021). in 2022 the number of flights reached 3.7 thousand. (+65 percent compared to 2021). Strong increase in the number of passengers and flights from 2021. for 2021 reconstruction of the KTT conducted in autumn.

- Not a single carrier was lost during 2022.
- 2022 increased frequency in 2 directions (Riga, London).
- Average plane load for traditional airlines has continued to grow since the start of the pandemic, reaching 49 percent, and for low-cost airlines at 79 percent.

5.4. Overview of surrounding markets

Below is the 2022 passenger number growth and comparison with the nearest airports:

- Lithuanian Airports, 5 349 thousand passengers (+116%);
- Riga Airport, 5 381 thousand passengers (+129%);
- Tallinn Airport, 2 748 thousand passengers (+111%);

CHART 5. Growth in the number of passengers in the Baltic States in 2022, thousands.

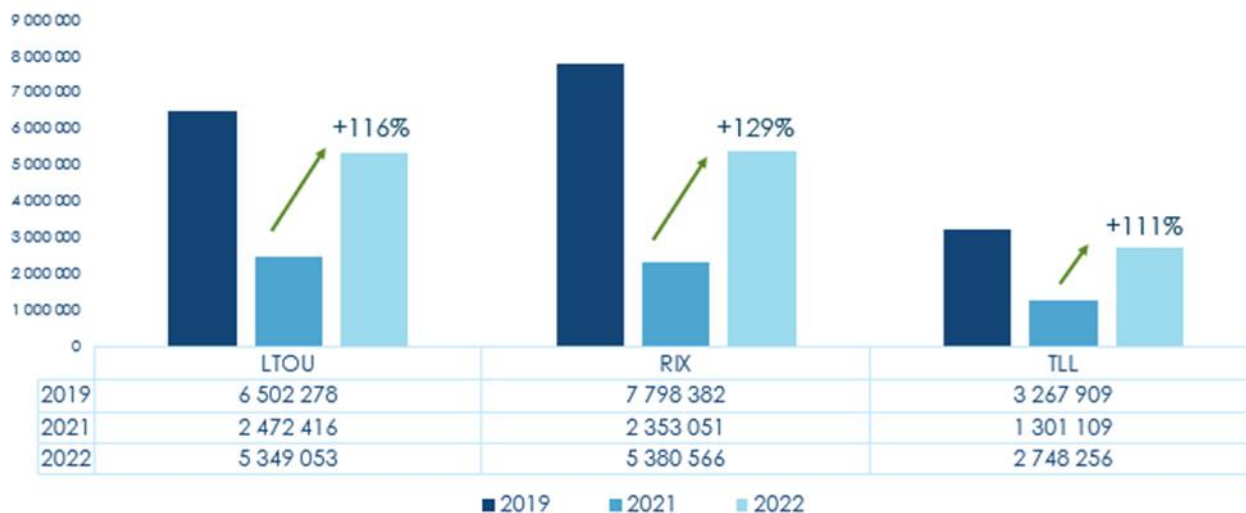


TABLE 12. Number of destinations and airlines at regional airports in 2022

	LOU	VNO	KUN	PLQ	RIX	TLL
Number of directions	98	61	31	6	103	42
Number of regular airlines	12	12	2	5	no data	no data

TABLE 13. Comparative indicators with competing airports in 2022, thousand

Airport	Number of passengers	Number of flights	Quantity of cargo, tons
LOU	5 359	51	21
VNO	3 916	37	16
KUN	1 158	10	5
PLQ	275	4	0,29
RIX	5 381	55	21
TLL	2 748	38	11

In the first three quarters, LTOU dominated the Baltic market in terms of the number of passengers carried. In the third quarter in 2022 LTOU were first among the Baltic countries, fifth in the European Union and 13th in the whole of Europe in terms of passenger traffic recovery compared to 2019. The trends changed somewhat at the end of the year - in total, RIX exceeded the number of passengers transported by LTOU by 31.5 thousand. However, the recovered RIX transit traffic (19 percent of the total passenger traffic) did not significantly change the distribution between the Baltic countries according to the level of demand - both RIX and LTOU occupied 40 percent each of Baltic market. This shows that Lithuanian airports are strategically important. The encouraging results at Lithuanian airports were also influenced by the increased number of destinations (98) both compared to 2021 (94) and with the record number of 2019. (92). When evaluating cargo dynamics, it is worth emphasizing that Lithuanian airports continue to experience consistent growth in the flow of transported cargo from 2019. It is expected that in 2023 consistent growth of this flow will persist, reaching 3-5 percent.

5.5. The 2022 Lithuanian airports forecast

In the year 2023, the goals are:

- Promoting the development of existing hub airlines (HUBs) and attracting new ones in the priority markets of interested parties;
- Updating the package of flight promotion measures at Lithuanian airports and implementing new ones;
- Systematic cooperation between institutions for the promotion of inbound traffic.

Due to fixed growth in 2022 it is planned that in 2023 LTOU flows will continue to grow and reach 5.9 million passengers (+11 percent compared to 2022), the supply will reach 55 thousand. (+8 percent compared to 2022), and the number of routes will reach 100. In 2022 both in Europe and LTOU, emigrant and holiday passenger traffic recovered the fastest. In 2023 it is expected that the flow of business passengers will also grow somewhat faster. For 2022 freight traffic fell in most countries by 8 percent. "IATA" predicts that in 2023 cargo transportation will fall by another 4 percent, such a trend is not foreseen for LTOU, taking into account the continued growth trend in 2022. It is believed that the flow of transshipped cargo will continue to maintain a consistent growth equal to 3-5 percent. However, these forecasts may be adjusted due to demand-determining factors (uncertainty in supply planning, geopolitical situation, fluctuations in macroeconomic indicators, remaining risk of COVID-19), which are difficult to control.

6. Overview of non-aviation services

2022 can be considered the year of recovery of non-aviation services: all non-aviation services were fully operational (Duty Free trade, catering, business club services, luggage packing, car rental, currency exchange, events were held, etc.). Although the recovering passenger flow in 2022 has not yet reached the record high 2019 level, records were reached and exceeded in terms of non-aviation revenue, as a larger share of passengers bought goods or services than before, and the average baskets of goods or services purchased also grew. LOU's non-aeronautical commercial services package consists of the following activities:

- Renting buildings and premises;
- Car parking;
- Business club (only VNO);
- VIP service (only VNO);
- Advertising services;
- Land rent;
- Express screening of passengers (only VNO);
- Organization of events (rental of premises, filming, photo sessions);
- Loyalty program (VNO only).

In 2022, the partners operating at Lithuanian airports no longer had major challenges directly related to the pandemic, but there was no shortage of new ones: increasing inflation, significantly rising prices of utility services, loss of regular flights to Russia, Belarus, and Ukraine. Nevertheless, LTOU and its partners have demonstrated excellent results: in 2022 LTOU's non-aeronautical activity income amounted to 18.1 million. Eur - compared to 2021, income grew by 78 percent. LTOU receives most of its income from the rental of commercial buildings and premises and parking. The breakdown of income by activity is detailed in the graph below.

CHART 6. Structure of non-aviation revenues

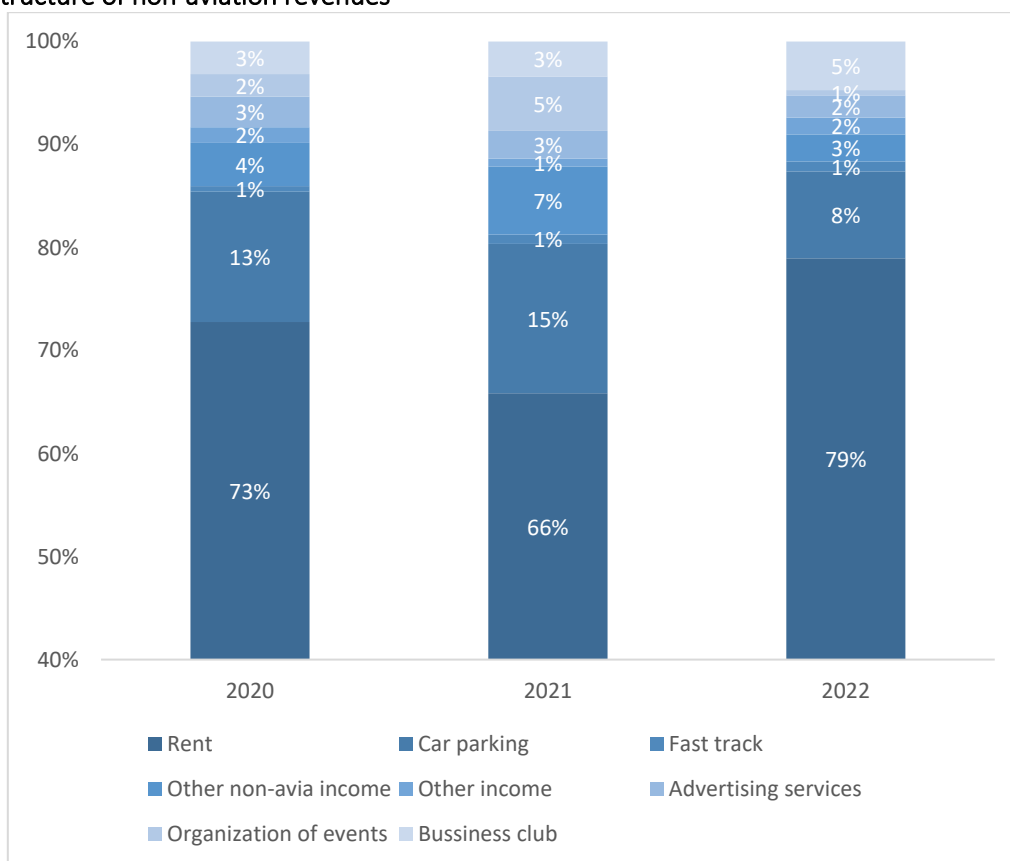


TABLE 14. Non-aviation revenue share in airport gross revenue for 2022

Airports (up to 10 million passengers) or regions thereof	Non-aviation income share in gross income, percent
Global average	38,8 %
LOU	40,49 %
VNO	38,13 %
KUN	58,70 %
PLQ	28,55%

The main 2022 implemented projects:

- VNO premises were leased through a public tender and two food outlets were installed: "PANK'olis by Kalnapilis Nealkoholinis" and "Manami".
- A new partner for the management of four currency exchanges was selected in all branches through a public tender.
- In all branches, one operator has been selected through a public tender to manage all coffee and snack self-service vending machines.
- After KUN rented part of the parking lot, in cooperation with the rental partner, 7 charging stations for electric cars were installed.
- The development of the KUN MRO service center continues. In 2020, 7043 sq.m. m part of the land plot was leased to MRO services by auction, a land lease agreement was concluded with an international company. In 2022 the construction of the 2nd MRO hangars for C-category aircraft was started. After the implementation of this stage of development, Kaunas Airport will continue to

maintain its position as the largest MRO service center in the Baltic States, which can simultaneously accommodate up to 12 C-category aircraft for repair and maintenance.

- KUN, a new baggage storage and packaging operator selected through a public tender, has resumed the provision of this service at Kaunas Airport.
- VNO completed the construction of the DHL cargo terminal.
- KUN successfully implemented public rental tenders for the installation of four new catering service points (brands "Charlie Pizza", "Katpédélè" and "Manami"). It is planned that installation works will be implemented in the first half of 2023. in the quarter.

7. Changes in balance sheet indicators

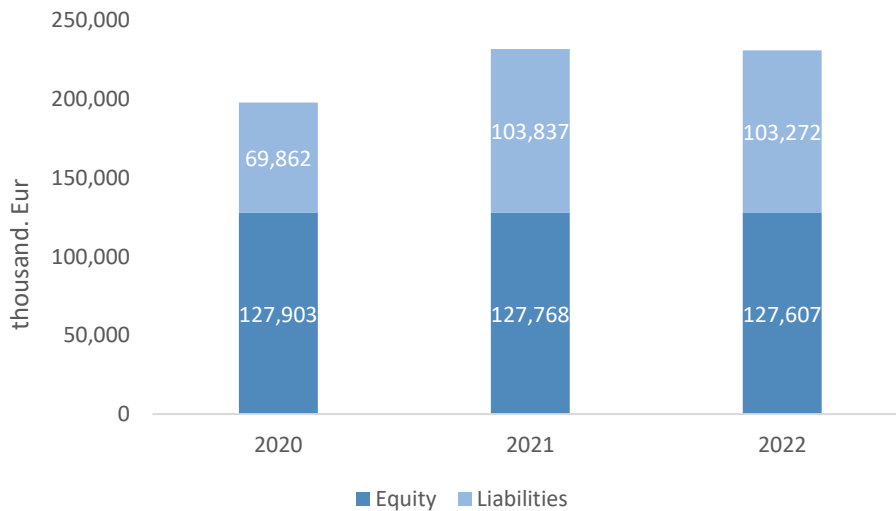
7.1. Changes in owner's equity

Company owner's capital at the end of 2022 amounted to EUR 28,409,377, equity capital – 127,607,478 EUR and accounted for 55% of total equity and liability amounts. Equity in 2022 December 31 decreased by 160 thousand EUR based on the paid profit contribution (EUR 4,719 thousand), which was partially offset by the earned net profit (EUR 3,184 thousand) and capital increase (EUR 1,347 thousand).

The corresponding capital that consist of assets, which according to law can only be owned by the state, at the end of 2022 amounted to EUR 93,276,021.

Grants related to property constituted the largest part of payable amounts and liabilities (EUR 57,282,107). Compared to 2021 payable amounts and liabilities decreased by 563 thousand Eur. Main changes: grants related to assets increased (EUR 3,718 thousand), but long-term financial debts (EUR 2,989 thousand) and trade debts (EUR 1,134 thousand) decreased.

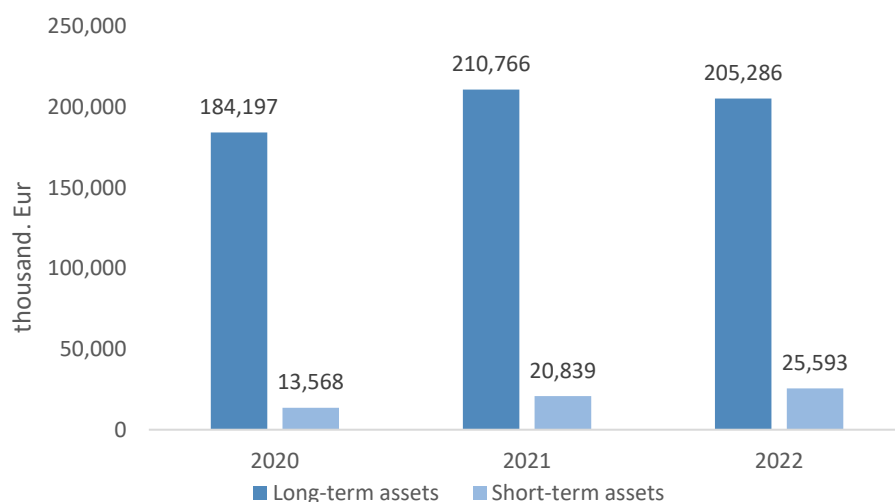
CHART 7. Equity and payables and liabilities (2020-2022)



7.2. Asset changes

In 2022 December 31 Assets managed by LTOU amounted to EUR 230,878,988, of which 89% consisted of fixed assets. At the end of 2022, the value of the property was 726 thousand EUR lower than in 2021 at the end. The value of fixed assets decreased by 5,480 thousand EUR (mainly due to more depreciated assets than purchased new ones), while the value of short-term assets increased by 4,754 thousand EUR (due to higher cash and cash equivalents EUR 4,369 thousand).

CHART 8. Fixed and current assets (2020-2022)



Pursuant to Article 15, Part 9 of the Law on State and Municipal Enterprises of the Republic of Lithuania and taking into account Article 7, Part 1 of the Law on the Management, Use and Disposal of State and Municipal Property of the Republic of Lithuania, also with the aim that for the shares of joint stock companies and closed joint stock companies owned by the state dividends would be received, the Government of the Republic of Lithuania adopted a resolution that the institutions implementing the rights and duties of the owner of state-owned enterprises must ensure that a profit contribution of the amount determined by the Law on State and Municipal Enterprises of the Republic of Lithuania is paid from the distributable profit of state-owned enterprises to the state budget of the Republic of Lithuania. For dividends (for state-owned enterprises - profit contribution) for a period shorter than the financial year, the share of profit allocated for payment must not be less than 60 percent. of the company's distributable profit.

TABLE 15. Profit distribution percent

Return on equity capital	Up to 1%	1–3 %	3–5 %	5–10 %	10–15 %	Greater than 15%
The proportion of distributed profits shall be allocated to the distribution of dividends not less than:	85 %	80 %	75 %	70 %	65 %	60 %

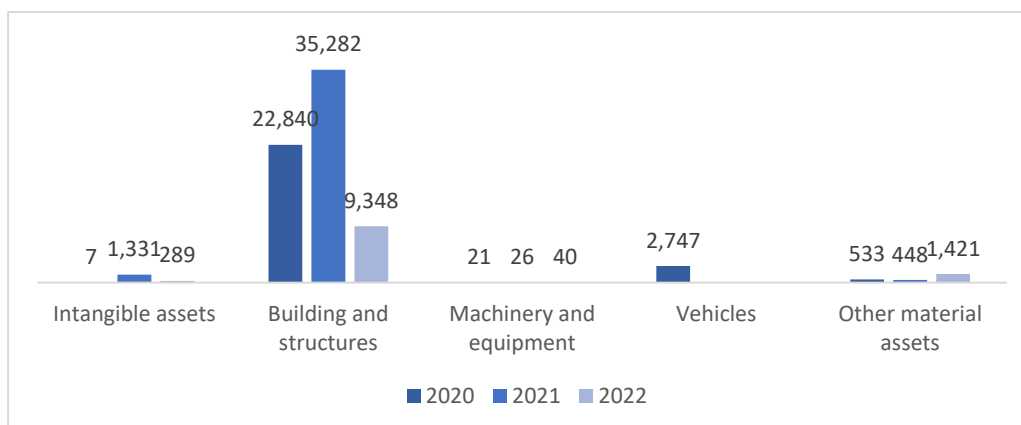
8. Company's investments, the largest ongoing and planned investment projects

8.1. Investments during the reporting period

Projects implemented and long-term assets purchased in the company are aimed at improving and expanding the services provided by airports, modernizing the infrastructure, ensuring flight safety and optimizing operational processes.

LOU during 2022 invested 11,098 thousand EUR (in 2021 - EUR 37,073 thousand with grants). The distribution of investments by type is presented in the chart below.

CHART 9. Breakdown of investments by type 2020-2022, thousands Eur



LTOU in 2022 invested mainly in the category of buildings and structures, the main investments include: VNO Departure Terminal T4 (EUR 4.1 million), AIS system installation (EUR 2.7 million).

In 2022 LTOU's investments were implemented using not only company funds, but also state budget funds - 6.6 million. EUR, EU funds - 2.0 million Eur.

EU funded projects:

- Reconstruction of taxiway "A" and "B";
- Reconstruction of taxiway "F", including its widening and lengthening;
- Installation of new treatment facilities for the prevention of soil and groundwater pollution.

8.2. Ongoing and planned projects

Projects are implemented in the company in accordance with the following principles:

- The return on investment is assessed according to cost-benefit analysis;
- Investment payback period is 7-10 years;
- The need to comply with flight safety and aviation security requirements;
- Timely and appropriate reaction to market changes and emerging opportunities;
- Striving to reduce the negative impact on the environment, to conserve resources;
- Utilization of the available infrastructure for the development of commercial services;
- Further development of the company's activities;
- Improving passenger experience and increasing satisfaction.

The projects initiated and implemented by the company are carried out in order to ensure compliance with the company's missions: to offer customers a competitive network of destinations, a variety of services and careful service; for the shareholder - to develop a safe and efficient infrastructure.

We do not disclose the values of investment projects for each project due to the need for competition in public procurement.

The LOU Investment Evaluation and Project Management Policy sets out the main principles that must be followed in the selection and evaluation of investments in order to comply with the strategic operational plan approved by the LOU Board. The table below indicates the minimum financial criteria of an investment project, which LOU is guided by when evaluating investment projects.

TABLE 16. Criteria for assessing LOU investments

	According to the formula
IRR	Not less than WACC (before tax)
Return on equity capital	Not less than WACC (before tax)
NPV	Positive

LOU also conducts projects that are not investment. *They are necessary to ensure business continuity and comply with existing operating standards.* For projects of this type, alternative options are also compared for decision making (including comparison of negative NPVs in different alternatives). In exceptional cases, where a project of strategic importance for an enterprise and/or a new activity is developed, the required return may be lower than in the table above, but in that case, a duly reasoned explanation of one of the management bodies of the Company should be adopted depending on the value of the project solution. The following management bodies of the Company are considered (jointly or separately): the Investment committee, the CEO of LOU and the Board of LOU.

LOU also carries out commercial-investment projects aimed at the development of non-aviation services and the development of new ones. Depending on the specifics of the activity and the synergy created with other activities, taking into account the expectations of the Ministry of Transport regarding the improvement of the investment environment and the usual practice in the real estate market, the company's WACC size, which is updated annually, is used for project evaluation, unless the decision of one of the arguments of the company's management body regarding a lower indicator is accepted. If the value project is necessary to ensure the continuity of the activity and comply with the norms regulating the activity.

- LOU's Investment Committee (IK) works to manage the company's assets prudently and collegially, attracting the necessary competences needed to make well-analyzed investment decisions, taking into account the company's goals and strategy. IK approves investments in assets (CAPEX) - when the planned investments are more than 50 thousand EUR without VAT.
- Initiated investment and performance assurance projects are prepared using standardized forms and spreadsheets to ensure the principle of project comparability. After the initiation of the project in accordance with the Investment Management Policy, monitoring of the progress of the project and the essential condition of the project is carried out every month by the Project Committee.

Investment and operational projects shall be initiated to ensure the principle of comparability of projects and shall be developed using standardized forms and spreadsheets. After the project is initiated in accordance with the Investment assessment and Project management policy, the project's progress and the project's essential conditions are monitored every month by the Project committee. If the project's material conditions change, the project must be submitted for IC approval or amendment. Substantiative conditions are understood as conditions that have a significant impact on the future cash flows (income and expenses) of the project and material changes in volume and time.

The main objectives of the planned investments:

- Effective use of the existing infrastructure, focusing on improving the quality of service: re-planning of passenger terminals, adapting them to the changing needs of passengers, sustainable development of airfields.
- Increasing the quality of aviation security and the speed of service: a new baggage processing system with four levels of aviation security screening is being implemented, a newer generation of passenger and baggage screening equipment is being purchased.
- Reduction of operational costs of LOU: information technologies are being implemented that will reduce the need for labor in the future, monitor the perimeter and the entire airfield, speed up passenger registration, etc.

- Reduction of negative impact on the environment: VNO is building a system of treatment facilities that will allow handling of chemical de-icing materials used during the winter, with the maximum goal of collecting all wastewater generated in the airport area.
- In order to expand the offer of non-aviation services, improve the efficiency and quality indicators of provided non-aviation services, reconstruct passenger terminals in all branches, expand commercial areas, etc.
- Investments are made in updating special machines and equipment ([Transport program](#)), installing new systems, updating video systems, etc.

2023-2026 LTOU's planned investments are presented in the table below.

TABLE 17. Planned investments by LOU for 2023-2026, thousands Eur

Investments	2023 P	2024 P	2025 P	2026 P
Investing activities (Capex)	40 119	62 551	25 635	29 000
EU Grants, State Budget funds	1 625	2 400	0	0
Received loans	18 565	42 436	12 000	10 000
Own funds	19 930	17 715	13 635	19 000

9. Staff and salaries

The goal of LTOU's Human Resources Management Strategy is to increase employee engagement and loyalty by creating a positive work environment. In order to achieve this goal, the following long-term human resources management goals have been established:

1. **High** employee engagement (each year the employee engagement index must increase or at least remain the same as the previous year);
2. **Efficient use of employee skills and capabilities in the main activities of the Company;**
3. Ensuring **competitive** remuneration;
4. **Managers** who are able to fully manage the essential elements of personnel management (to perform selections, to determine remuneration, to plan education, etc.) ;
5. The **image and culture of the Company**, enabling to attract professionals in their field.

In order to ensure the achievement of the long-term objectives in the field of human resources, the following activities shall be carried out:

1. Actions for creating and maintaining a reserve of managers and the most important positions for the organization;
2. The company's internal network (intranet) and other means of internal communication encourage greater employee activity and involvement in the company's activities;
3. The image of the organization as a desirable employer is strengthened.

SE Lithuanian Airports has approved remuneration regulations, which define the principles of the company's remuneration policy. The following principles guide the determination of remuneration:

- justice — the correct remuneration of employees for their work;
- universality — the Company employment payment regulations applies to all employees of the Company;
- non-discrimination — the Company's employment payment regulations apply to all employees of the Company regardless of their age, sexual orientation, disability, race or ethnic origin, language, social status, religion or beliefs;
- clarity — every employee knows his remuneration and the Company's remuneration policy;
- comparability — job remuneration is compared with Lithuanian labor market remuneration;

- consistency: decisions on rewards are taken in a reasoned and consistent manner, without arbitrary unreasoned decisions being made.

Decisions on updating or changing the remuneration policy shall be taken by the Remuneration committee established within the Company. The following components of remuneration are discussed in the Company's employment payment regulations:

- basic salary;
- variable salaries;
- bonuses and additional pay;
- additional benefits.

We strive to ensure that the basic salary of employees corresponds to the situation of the Lithuanian labor market, the possibility of obtaining variable salaries would encourage employees to achieve high results, additional benefits — to provide an opportunity to choose according to each individual needs.

The payroll fund of SE Lithuanian Airports in 2022 – 14.140 thousand Eur (2021: 11.504 thousand Eur). The salary fund in 2022 is 23% higher than in 2021. The salary fund represents 34,1% of total corporate costs in 2022 and 48,3% of operating costs (In 2021 40,5% and 54,7% respectively).

TABLE 18. Salary sizes by position.

Category	2020 m.		2021 m.		Category	2022 m.	
	The number of employees:	Average monthly fixed (assigned) salary, Eur	The number of employees:	Average monthly fixed (assigned) salary, Eur		The number of employees:	Average monthly fixed (assigned) salary, Eur
General Director*	1	7 665	1	7 958	General Director*	1	8612
Director of the branch, department	8	6 322	4	6 446	Top level manager	10	5914
Head of section, service, group	34	2 859	31	2 865	The head of the secondary group	27	3392
Senior specialist, Shift manager	59	1 834	64	1 839	Senior specialist, Shift manager	34	1885
Specialist, manager	145	1 826	147	1 848	Specialist	150	2222
Firefighter	78	1 178	81	1 142	Operational employee	441	1305
Inspector, patrol	228	1 271	210	1 248			
Other employees	73	1 159	70	1 156			

*That number includes the variable part of the amount of the fixed part of the monthly salary determined by the order of the Minister of Transport of the Republic of Lithuania for the General Director of the Lithuanian Airports Corporation: In 2022 the variable part of the fixed part of the monthly salary was 50% in the first quarter, 45% in the second. In 2021 the variable part of the fixed part of the monthly salary was 37.5% in the first quarter, 35% in the second and third, and 50% in the fourth. The variable part of the fixed part of the monthly salary in 2020 was 40% in the first quarter, 50% in the second, in the third and fourth - 25 percent.

TABLE 19. Payment of bonuses and variable salaries (before tax).

	2020 m.		2021 m.		2022 m.	
	Number of employees	Amount paid, Eur	Number of employees	Amount paid, Eur	Number of employees	Amount paid, Eur
Bonus payments to employees for activities exceeding normal workload, where there is an increased amount of work in the functions defined in the job description, as well as for the performance of additional tasks in the case of functions not specified in the job description	124	51 795	278	81 486		70 585
Variable part of salaries for the achieved performance results	438	13 8014	318	17 1590	444	538 954
Annual share of variable remuneration for employees for Company performance	975 625		There was no payment		379 929	

In 2020 variable remuneration was paid for 2019 results. The annual variable part of the remuneration for 2020 was not paid to employees in 2021 due to the impact of the pandemic. Annual portion of variable remuneration for 2021 was paid out in 2022.

In 2022 bonuses for activities exceeding the normal workload and for the performance of additional tasks was received by 51.8 percent less employees and the amount paid out was 13.38 percent lower than in 2021. Variable salary for the achieved performance results in 2022 was received by 28 percent more employees, and the amount paid out was 68 percent higher than in 2021. Annual portion of variable remuneration for 2021 was calculated and paid out in 2022 May with April salary. The annual variable part of the remuneration for the results of 2022 will be calculated and paid to employees in 2023 April - May.

The General director's salary is set in accordance with the Government Resolution on the remuneration of managers of State-managed Companies. The Resolution stipulates that the monthly salary of the Head (General director) of a Company shall consist of:

- the fixed part, which is determined by coefficients, applying the basic amount of the official salary (remuneration) of state politicians, judges, state officials and civil servants of the Republic of Lithuania for the relevant year and considering the category of the state-managed Company. The remuneration coefficient set for the General director of SE Lithuanian Airports is 32.26. In 2022, the base salary (remuneration) for State politicians, judges, civil servants, civil servants and employees of State and municipal budget institutions was set at EUR 181.
- a variable component, which depends on the achievement of objectives of the State-managed Company, as determined by the authority exercising the rights and duties of the owner of the State-managed Company. The institution implementing the rights and obligations of the owner of SE Lithuanian Airports is the Ministry of Transport and Communications of the Republic of Lithuania/ The Ministry of Transport and Communications has set the amount of the variable part of remuneration and the criteria for each quarter of the year for the General director of SE Lithuanian Airports for 2022.

The criteria for the variable part of remuneration of the General director for 2022, approved by the Order of the Minister of Transport and Communications of the Republic of Lithuania, are presented in the table below.

TABLE 20. Criteria for the payment of variable part of salary to the General director.

Indicators	I quarter			Quarter II*			Quarter III*			Quarter IV*		
	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution
EBITDA margin,%	15	≥ 16,6	completed	10	≥ 19,3	completed	15	≥ 25,9	completed	15	≥26,0	completed
Number of passengers, thousand	15	≥ 751	completed	10	≥ 1868	completed	15	≥ 3155	completed	15	≥4205	completed
Revenue, thousands Eur	10	≥ 8040	completed	10	≥ 17796	completed	20	≥28519	completed	10	≥38490	completed
Implementation of the plan of measures for the transformation of the company into AB	5	Asset valuation reports, submission of business plan to SM by 02/07/2022	partially completed**	0	Submission of statutes and other documents to the Register Center by 23/06/2022	not completed	-	-	-	-	-	-
Signing of the T4 terminal construction contract until 2022 June 30	-	-	-	10	1	Completed***	-	-	-	-	-	-
Employee engagement at the end of the period, %	-	-	-	-	-	-	-	-	-	5	≥ 60	completed
GCC good governance index	-	-	-	-	-	-	-	-	-	5	≥ A	completed

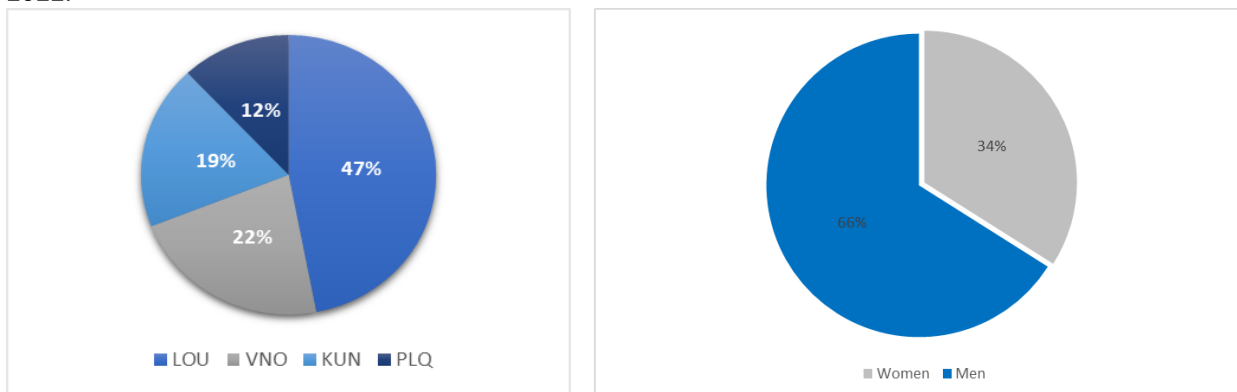
* The values of the indicators are indicated cumulatively from the beginning of the year.

**The indicator is considered to be partially fulfilled, taking into account the fact that the documents were submitted late.

***The indicator is considered fulfilled after taking into account the fact that the indicator was not reached due to the consequences caused by the geopolitical situation, which the company could not influence.

In SE Lithuanian Airports in 2022 December 31 the actual number of employees (excluding those on childcare leave) was 569, which is 13.53 percent more compared to the same in 2021 period (492 in 2021). In 2022 the average number of employees increased by 6.31 percent to 555 (520 in 2021).

CHART 10. Actual number of employees by Company structural divisions and Gender distribution in the year 2022.



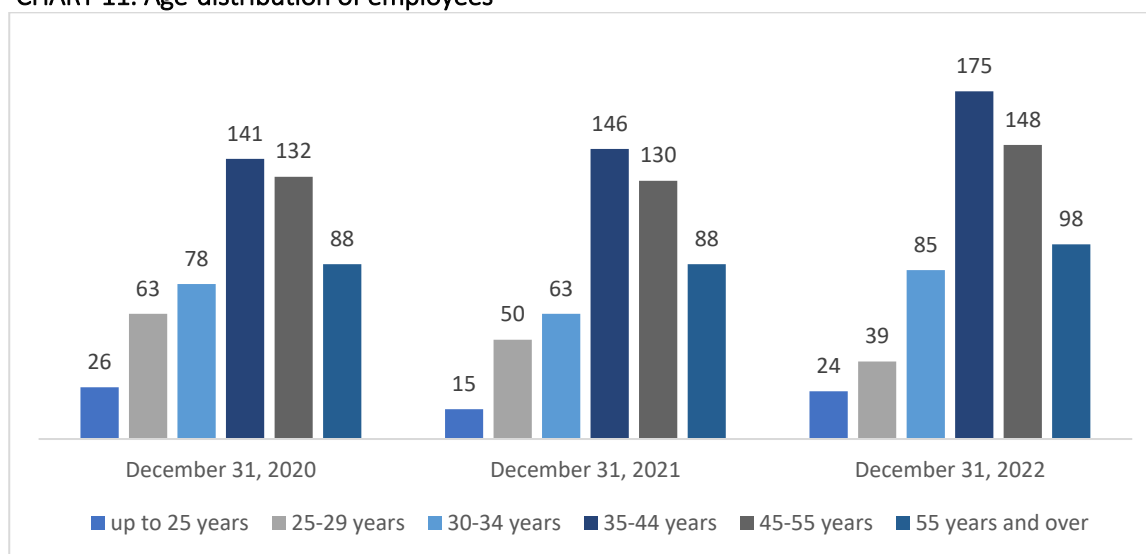
In 2022, the actual number of male employees increased by 11,73% (from 331 to 375) and the actual number of female employees increased by 17,01% (from 161 to 194), with a change of 1% in the distribution of actual employees on 31 December 2022 compared to the same period in 2021, with men accounting for 66% of the actual workforce, and 34% of the actual workforce.

TABLE 21. Comparison of the actual number of employees

Branch	31 December 2020	31 December 2021	31 December 2022
LOU	257	218	270
VNO	110	113	124
KUN	101	102	107
PLQ	60	59	68
Total in the Company	528	492	569

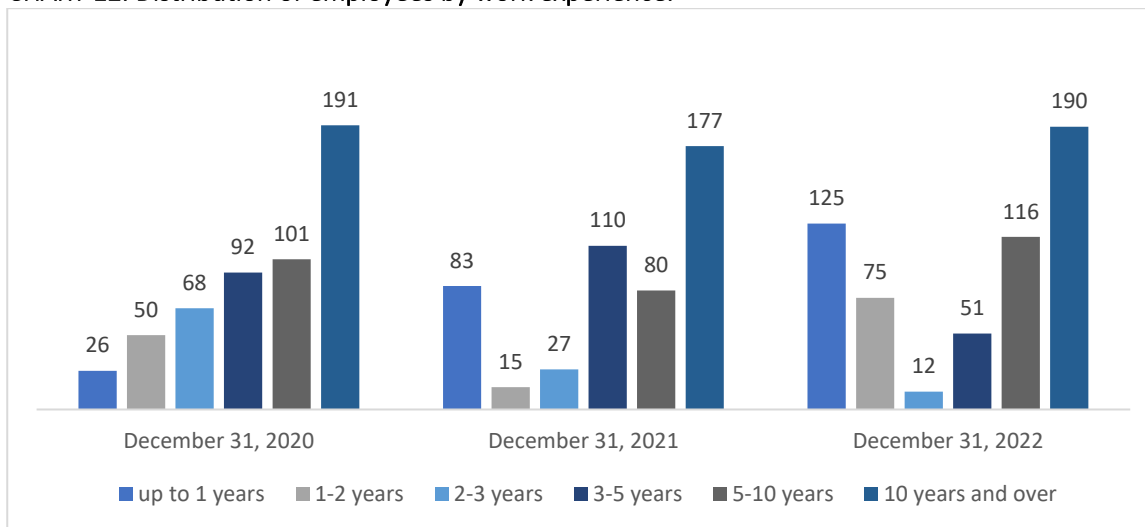
The majority of employees in the Company are 35-54 years old, while on 31 December 2022 the total part of employees in this age group was 56.8 percent (on 31 December 2021 — 56,1 percent). The number of employees in the 25-29 age group decreased the most, when comparing the data as of 31 December 2022 to the same period of 2021, their number decreased by 22 percent.

CHART 11. Age-distribution of employees



On 31 December 2022, 33,39% of employees are with more than 10 years of employment (34,76% in 2021), while those with less than 1 year of employment accounted for 21,97% (16,87% in 2021).

CHART 12. Distribution of employees by work experience.

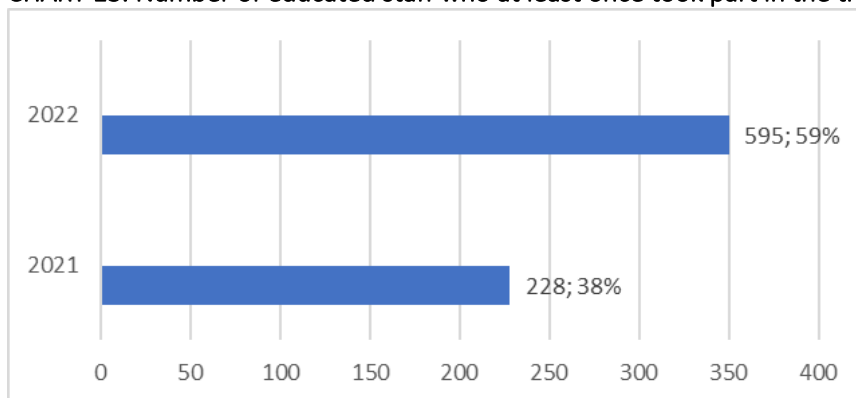


The SE Lithuanian Airports employee education policy is designed to ensure that the employees have the necessary knowledge and skills necessary to achieve the Company's goals. Taking into account the Company's strategic directions, the focus is on training in the following areas:

- 1) Customer service — to ensure the same quality of service and satisfaction of passengers at all airports;
- 2) Effective management (Lean, process management, etc.) — in order to improve the Company's activities and expand the services provided;
- 3) Sales — towards a consistent growth of the airport network;
- 4) Leadership — achieving mutual value between employees and the creation of the Company.

Employee education is planned both by participating in external events in Lithuania and abroad, as well as by strengthening internal resources of the Company — internal lecturers, and e-trainings.

CHART 13. Number of educated staff who at least once took part in the training (number, percent)



In 2022 the number of educated employees who participated in training at least once is higher than in 2021. In total during 2022 the number of educated employees who participated in training at least once was 595 (which is 59 percent of the company's average number of employees in that year), respectively, during 2021. – 228 employees (which is 38% of the company's average number of employees that year).

10. Main results and financial indicators describing the Company's activities

In 2022 there was a recovery of revenues compared to 2021.

CHART 14. Evolution of aviation revenue 2010-2022, thousands Eur

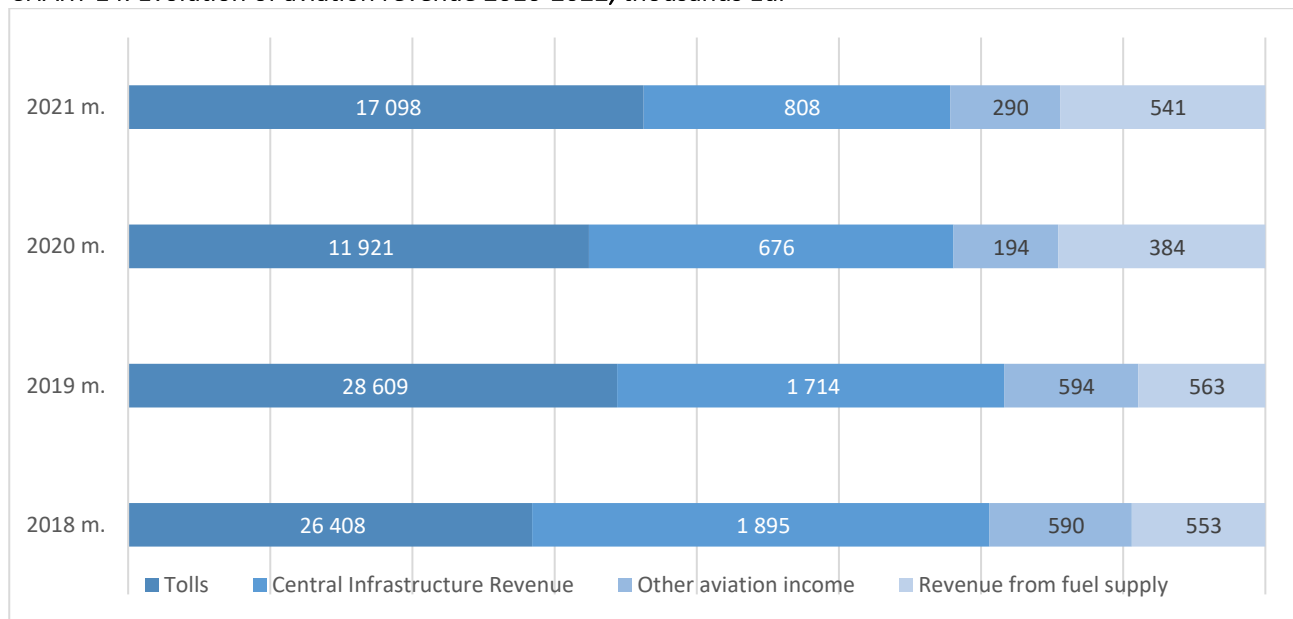
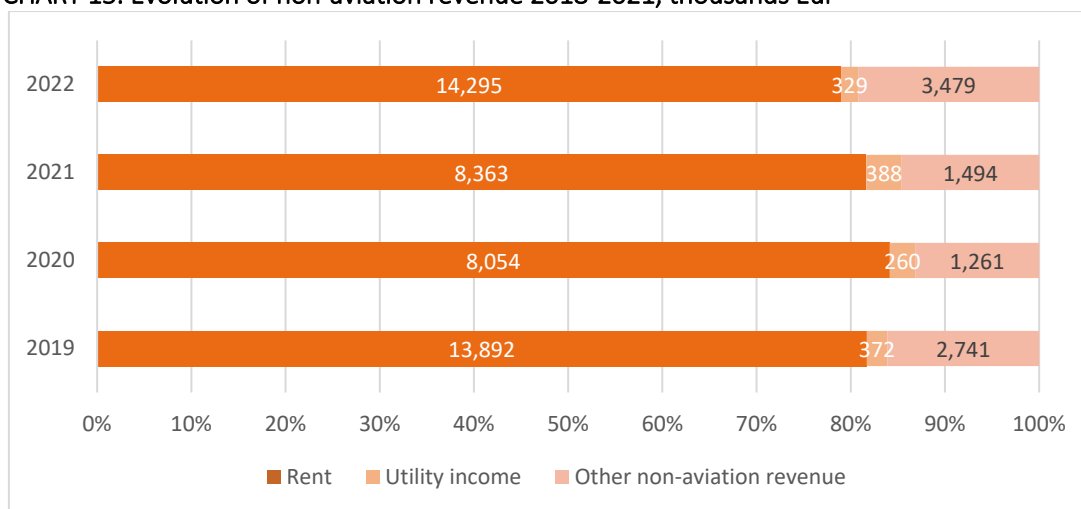


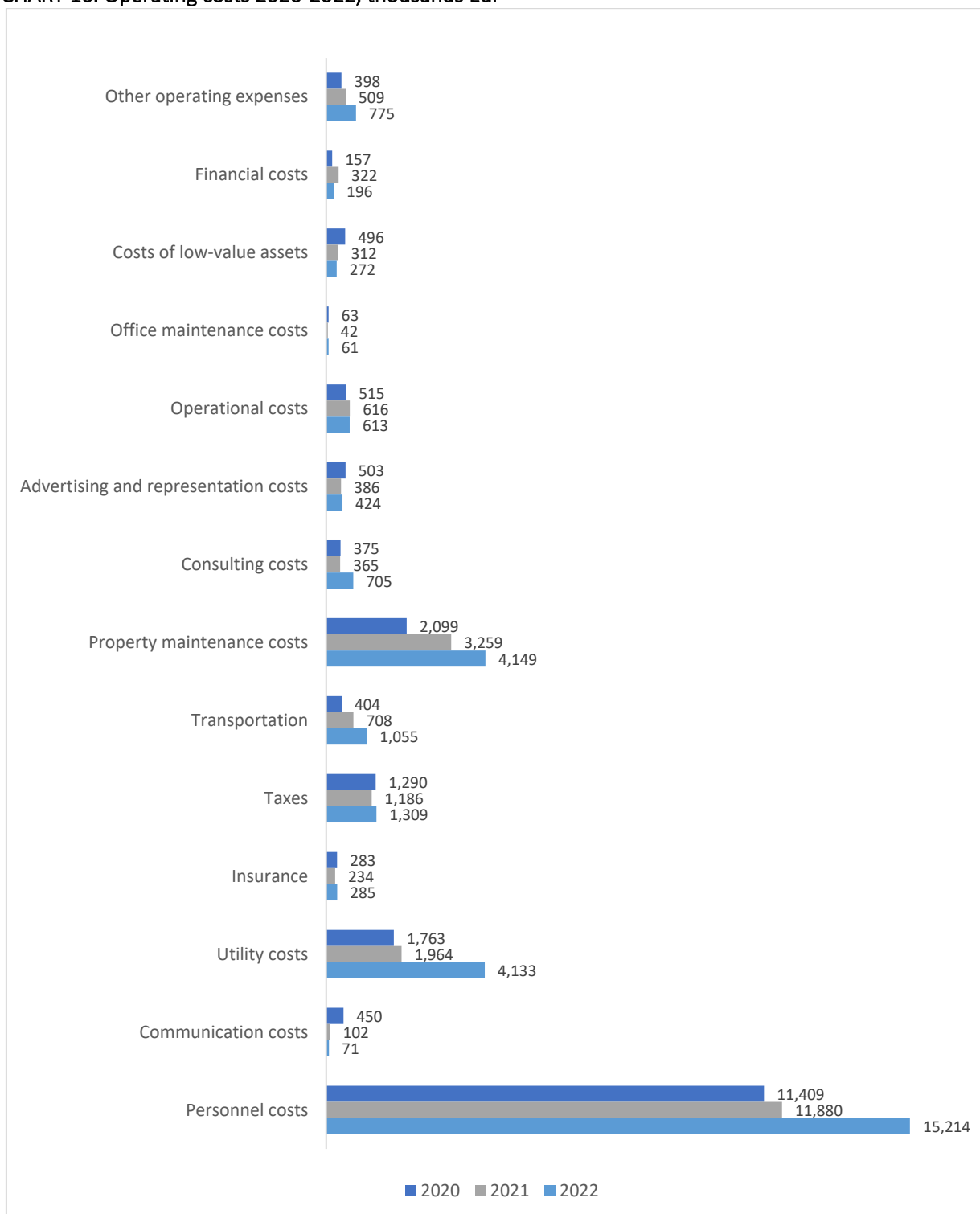
CHART 15. Evolution of non-aviation revenue 2018-2021, thousands Eur



SE Lithuanian Airports conducts constant control of budget execution, carefully monitors the execution of the plan and takes steps to ensure that the planned costs are not exceeded. In 2022, when the economic situation changed significantly and supply chains were disrupted, the company had to review the plan and foresee higher costs for energy resources, personnel, reducing volumes in other cost groups (property maintenance, etc.). Considering faster than planned revenue growth, the company did not reduce necessary costs. This cost growth trend continues in 2023.

Detailed information on the distribution and change of individual cost groups during 2020-2022 is provided.

CHART 16. Operating costs 2020-2022, thousands Eur



1. Staff retention in 2022: compared to the previous year, the company's staff retention costs increased by 23 percent. This was due to the Company's recovery after the pandemic and the increase in the number of employees and the return of the variable part of the remuneration. The relative share in the total operating costs of the Company increased - 51.9 percent.
2. Energy and utilities: due to the rise in prices in the market, a continuous increase in these costs is observed. We are looking for various energy saving solutions that will be relevant in future periods as well.

3. Asset maintenance: taking into account the increased volume of activities compared to earlier periods, asset maintenance costs increased in order to ensure the proper functioning of the infrastructure. .
4. Taxes: the company has almost no influence on the line of tax expenses. Due to the higher property value, only the State property use tax increased in the general group of tax expenses.
5. Advertising and representation costs: 2022 these costs increased by 10 percent, because in 2021 they were restricted.
6. Transport costs: 2022 transport costs increased due to increased fuel prices.
7. Operating costs: 2022 these costs remained at a similar level. It should be noted that limited traffic service costs, which make up 80-90 percent of these groups of costs, are limited by contractual fixed obligations.
8. Consultancy services: more funds are allocated to various business and legal consultations for the implementation of projects and outsourcing part of the tasks.
9. Costs of low-value assets: this part of costs consists of property (inventory) rent, low-value assets and work clothes, uniforms. in 2022 these costs were lower due to lower demand for facilities.
10. Office expenses: 2022 office maintenance costs have increased due to the increased number of employees and decreasing remote work.

10.1. The company's main financial indicators and their analysis

The table below shows the main financial indicators of SE Lithuanian Airports and their changes over 4 years.

TABLE 22. Key financial indicators.

Indicator	Calculation		2019	2020	2021	2022	2021/2022 change
Revenue, thousands Eur	Gross enterprise income, including financial and other operating income		48 486	22 219	29 139	44 708	53%
Aviation income, thousand Eur	Total revenues related to aviation activities		31 480	13 175	18 737	26 553	42%
Non-aviation and other operating income, thousands Eur	Total non-aviation and other activities-related revenues		17 006	9 045	10 402	18 155	75%
Operational costs, thousand Eur	Costs related to the management, administration, organization of sales, etc.		25 779	20 167	21 885	29 271	34%
Total costs, thousands Eur	Total Company costs, including depreciation, financial operating costs		32 570	28 092**	29 724	41 531	40%
EBITDA, thousands Eur	Profit before interest, taxes, depreciation and amortization		22 707	2 052	7 212	15 438	114%
EBITDA margin, percent	Profit before interest, taxes, depreciation and amortization] / [income]		47 %	9 %	25 %	35 %	10 p.p.
Net profit (loss) Eur	Net profit of the Company after tax		13 627	(4 652)	(703)	3 185	553%
Profitability of operations, percent.	Operating Profit (EBIT)/Income		33 %	(103) %	(3,6) %	11,95 %	16 p.p.
Net profitability, percent.	Company net profit after tax / income		28 %	(88) %	(3,93) %	7,12 %	11 p.p.
Return on assets, percent.	Net profit (loss) after tax/ assets		6,91%	(10,48) %	(0,5) %	1,4 %	2 p.p.
Liquidity, generation	Current (short-term) assets / Current (short-term) liabilities		1,98	0,96	1,41	1,9	0,49 times
Return on equity, percent.	Net profit (loss) after tax/ own equity		10,22 %	(15,51) %	(0,86) %	2,5 %	3 p.p.
Asset turnover, generation	Sales revenue		0,25	0,12	0,13	0,19	0,06 times

Turnover of fixed assets, generation	Sales revenue / fixed assets		0,28	0,13	0,14	0,22	0,08 times
Debt to equity ratio	[Long-term financial debts + short-term financial debts]/[own equity]		10%	20%	30%	28%	2 p.p.
Own equity-to-assets ratio	Own equity /total assets		0,69	0,62	0,55	0,55	0
Debt to EBITDA ratio*	(Amounts payable and liabilities – cash and cash equivalents)/EBITDA		0,33	12,38	0,01	1,71	1,7 times
Profit tax, thousand Eur	Income tax		2 289	748	(49)	(1862)	3341 %
Dividends, EUR	Dividend amount accrued and paid		-	1	4 mln.	2,5 mln.***	

* the amount of grants related to assets is eliminated from the total amount of liabilities.

** after restoring the results of asset depreciation

*** It is planned to assign a profit contribution.

In 2022 The company's financial indicators compared to 2021 were getting better. Income grew by 53% or EUR 15,570 thousand. The growth of both aviation and non-aviation revenues was influenced by increased flights and passenger flows. Operating costs also increased accordingly (34%), this was due to the recovery after the pandemic - the increase in the number of employees and the return of the variable part of the remuneration - and the increased prices of utility services. As revenue growth was higher than operating costs, LTOU's EBITDA also grew by 114%. The company ended 2022 profitably - earned 3.18 million EUR of profit, when last year in 2021 suffered 0.7 million EUR loss. For this reason, the balance sheet indicators were significantly better: return on assets increased by 2 p.p., return on equity by 3 p.p., debt to EBITDA ratio by 1.7 times.

11. Annual income and costs statement in respect of services for reduced mobility and disabled passengers

Pursuant to Article 8 (6) of 5 July 2006 Regulation No 1107/2006 of the European Parliament and of the Council on the rights of disabled persons and persons with reduced mobility when travelling by air, SE Lithuanian airports conducted an overview of the fee collected by persons with reduced mobility and the costs associated with this assistance.

The special fee for financing the aid applies to all VNO air carriers and is paid for each departing and arriving passenger, except for transit passengers and children under two years of age.

Air carriers operating scheduled flights from/to VNO and/or having existing aviation services agreements with the airport shall pay their charges on a monthly basis directly to the airport on the basis of an invoice issued on the basis of the operations provided to the Accounting section of the Operational control group data.

In their accounts, SE Lithuanian airports have separated their activities, including activities related to assistance to disabled persons and persons with reduced mobility (hereinafter referred to as RJA). Accounting has separate accounts: income and expenses from income and expense accounts of other activities. In 2022 LTOU received EUR 446,742 in income for activities related to assistance to disabled persons and persons with reduced mobility.

Under the direction of the General Director in 2017 January 13 approved order no. 1R-9 SE Lithuanian Airports provides aviation and non-aviation services (hereinafter - the Service) in Vilnius, Kaunas, Palanga airports (hereinafter - the Airports) in the course of its activities, and incurs costs related to the provision of Services and their improvement. In order to separate the income and expenses of the services provided at the airports and their departments, the Service, denoted by the activity code, and the structural unit, denoted by the division code, are indicated in the LOU Accounting system. For each service, there must be a systematic, clear and transparent allocation of income and costs, which allows determining the rates of the Airport Services, monitoring the profitability of the Services, and making operations more efficient.

Methods of attributing income and expenses to the Services:

Direct assignment - the assignment of department and activity code is done by submitting documents (invoices (invoices), certificates on assignment and allocation of costs, etc.) to the accounting department.

Indirect allocation - allocation of indirect costs according to the "discovered relationship", i.e. cost drivers between the Service and costs while maintaining the principles of objectivity, causality, constancy, and transparency.

This procedure provides for the principles of direct attribution of income and costs and the principles of indirect attribution of costs to Services in accordance with the recommendations of the International Civil Aviation Organization (ICAO's Policies on Charges for Airports and Air Navigation Services, Doc. No. 9082) on the determination of airport charges, including the linking of charges to costs principles.

Direct and indirect costs are assigned to each service:

$$Service = TS + \sum (NS_n * N)$$

S — Airport costs incurred by providing the Service in question and depreciation of investments in connection with the provision and improvement of the service

TS — directly attributable costs in the accounting system

NS — indirect costs attributable to cost centers

n — cost center allocated to RGSL and other activities: ADMIN

N — cost driver

In the table 23 below, we provide detailed information on the costs incurred for servicing persons with reduced mobility and persons with disabilities at Vilnius Airport.

TABLE 23. Revenue and costs of VNO for servicing reduced mobility and disabled passengers during 2022

	Direct	Indirect	Total
IT costs	193,33	435,74	629,07
Office maintenance costs		579,34	579,34
Work tools and low-value inventory	3 273,82	445,25	3 719,07
Personnel expenses		104 786,00	104 786,00
Other operating expenses	-218,19	2 400,44	2 182,25
Tax expenses		9 128,11	9 128,11
Operational costs	573 658,33	32 550,81	606 209,14
Purchased services	3 644,18	13 920,23	17 564,41
Financial and investment costs		2 753,04	2 753,04
Depreciation	2 233,75	19 448,94	21 682,69
Income taxes		10 754,28	10 754,28
Total cost	582 785,22	197 202,18	779 987,4
Income	447 007,69		447 007,69
Profit (loss)			332 979,71

VNO purchases services for reduced mobility and disabled passengers from outside in accordance with the contractual fixed monthly contributions. Meanwhile, the fee is calculated on the basis of the projected passenger traffic and the methodology for setting the fee approved by the General director of the airport. In 2022, RJA activities incurred a loss of EUR 332.979,71. Since the methodology for the provision of the service fee ensures that in the long term the airport is not able to make a profit or suffer a loss from these activities, the full result of these activities will be transferred to the calculation of the fee for the next few years.

12. Overview of the Company's activities performance and development

12.1. Material resources, infrastructure

The material resources of the Company that are used to achieve the goals and objectives of the Company are fixed assets of the enterprise, consisting of intangible assets and tangible assets: land, buildings and structures, vehicles, machinery and equipment, investment assets, other assets. LOU's tangible fixed assets will represent on average 99% of the total value of fixed assets managed by the Company in 2021-2024.

The main part of the fixed assets managed by LOU consists of land plots, terminals, Airside structures, administrative premises and parking lots. The capacity and existing resources of airport infrastructure are detailed in the table below.

TABLE 24. LOU Infrastructure capacity and existing resources

Capacities	Measurement units	VNO	KUN	PLQ
Number of runways	pcs.	1	1	1
Total runway area	m ²	165 150	189 600	102600
Total area of the platform	m ²	365 700	229 950	70194
Number of aircraft spaces	pcs.	54	24	15
Total area of passenger terminals	m ²	34 742	7 327	4710
Total area of administrative buildings	m ²	1 500	6 314	392
Number of maximum runway operations	operations/hour	26	18	12
Annual capacity of terminals	million passengers/year	3,5	0,8	0,33
Number of registration tables	pcs.	28	9	6
Number of climbing gates	pcs.	10	4	4
Number of inspection lines	pcs.	8	4	2
Verification throughput	passengers/hour	1050	640	208
Capacity of baggage transportation and inspection system	pcs/hour	900	720	120
Arrival baggage conveyors handing over	pcs.	5	1	2
Arrival baggage conveyor system capacity	pcs/hour	1 350	1 200	2x120
Number of short-term, long-term and commercial parking spaces (after assessing competing Companies)	pcs.	2010 + 1848**	1063 + 300**	398
Land plots managed by trust right	pcs.	6	2	2
Land plots managed by trust right	ha	343,1	437,8	161,3

* PLQ administrative premises are located in the passenger terminal building

** With surrounding competitors

LOU technological infrastructure is located in three branches of the Company. VNO is a central data center which is connected via a common computer network. The technological infrastructure consists of about 100 information systems, about 200 units virtual and about 18 units of physical servers, about 100 units of network equipment and about 350 computerized workstations.

Taking into account the planned and ongoing development of the airport infrastructure and the changing needs and habits of passengers, as well as the activities of competitors and the stricter requirements of the authorities regulating the activities of airports, public procurements were carried out for the development of some essential technologies (departure baggage management system VNO, EDS devices, C3 devices with box return conveyors) these systems will ensure the needs of interested parties, respond to expectations and expand the possibilities of provided services. Innovative technological solutions at the stage of planning and procurement will allow offering new services (e.g. independent baggage drop-off system VNO) to passengers and will contribute to the proper implementation of the strategic goals of LTOU.

Currently, the VNO airport reconstruction program is being implemented, the duration of which is up to 10 years. The existing infrastructure is not adapted to the current passenger flow and does not meet the minimum passenger experience indicators, which are critical in order to expand Lithuania's accessibility map by attracting new airlines and new destinations and maintaining passenger growth opportunities. Also, due to the tightening of safety requirements, it is necessary to update the baggage transportation and its inspection systems, which do not fit in the premises of the current terminal. Table 25 below presents a comparison of the current situation at Vilnius Airport with the International Air Transport Association (IATA) quality standard.

TABLE 25. VNO throughput limits

Indicators	Current situation	IATA Quality standard	Goal value
Registration tables (units)	28	30	35
Aviation security and service area (sq. M/person)	0,65	1,00	1,20
Inspection lines (units)	8	-	14
Passport control and departure service area (sq. m./person)	0,89	1,00	1,05
Passport control and arrival service area (sq. m./person)	0,54	1,00	1,15
Capacity of baggage transportation and inspection system (pcs./hour)	900	1427	1500
Aircraft parking facilities for larger aircraft (units)	28	-	36
Embarking/disembarkation sleeve (units)	6	-	7

After the implementation of the reconstruction program, IATA quality standards will be achieved and the necessary infrastructure capacity will be ensured during peak periods.

13. Analysis of environmental factors

13.1. Risk and risk management

The LTOU's management is responsible for an effective risk management system and provides the essential foundations for communicating and setting the LOU's strategy and objectives. The purpose of the risk management system is to timely identify events and changes that may have a negative impact on the achievement of strategic and operational goals, and to prepare appropriate countermeasures. It takes into account all aspects of business activity - economic, ecological and social. The risk management policy regulates the general principles of risk management in the LOU and the tasks and responsibilities of the functionaries involved in risk management. LOU chose to apply the "three lines of defense" model, which clearly defines the responsibilities for risk management and control. The risk management model was prepared by applying the most appropriate principles and best risk management practices in accordance with ISO 31000:2018 (Risk management - Principles and guidelines) and the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission) system, which is defined as culture, opportunities and a practice integrated with strategy setting and performance that an organization relies on to manage risks to create, preserve and realize value, and which focuses significantly more specifically on examining the LOU risk management process. This model distinguishes five elements of internal control assessment:

- Leadership and culture
- Strategy and goal setting
- Activities
- Monitoring and reviewing results
- Communication and accountability

The risk management process consists of the following steps:

- Risk identification
- Risk assessment
- Preparation of a risk management plan
- Risk monitoring.

Risk management in 2022 was carried out in accordance with the established risk management plan. Weak places were identified, a plan for changes in the risk management system was prepared in order to increase the maturity of the organization in the field of risk management.

14. Significant events after the end of the financial year

14.1. Strategic objectives 2023-2026

In 2023 February 8 strategic operational plan of the period 2023-2026 was approved by order of the Minister of Communications of the Republic of Lithuania. The strategic goals to be achieved by the company and their measurement indicators were determined:

TABLE 26. Strategic goals 2023-2026

Strategic directions	Strategic goals	Indicators ^[1]	Units of measurement of indicators	The intended meaning				Responsible for implementation
				2023 P	2024 P	2025 P	2026 P	
Increased accessibility to inbound passenger traffic and passenger ***** (five star) experience (passengers)	To offer a competitive network of destinations and a variety of services and attentive service	Number of directions	Vnt.	100	108	115	120	Head of Aviation Services Department
		ASQ ^[2]	Proc.	3,95	4,00	4,00	4,2	General Director
		Rate of airport-loyal passengers (NPS promoters) ^[3]	Proc.	58	58	60	64	General Director
Sustainable returns from developing the necessary airport infrastructure with a clear financing model (for the shareholder)	Develop safe and efficient infrastructure	EBITDA margin	Proc.	≥28	≥36	≥38	≥42	Director of the Finance Department
		EBITDA	Mln.	≥14.21	≥22	≥25	≥31	Director of the Finance Department
		Energy efficiency index	Electricity consumption per passenger, kWh	1,88	1,63	1,48	1,38	Operations and Infrastructure Department
		Income	mln. Eur	50,6	61,8	66,8	75,1	Director of the Department of Commerce Aviation Services Department
		Financial debt to equity ratio	Coef.	1-1,5	1-1,5	1-1,5	1-1,5	Director of the Finance Department
		General level of safe operation ALoSP ^[4]	Perc.	≥87,17	≥88,17	≥89,17	≥90,17	Director of Safety and Security Department
		Aviation security level ALoSecP ^[5]	Perc.	≥82,95	≥83,95	≥84,95	≥85,95	Director of Safety and Security Department
Motivate and internationally recognized competence colleagues (colleagues)	Act with unity and ambition in managing different partnerships	Employee Engagement Index	Perc.	65	67	69	70	General Manager, Head of the Personnel and Administration Department

		Ensuring the qualifications of employees [6]	Perc.	100	100	100	100	Head of the Personnel and Administration Department
		Diversity and Inclusion Indicator	Perc.	≥77	≥79	≥81	≥83	Head of the Personnel and Administration Department
Attractive to market leaders and implementing mutually beneficial business models (partners)	To be open and impartial in creating an attractive environment for business	Partner satisfaction index ("smooth cooperation is taking place, ratings 4 and 5 on a 5-point scale)	Perc.	77	79	80	80	Director of the Department of Commerce
		Ratio of aviation to non-aviation revenue	Perc.	59	64	63	58	Director of the Department of Commerce Aviation Services Department
		Number of passengers	Mln.	5,9	6,8	7,5	8	General Director Head of Aviation Services Department
		CSR and sustainability report	Grade	A+	A+	A+	A+	General Director, Head of the Communications Department
		Effects of noise [7]	Km2	VNO ≤1,23/5,24 KUN ≤0,62/1,23 PLQ ≤0,51/1,45	VNO ≤1,23/5,24 KUN ≤0,62/1,23 PLQ ≤0,51/1,45	VNO ≤1,23/5,24 KUN ≤0,62/1,23 PLQ ≤0,51/1,45	VNO ≤1,23/5,24 KUN ≤0,62/1,23 PLQ ≤0,51/1,45	Director of Operations and Infrastructure Department
Increased public support as a key driver of the economy (society)	To be the wings of Lithuania's growth and prosperity							

[\[1\]](#) Each indicator has an equal weight proportionally when assessing the achievement of the goal.

[\[2\]](#) A comparative qualitative study organized by the Airport Council International, which measures the level of passenger satisfaction, is carried out by interviewing departing passengers on the basis of 55 standardized questions (measurement will take place only if there is an opportunity to allocate a budget for measurement services).

[\[3\]](#) The indicator of passengers loyal to airports is a study based on the methodology of the international customer recommendation index (Net Promoter Score), conducted by interviewing departing passengers on the basis of one question - How inclined are you to recommend our company to your friends or colleagues? Rate on a scale of 0-10, where 0 is "I definitely wouldn't recommend" and 10 is "I would recommend".

[4] Monitoring of safety activities is a process during which the effectiveness of the Company's safety activities is verified in comparison with the general safety policy and objectives. Safety performance efficiency is defined as the level of safety performance in accordance with the established performance targets (SPT - Safety Performance Target) using safety performance indicators (SPI - Safety Performance Indicator). The effectiveness of safety activities reflects the ability to effectively manage the risks associated with activities at the aerodrome. The goals and indicators of safety activities are determined based on statistical data of past accidents, incidents and identified unsafe conditions at the aerodrome. Safety activity goals and indicators are set for such areas of activity where there is a tendency to increase the risk level of identified hazards. The Company's overall acceptable level of safety performance (ALOSP - Acceptable Level of Safety Performance) is the derivative average of the safety level of all branches (VNO+KUN+PLQ/3).

[5] Aviation Security activity monitoring is a process during which the effectiveness of the Company's aviation security functions is checked according to the established aviation security program. The effectiveness of aviation security activities is defined as the level of security activities in accordance with the set activity goals (SPT - Security Performance Target) by applying aviation security performance indicators (SecPI - Security Performance Indicator). The effectiveness of aviation security activities reflects the ability to effectively manage risks and emerging threats in the field of aviation security. Aviation security performance objectives and indicators are determined based on the results of quality control inspections and tests. The objectives and indicators of aviation security activities are determined according to the seven separate activity groups identified in the aviation program. The Company's overall acceptable level of aviation security performance (ALoSecP - Acceptable Level of Security Performance) is the derived average of the aviation security level of all branches (VNO+KUN+PLQ/3).

[6] Ensuring the competences required by the company to perform tasks, in accordance with the established responsibilities and both international and national requirements imposed on the company (implementing projects for certification compliance, training, improvement of the education system, etc.

[7] The indicator reflects the record number of flights in 2019. The size of VNO, KUN and PLQ supernormal noise zones (in which the day/night permissible noise level is exceeded), which is calculated by modeling, using actual annual data on the number of flights and trajectories. The aim is to keep the zones the same size or achieve a reduction even as the number of flights increases.

14.2. Business continuity

As the company recovers from the pandemic period and passenger traffic grows, financial and operational areas have been identified that are important for continued business continuity and growth. Judging by post-pandemic growth rates, 2019 are considered reference and comparative years - the entire aviation sector aims to return to this year's performance. At the same time, the economic situation, the impact of the war in Ukraine, disruptions in supply chains and other negative factors caused the company's costs to grow in 2022. It is planned that their total growth will be over 20 percent in 2023 as well, considering the changes in wages, the influence of inflation, and the increase in activity volumes. Therefore, effective cost management and optimization remains one of the most important business continuity priorities for the company.

AVIATION ACTIVITY

In 2019 The COVID-19 pandemic has substantially affected the aviation sector worldwide. IATA (International Air Transport Association) announces that in 2023 positive returns are expected to prevail in the aviation industry. According to the data and forecasts of the international aviation industry organizations IATA and ACI Europe, the return of international passenger flows to 2019 level is expected in 2024-2025 depending on the continent. A faster recovery was observed in Europe in 2022 after the restoration of connections with strategically important airports in the first quarter, when the COVID-19 restrictions were fully lifted.

After the lifting of travel restrictions and the resumption of pre-pandemic flights, low-cost airlines restored flights to the most profitable destinations, while national airlines of other countries, receiving funding from their governments, primarily sought to ensure the accessibility of their countries by air. Taking this into account, the main tasks are planned to fully restore communication at Lithuanian airports, focusing on returning the supply volumes of traditional airlines and maintaining the aviation activities of low-cost airlines:

1. Strategic restoration of important areas, attraction of new areas, their development and maintenance. Improving the accessibility of Lithuania by air to ensure direct connections (flights) between Lithuania and the main financial and tourism centers in Europe. Formation of a favorable Lithuanian investment, international trade, and inbound tourism environment. In 2023 it is planned to reach 91 percent of passenger traffic which was in 2019.

2. Restoration of aviation income, which would cover the company's fixed and variable costs necessary for the operation. The growing number of flights and passengers will ensure a higher demand for the services of all business entities operating in the field of civil aviation and, accordingly, the revenues of these entities. The aim is to earn almost 27 million EUR of aviation revenue in 2023, which would mean 94 percent of 2019 aviation revenue level.
3. Additional financing, increasing the flight promotion portfolio. To achieve this goal, existing promotion programs and mechanisms could be used and, considering the regulation of the Republic of Lithuania and the EU, new mechanisms could be adapted, as well as support from partners. Additional funding is vital to encourage airlines to open and develop strategically important routes. SE Lithuanian Airports would develop and apply these measures in cooperation with other interested parties: "Invest in Lithuania", "Travel in Lithuania", the Ministry of Communications of the Republic of Lithuania, the Ministry of Economy, and Innovation of the Republic of Lithuania, GO Vilnius, Kaunas IN, Association of Municipalities of the Klaipeda Region, etc. organizations.

With the successful application of these mechanisms, it is likely that the consistent growth of passenger traffic will be maintained, and supply will be ensured, which would lead to a full recovery of 2019 level. This is an important investment for the full recovery and development of the country's economy, as the aviation sector has a direct impact on the Lithuanian economy. Especially for direct foreign investments, tourism, production (export) sectors and international business opportunities. According to the International Airports Council (ACI Europe), Lithuanian airports contribute 2.5 percent to Lithuania's GDP.

COST OPTIMIZATION

During the post-pandemic period of activity growth and increasing market prices, it is particularly important to optimize costs. To ensure financial sustainability, the following steps will be taken:

- Planned sustainable, gradual increase in personnel costs.
- Energy efficiency measures to manage energy costs.
- Reduction of variable costs while increasing fixed costs.
- Implementation and development of automated tools for monitoring costs in real time.

MAINTAINING EBITDA LEVEL in 2023

- pursue sustainable business continuity while maintaining the competitiveness of airports.
- Positive EBITDA is important to ensure a minimum financial capacity to finance necessary investments and operations.
- The financial capacity of the LOU is severely reduced, which requires State support and additional funding, the use of loans from institutional banks.

DEVELOPMENT OF FREIGHT INFRASTRUCTURE AND AIRCRAFT REPAIR INDUSTRY (MRO)

To attract investors to Kaunas airport, during 2022-2024 period LOU, plans to continue active sales activities of plots adapted to the development of the aircraft repair industry in 2020. Currently, there is one free plot (MRO infrastructure development project implemented in 2020) where an aircraft repair hangar can be located. Attracting the first aircraft painting hangar to the airport will aim to further expand the competences of the country's MRO industry in the field of basic aircraft maintenance services, which include the maintenance and repair of aircraft fuselages, engines, landing gear and components. The company will continue to strive for the development of MRO services and the creation of an MRO cluster at Kaunas Airport.

The development of cargo transportation infrastructure is also planned at Vilnius and Kaunas airports, land plots will be offered to investors, which will allow carrying out air cargo transportation activities, ensuring convenient distribution of cargo by land transport. Also, negotiations are underway with cargo airlines to increase the volume of transported cargo at Lithuanian airports.

To develop cargo transportation activities, the possibility of developing the development with logistics companies already developing activities at LOU airports will be additionally evaluated. The added value created by this partnership for the LOU and compliance with regulatory legislation will be analyzed.

HUMAN RESOURCES

Retention of key human resources:

- the available competences are evaluated and their importance both for ensuring daily operations and for the implementation period of the recovery plan and for the further activities of LTOU.
- after compiling a list of critical positions, it will be aimed to ensure the replaceability of these positions, by preparing a reserve of replaceability and internal candidates, and by preparing talent development plans.

Maintaining and increasing employee engagement:

- continuous communication with employees about decisions and planned changes is maintained.
- great attention is paid to maintaining employee engagement and motivation: events are organized in a virtual environment to strengthen the sense of team; middle and top management meetings are organized in order to clarify areas for improvement in the field of human resources management; trainings aimed at strengthening the emotional health of employees are organized.
- In 2022, an employee engagement study was carried out, areas for improvement were identified and actions to increase employee engagement were implemented - updating the reward development policy and promoting internal careers.

To empower employees, their participation in the management of the company is strengthened: they are given greater responsibilities in the operational processes of LTOU, in budget management, and they are involved in making important decisions.

In 2022, changes in the organizational structure of LTOU were implemented to make the Company's management more efficient, to ensure the continuity of operations, taking into account the return of activity volumes.

From 2022 March 7 the following changes in the organizational structure of LTOU were implemented:

The Legal, Personnel and Administration Division was abolished: the Legal Division and the Personnel and Administration Division were established. The change was implemented with an increase in the number of projects to ensure efficient operation of legal, personnel and administration areas.

The Legal Department was attached to the Department of Finance and Administration.

The Personnel and Administration Department was placed under the direct authority of the Director General.

From 2022 August 1 the following changes to the organizational structure of LTOU were implemented:

The Department of Safety and Security has established a Prevention Department to systematize processes and ensure the timely implementation of personnel, transaction and investor verification procedures, ensure cyber security and information security, increase corruption prevention and anti-corruption awareness, and administer classified information.

The Personnel Management Group, the Administration Group and the Training and Development Group were established in the Personnel and Administration Department. The change is carried out when there is a need to strengthen the administration and control of the functions performed in the department. The structuring of functions helped to implement the areas for improvement clarified During the employee engagement

survey in 2021, and to ensure effective activities in the areas of personnel management, administration and training and talent development.

In the Department of Finance, the Department of Economic Analysis and Public Procurement was abolished: the Department of Economic Analysis and Planning and also the Department of Public Procurement were established to refine and develop competences and ensure proper management of functions. In this way, the field of economic analysis of the company is strengthened, because it is difficult to find and attract managers with competences in both areas in the market. Preparing for growth and restoring the company's operations to pre-pandemic levels.

The Communications Department was placed under the direct authority of the Director General.

Within the Department of Operations and Infrastructure, the Technology Development and Support Division was abolished: a Technology Development Division and a Technology Support Division were established to separate the different activities and ensure proper leadership of the functions. In this way, the field of technological project management competences of the company was strengthened, and the aim was to ensure higher quality technology support and supervision.

15. Sustainability

15.1. About the sustainability report

The LTOU Sustainability Report is an annual overview of the Company's activities and achievements in the environmental, social and governance (ESG) fields. The report is prepared for the first time in accordance with the Global Reporting Initiative (GRI) standards, the latest 2021 version. The sustainability report is part of the 2022 Annual activity reports of LTOU.

The company's annual activity report together with the Sustainability report is first approved by the board, then it is submitted to the shareholder for approval. The annual activity report is reviewed by an independent auditor, but not audited. This report has been prepared in consultation with external experts and provides the best data available for publication.

The information presented in the report complies with the requirements for the social responsibility report of the Republic of Lithuania and the European Commission's guidelines for non-financial reporting. In the sustainability report, we present our contribution to achieving the Sustainable Development Goals of the United Nations and in accordance with the principles of the Global Compact.

In this report, the terms "sustainability" and "coherence" are used interchangeably. In the LTOU Sustainability Policy, "sustainability" is defined as a compromise between the environmental, economic and social goals of society, creating opportunities to achieve global well-being for current and future generations, within the permissible limits of environmental impact (according to the National Sustainable Development Strategy, approved by the Government of the Republic of Lithuania).

15.2. Harmony in the Company

PRINCIPLES AND OBLIGATIONS OF SUSTAINABILITY

In our activities, we are guided by the principles of sustainability accepted at the international level. We adhere to the 2016 October 31 adopted **Airport sustainability declarations** signed together with other international airports: Chicago, Dallas, Rome, Amsterdam Schiphol, New York John F. Kennedy (JFKIAT), London Heathrow, London Gatwick and others. The main ambition of this declaration is to strengthen the system of sustainable and resilient airports worldwide through cooperation, transparency, innovation and engagement.

In 2022 The main principles of our sustainable and responsible activities are established and announced in the approved LTOU Sustainability Policy:

- When forming the LTOU Sustainability Strategy, we are guided by the Company's vision, mission, values and strategic goals.
- We implement the sustainability strategy in three areas of sustainability - **environmental, social and economic** - and aim to contribute directly to the implementation of the **Sustainable Development Goals**.
- We adhere to the **10 principles of the Global Compact** in the areas of human rights, workers' rights, environmental protection and anti-corruption.
- We contribute to the implementation of the **European Green Course, the Paris Agreement, and the "Net zero" initiative of European airports** until 2050. reduce net CO2 emissions to zero. We are committed to 2030. to become climate neutral by assessing emissions to the environment from operations we can control (Scope 1 and Scope 2).
- In order to make our operations climate neutral, we follow the **Airport Carbon Accreditation (ACA)** program of Airport Council International for the assessment of CO2 emissions and aim to go through all the steps up to the highest level "Neutrality" - zero emissions from operations that can be controlled airport through a compensation mechanism.
- We include **stakeholders** in the process of developing the Sustainability Strategy, considering their needs and expectations.

EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

The European Union Taxonomy (Taxonomy Regulation, 2021/2178) is a classification system for sustainable economic activities that aims to direct private investment into environmentally sustainable activities, helping Europe's green course to become the first climate-neutral continent. The Taxonomy Regulation sets out evidence-based criteria for assessing the sustainability of activities. Only the activities of those companies that fall into the list of the taxonomy and meet the criteria provided by it in terms of turnover, capital investment and operating cost indicators can be classified as sustainable and attract green investments.

In 2022 we have started intensive preparatory work for the disclosure of Taxonomy-related information, but this annual activity report (together with the sustainability report) for 2022 at the time of publication, we did not yet have sufficiently detailed and accurate information for disclosure in the annual report. In order to assess and integrate sustainable economic activity into the Company's strategy and reports, preparatory work and the preparation process are conducted.

In the process, we have started and plan to take the following steps:

1. We identify the taxonomic economic activities of the Group.
2. We evaluate activities according to the criteria of significant contribution to environmental protection goals.
3. We assess whether there is no significant harm (Do no significant harm, DNSH) for other environmental purposes.
4. We ensure the necessary protective measures.
5. We calculate the main financial performance indicators.

Analyzing and disclosing our income, investments and expenses according to the criteria defined in this regulation will help to ensure even more transparent and comparable information about the sustainability of our activities to stakeholders. We plan to start reporting full compliance with the Taxonomy Regulation from 2023 sustainability reports.

SUSTAINABILITY MANAGEMENT

Management of the company's environmental, social and economic impact is supervised by the Board. The Board considers and approves the draft of the strategic operational plan prepared by the top-level managers (Management), including objectives related to sustainability, and submits a conclusion to the Ministry of Transport. In 2023 it is planned to consider the action plan for strengthening LTOU's sustainability practices and its implementation every quarter at the Board meetings.

Responsibility for sustainability in daily activities and the preparation of sustainability reports is assigned to the head of the communication department, and the coordination of each priority sustainability topic is assigned to the responsible employees. Half-yearly, annual activity and sustainability reports are presented to the Board, current issues of sustainability management are discussed during monthly Board meetings. The Corporate Sustainability Report is integrated into the annual and activity report, which is first approved by the Board and then by the Ministry of Communications.

The Board can be informed about critical problems related to the integrity of the Company during regular meetings of the Board and during informal weekly meetings of the Board and the General Director. In 2022 there were no critical problems of great concern in the Company.

STAKEHOLDER ENGAGEMENT

Engaging stakeholders and fostering good relations with them is the basis of our operational strategy. The main stakeholders of LTOU are **customers, shareholder, partners, colleagues, society**. For the successful implementation of our strategy, it is extremely important for us to comply with our obligations towards these countries, to respond to their needs and expectations. The Cohesion Strategy, and thus the content of this report, is structured around key themes of interest to stakeholders. More information on stakeholder engagement is available on our [website](#).

By what means is information provided to interested parties:

TABLE 27. Stakeholder engagement

Stakeholders	Initiative/Measure	Frequency	Expectations
SHAREHOLDER	Meetings	Regular	<ul style="list-style-type: none"> • Greater accessibility of Lithuania by air transport • A more competitive investment environment • Airport infrastructure planning and development • Quality of customer service • Development of non-aviation services • Social responsibility and employee engagement • Innovation, digitization, coherence • Transparency and risk management • Leadership and collaboration • Change of legal form • Good governance
	Information letters	Every week	
	Reports	According to the need	
	Other	According to the need	
	Newsletters	Once a month	<ul style="list-style-type: none"> • Smooth operation • Fulfillment of obligations
	Events	Periodiškai	
	Messages - letters	Every week	

PARTNERS	Conference/Route Development Forums	According to the need	<ul style="list-style-type: none"> • Strengthening the skills of specialists • Necessary infrastructure and services are ensured • Financial support • Transparency • Operational support and information • Open, proactive communication • Energy efficiency • Security • Sustainable development • Image of the employer • Health and competencies of employees • Financial support (avia partners)
	Airport Users Committee	According to the need	
	Other	According to the need	
COLLEAGUES	Legal Department Newsletter	Once a month	<ul style="list-style-type: none"> • Motivation • Communication with colleagues • Meaning at work • Image of the employer • Emotional health • Competence development and career opportunities • Fair salary • Efficient operation
	Monthly staff meeting	Once a month	
	Lounet (internal intranet)	According to the need	
	Internal events	According to the need	
	Training	According to the need	
	General e-mail post office	According to the need	
	Dictionary	Periodically	
	Screens		
	Notice boards	According to the need	
	Other	According to the need	
CLIENTS	Website	According to the need	<ul style="list-style-type: none"> • Service quality • Communication • Adequate infrastructure • Security
	Media	According to the need	
	Social networks	Every day	
	LinkedIn Ambassadors	According to the need	
	Events	According to the need	
	Newsletters	Once a month	
	Call center	Every day	
	Message channel	According to the need	
	Screens	According to the need	
	Audio messages	According to the need	

	Information stands	According to the need	
	Handouts	According to the need	
	Other	According to the need	
SOCIETY	Website	Every day	<ul style="list-style-type: none"> • Noise reduction • Open two-way communication • Voluntary return • Reliable information • Cooperation • Availability of company representatives • Value to the economy
	Media	According to the need	
	Social networks	Every day	
	Ambassadors	According to the need	
	Conferences	According to the need	
	Events	According to the need	
	Message channel	According to the need	
	Marketing campaigns	According to the need	
	Other	According to the need	

SUSTAINABILITY RISKS AND THEIR MANAGEMENT

TABLE 28. Sustainability risks and their management

Risk	Risk management tools
Violations of legal acts regulating environmental protection	<ul style="list-style-type: none"> • We constantly monitor indicators of compliance with environmental requirements and apply corrective (preventive) measures as needed • We devote sufficient resources to the implementation of environmental requirements
Increasing importance of the topic of environmental protection in society	<ul style="list-style-type: none"> • In the Environmental Protection Strategy of LTOU, we have planned to achieve more than compliance with the minimum requirements of legal acts • We spread environmental protection ideas in the organization based on examples of good practice in other airports • We agree on the terms of the Environmental Protection Strategy and Action Plans
Limited financial resources for environmental projects	<ul style="list-style-type: none"> • We consider and evaluate the possibilities of using the support of EU funds for the implementation of environmental protection measures • We integrate environmental solutions into ongoing development projects • When proposing projects, we make forecasts of possible financial and non-financial value
Limited human resources for environmental projects and/or staff turnover	<ul style="list-style-type: none"> • We evaluate the scope of the planned activities and the human resources required for the implementation of the activities • We encourage the involvement of all employees of the organization in the implementation of the environmental protection strategy

	<ul style="list-style-type: none"> In the virtual space, we store environmental information and copies of relevant documents accessible to responsible employees of LTOU branches
Incidents of discrimination based on race, gender, religion, age, etc.	<ul style="list-style-type: none"> In the company, we initiate internal initiatives to promote diversity and inclusion We create and develop an ambassadorship program
Incidents of corruption or conflict of interest	<ul style="list-style-type: none"> We are running an educational program for identifying corruption We conduct surveys of employees' perception and tolerance of corruption
Dissatisfaction of surrounding communities due to aircraft noise	<ul style="list-style-type: none"> We perform noise monitoring We conduct education and communication to communities regarding aircraft landing trajectories We communicate more actively about applied environmental protection measures
Non-compliance with agreed noise reduction measures (engine testing, entry directions, etc.)	<ul style="list-style-type: none"> We monitor the applied noise and/or noise reduction procedures during the approach and departure of the aircraft We monitor the ground noise reduction procedures applied We signed a cooperation agreement on noise management with JV "Oro navigacija" We analyze noise maps annually and apply corrective actions We monitor aircraft routes and operations, record violations We participate in the territorial planning procedures of the city of Vilnius.

ASSESSMENT OF SIGNIFICANCE OF SUSTAINABILITY TOPICS

Significance matrix

The materiality matrix, prepared based on the GRI standard, presents the main themes of LTOU's sustainability in order of priority - economic, social and environmental aspects, which are most important to our stakeholders and which have the greatest impact on our activities. It is important to emphasize that all cohesion topics on the importance map are important, and giving them a medium importance does not mean that we will not put effort into fulfilling topics in this category.

We performed the following steps to identify and prioritize sustainability topics:

- We reviewed international trends, good foreign practices in our sector.
- We evaluated the current activities of LTOU in the field of sustainability, positive and negative impact on the environment and society.
- We performed an analysis of stakeholder expectations.
- We organized special strategic sessions with LTOU's internal experts and management.

In 2022 we have revised the main sustainability themes to further define each theme and reflect the impact associated with it. From the significance matrix, we removed one of the least important topics, "Reducing the negative impact on biodiversity". To date, LTOU's activities have not been identified as having a significant negative impact on flora and fauna, and individual aspects related to this topic (noise, impact on soil and water bodies) are discussed in the report in the context of other significant sustainability topics.

In 2023 we plan to conduct surveys of interested parties and update the arrangement of topics in the significance matrix based on them.



ENVIRONMENTAL PROTECTION	SOCIAL AREA	ECONOMIC AREA
5. Reduction of GHG emissions 11. Promoting the circular economy 13. Soil and water conservation and waste water management	4. The physical and emotional health of employees is improved 6. Noise reduction 8. Proactive communication 9. Strengthening the welfare of employees 10. Diversity and inclusion are fostered 12. Strengthening relations with neighboring communities	1. Increasing communication with transit airports 2. Cultivating safety culture and ensuring safety 3. Improved customer experience 7. The infrastructure is being expanded harmoniously 14. Green public procurement is ensured

MAIN TOPICS OF SUSTAINABILITY

After performing the analysis, we identified 14 main topics of environmental protection, social and economic sustainability that are most significant in the Company's activities. The management principles of all significant sustainability topics are described in accordance with GRI requirements in this report, in the chapters arranged by topic.

These themes form the basis of our Sustainability Strategy. After identifying the principal areas of impact of our activities, we analyzed and selected those Sustainable Development Goals (Sustainable Development Goals) to which we can contribute the most in each area. The Sustainable Development Goals are a universal set of aspirations that indicate the direction of global economic, social and environmental development until 2030.

Our sustainability strategy and the policies we follow [are made public](#).

TABLE 29. Description of coherence themes

Topic	Description	Relevant Sustainable Development Goals
AREA OF ENVIRONMENTAL PROTECTION		
Reduction of GHG emissions	Limiting and reducing the impact on climate change and the environment through a "Net zero" strategy that includes Scope 1, Scope 2 and Scope 3 emissions. This aspect of coherence is of particular importance to all stakeholders.	11, 13, 8, 9, 12
Promoting the circular economy	Circular economy airports: projects or initiatives that reduce waste generation, encourage sorting, recycling and reuse.	11, 12, 13
Soil and water conservation and wastewater management	Soil and water quality monitoring and wastewater treatment and monitoring.	11, 12, 13
SOCIAL AREA		
Noise reduction	Continuous noise monitoring and noise reduction measures.	8, 9, 11
Proactive communication	There are two types of communication: <ul style="list-style-type: none"> • regulatory: it is ensured that airports comply with all the requirements for public companies for information disclosure; • proactive: different communication tools are used so that relevant and additional information reaches all interested parties. 	8, 11
Enhancing employee well-being	Creating a relationship between employees and the organization based on partnership and care: improving the reward policy and adaptation process, developing competences, promoting internal careers and engagement, etc.	5, 8, 10, 11
The physical and emotional health of employees is improved	Attention to the safety and health of employees, additional benefits are provided: medical solutions, additional vacation days, promotion of physical activity, etc.	3, 8
Diversity and inclusion are fostered	Creating an inclusive environment that respects the diversity of people, fosters an equal and non-discriminatory approach based on age, gender, nationality, religion, sexual orientation or any other aspect that differentiates others, and ensures human rights.	8, 10, 5, 11
Strengthening relations with neighboring communities	Tools that help build and strengthen relationships with communities located near airports and manage challenges arising from neighborhood activities.	8, 11
INCREASING COMMUNICATION WITH TRANSIT AIRPORTS		
Connection with transit airports is increasing	Increasing the supply of flight routes, increasing the number of passengers and developing air connections between Lithuania and the largest transit airports	8, 9, 11
A safety culture is developed and safety is ensured	Creating and ensuring a safety culture and safe environment for all stakeholders. This includes not only aviation safety and security, but also anti-corruption environment and ethical conduct, operations management, cyber security, national	3, 8, 11, 16, 17

	security, personal data security, information security, emergency management, etc.	
Improving customer experience	Initiatives, measures or projects to improve the customer experience based on more coherent solutions.	3, 11, 13
The infrastructure is expanding harmoniously	Development of infrastructure based on sustainable solutions in order to increase airport throughput and minimize damage to the environment and stakeholders.	8, 9, 12, 13
Green public procurement is ensured	When making purchases, environmental and social sustainability criteria are applied to goods and services.	16, 9, 11

ASSOCIATIONS AND ORGANIZATIONS

We pursue the LTOU's sustainability goals with the help of various partners and organizations with whom we share good practices. We communicate with the following associations and organizations:

TABLE 30. Associations and organizations

Diversity Charter	A non-governmental organization that unites private, public and non-governmental sector organizations that strive to create an open and inclusive work environment and strengthen their social responsibility. We conduct a Diversity and Inclusion survey with this organization and share good practices.
National Association of Responsible Business (LAVA)	An association that unites companies and organizations seeking to implement and follow the principles of sustainable development. We consult with LAVA and share good practices.
Airport Council international (ACI)	An organization that helps airports achieve sustainability goals through the Airport Carbon Accreditation (ACA for short) program.
Food Bank („Maisto bankas“)	A charity and support fund that collects food aid and distributes it to organizations that care for the underprivileged. In Vilnius airport, due to aviation safety standards, the items left by travelers in the contents of hand luggage are not thrown away, but are selected and handed over to needy people through the "Food Bank".
Sopa	A social employment agency with which we consult regarding the employment and integration of people with special needs.
Office of the Equal Opportunities Ombudsman	It is an independent state institution, one of whose goals is to ensure compliance with equal opportunities for women and men and the prohibition of discrimination against individuals enshrined in the Equal Opportunities Law. We consult with the council and share good practices.
Association of Personnel Management Professionals	A public organization uniting Lithuanian personnel professionals, which aims to raise the level and efficiency of personnel management in Lithuania. We consult with the association and share good practices
National Institute of Social Integration	An organization that creates and applies social innovations that help integrate people from various vulnerable social groups in a multifaceted society. We have signed a free cooperation agreement with this institute regarding parking at the terminals, providing services to passengers with disabilities.
Social taxi	A unique service that helps ensure the organization of trips for people with disabilities to places of economic and social employment. We have signed a free cooperation agreement with "Social taxi" regarding parking at the terminals, providing services to passengers with disabilities.
Order of Malta Help Desk	A charity organization with which we have signed a non-remunerated cooperation agreement regarding car parking at the terminals, providing services to passengers with disabilities.

Bail system administrator	A non-profit organization, the main purpose of which is to perform the functions of the deposit system administrator, as provided for in the Packaging and Packaging Waste Management Act. The institution administers the deposit for disposable packages, providing catering services for VIP terminal and Business Club passengers.
Caritas of Vilnius Archdiocese	An organization that provides social assistance, to which we hand over passengers' belongings and within 6 months. unclaimed but still usable items.
ACI World	Airports International Council, which conducts a passenger satisfaction survey and a program for sharing good practices, in which since 2016 Vilnius Airport is participating.

15.4. Environmental protection area

Our main sustainability topics covered in this section are:

1. **Reduction of GHG emissions**
2. **Promoting the circular economy**
3. **Soil and water conservation and wastewater management**

The following topics are included in the LTOU:

- Environmental protection strategy for 2018-2028.
- [Strategic activity plan](#) for 2023-2026.
- Strategy until 2030.

Airports are an object of strategic importance, therefore, in our activities, we comply with strict environmental protection requirements stipulated by the legislation of the Republic of Lithuania and the European Union, as well as international standards applied to our industry. While developing our activities, we aim to identify and manage the Company's impact on the environment, create a responsible Company culture and strategically address environmental challenges: increase operational efficiency, save resources and seek new solutions involving stakeholders.

STRATEGIC ENVIRONMENTAL INDICATORS

Our main document for environmental impact management is the internal Environmental Strategy 2018-2028, which is focused on the globally recognized Airports Council International (ACI) Sustainability strategy. Our Environmental Strategy covers 5 activities from the environmental (climate change, resources, water and biodiversity) and social (noise) impact areas of the "balanced business model" declared in the ACI Sustainability Strategy. From 2019 we track and publish information on environmental performance indicators in sustainability reports that are consistent with ACI's Sustainability Strategy indicators. Environmental protection is a very broad field that includes many aspects of airport operations, so quite a number of indicators are monitored in Lithuanian airports. The main ones are presented in the table, and further on in this section the indicators of the GRI standards are presented.

TABLE 31. Strategic environmental indicators

LTOU ENVIRONMENTAL KPI (corresponding to ACI Sustainability Strategy KPIs)	VNO				KUN				PLQ			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
CLIMATE CHANGE												
CO2 emissions (Scope 1 and Scope 2), t	6 987	1 061	3 586	is being clarified	1 873	457	1 988	1 554	512	111	516	is being clarified
CO2 emission (Scope 1 and Scope 2) per passenger, kg CO2/passenger	1,40	0,81	1,89	is being clarified	1,61	1,24	4,1	1,34	1,51	0,9	6	is being clarified
Percent of green energy in total energy consumption	0	66 %	100 %	is being clarified	0	66 %	100 %	is being clarified	0	66 %	100 %	is being clarified
RESOURCES (WASTE)												
Waste generation, kg/passenger	0,072	1,79	0,12	0,072	0,306	4,38	0,58	0,26	0,148	1,24	0,42	0,154
Amount of recycled/recycled waste in the total stream, %	13	19,6	20,3	21,1	1,5	9,6	3,82	7,67	38	14,5	6,33	20,2
WATER												
Water consumption, m3/passenger	0,017	0,121	0,019	0,017	0,011	0,077	0,019	0,010	0,013	0,03	0,019	0,009
NOISE (AND COMMUNITY QUALITY OF LIFE)												
The number of people living in residential buildings falling within the zone of excessive noise	~414	0	~168	is being clarified	0	0	is being clarified	is being clarified	0	0	0	is being clarified

Area of abnormal noise zones (day/night), km ²	1,23/5, 24	0,24/0, 39	0,8/3, 46	1,16/5, 78	0,62/1, 23	0,46/1, 12	0,51/1, 21	0,57/1, 63	0,51/1, 45	0,223/0,9, 48	0,21/0, 84	is being clarified
Number of noise complaints	12	2	4	1	0	0	0	2	0	0	0	1

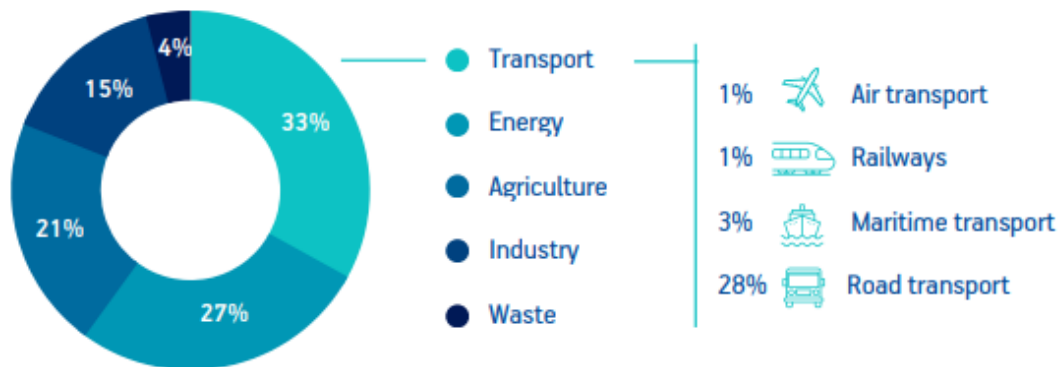
Note: at the time of publication of the sustainability report in 2022 the data needed to calculate the CO₂ footprint was not yet available, we will provide it in the next report.

Due to the COVID-19 crisis, most of the 2020 presented in the table indicators are not representative and should not be evaluated. This particularly concerns the indicators linked to the number of passengers (waste generation in kg/passenger, water consumption in m³/passenger, kg CO₂/passenger) - because after its drastic decrease, the values of the indicators increased significantly. On the other hand, the noise indicators are directly related to the number of flights, when it decreases, the number of excessive noise zones and the number of buildings falling into them decreases, as well as noise complaints. In 2021, compared to 2020, the number of flights increased, so the areas of abnormal noise were also larger. 2021 should also be critically evaluated. Indicators related to the number of flights and passengers, as the volume of activity was low in the first half of the year.

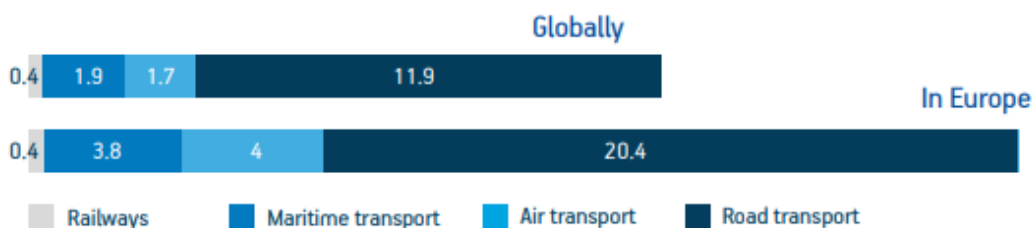
REDUCTION OF GHG EMISSIONS

The increasing concentration of greenhouse gases (hereinafter - GHG; CO₂) in the atmosphere and the climate change caused by it is one of the main global problems of this century. Although the aviation sector currently accounts for only 2% of GHG emissions on a global scale. of all GHG emissions, and on a European scale - only 3.7 percent. (airports – even fewer), the aviation sector is expected to continue to grow. According to some insights, aviation CO₂ emissions could increase by another fifth before starting to decline. The aviation industry consists of several closely related participants: airports, airlines, air navigation service providers, ground handling organizations. It is necessary for all participants in the sector to make a coordinated and joint effort in order to meet the highest climate impact requirements, to avoid various threats of activity restriction and to meet public expectations. Airports in the aviation sector are the connecting links on which the activities, initiatives, technologies and infrastructure choices of other participants in the sector depend.

GHG emissions in Lithuania by economic sector



Transport's share of GHG emissions



Therefore, we distinguish two areas in the management of this topic. The management of the first area, which includes the sources of Scope 1 and Scope 2 GHG emissions emitted by our operations, is directly dependent on our choices and decisions. The second area, which includes the GHG emissions of our operating partners (Scope 3), is not directly dependent on us, but we can have a significant influence in this area as well: involve partners in various initiatives (e.g., regarding the sustainable use of aviation fuel), provide for certain obligations in contracts with suppliers.

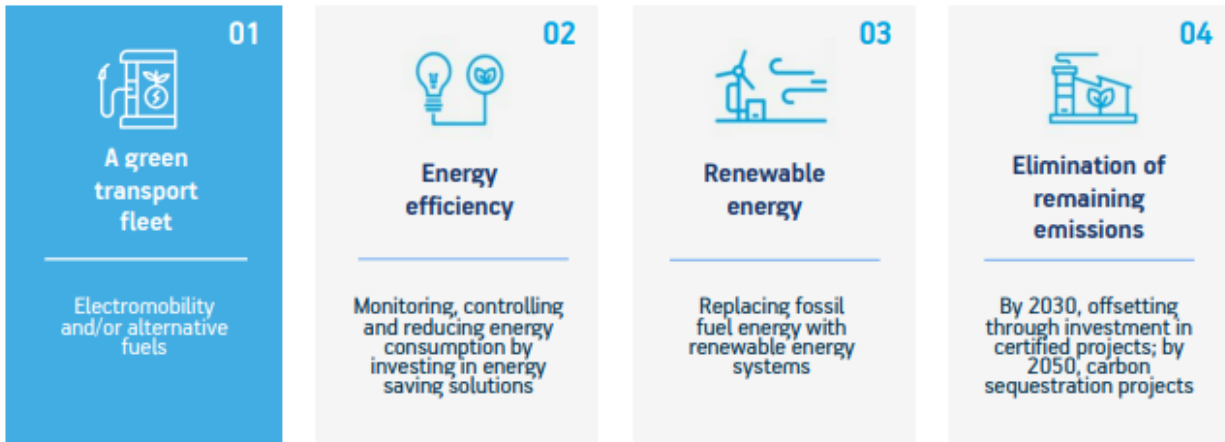
We associate our goals with 2015. According to the **Paris Agreement** and 2019 **European Green Deal** (European Green Deal), and in 2021 we joined the **"Net Zero" initiative of European airports**, by which 235 European airports committed to achieve zero greenhouse gas emissions by 2050 at the latest.

Achievements in 2022:

- 2022 we prepared the "Net zero" strategy of Lithuanian airports. The strategy provides for our main goals for reducing the impact on climate change: by 2030 to achieve climate neutrality by 2050 – zero GHG emissions (*net zero*). In 2023 we will prepare a plan for the implementation of the "Net zero" strategy, in which we will name specific projects, their deadlines and the necessary investments. We will pursue the goals in accordance with the requirements of the ACA.

The basis of the net zero strategy:

The basis of our Net Zero strategy:



- According to the ACA program, in 2022 in September, VNO moved to the third stage of the international program, which is called "optimization", and KUN and PLQ to the second stage - "reduction" (the program consists of 6 stages in total). In order to reach the higher stages of the program, we set CO2 reduction targets for all three airports and developed CO2 reduction plans (in addition to the VNO - and stakeholder engagement plan). Specific projects and initiatives are described in CO2 reduction plans.

2015 m.	2019 m.	2022 m.	2030 m.	2050 m.
Vilnius Airport started participating in the "Airport Carbon Accreditation" (ACA) program	Kaunas and Palanga airports also joined the first level of the ACA program	LTOU "Net zero" strategy prepared*	LTOU - climate neutral	LTOU's GHG emissions are net zero

*The strategy was approved in January 2023

The main program we follow when calculating and reducing GHG emissions is the “[Airport Carbon Accreditation](#)” (ACA) program developed specifically for airports and globally recognized, implemented by the Airport Council International (ACI). To meet the requirements of the program, we submit annual reports and prepare CO2 reduction plans. At least every 2 years, our GHG emissions calculations are verified by a certified program assessor.

Our GHG (CO2) emissions footprint

GHG emissions		VNO			KUN			PLQ		
	Matavimo vnt.	2021	2022	Change from 2021 ¹	2021	2022	Change from 2021 ¹	2021	2022	Change from 2021 ¹
Direct (Scope 1) emissions	t CO2 ekv.	671	<i>is being clarified</i>	<i>is being clarified</i>	669	<i>is being clarified</i>	<i>is being clarified</i>	206	<i>is being clarified</i>	<i>is being clarified</i>
Indirect (Scope 2) emissions ²		2915	<i>is being clarified</i>	<i>is being clarified</i>	1319	<i>is being clarified</i>	<i>is being clarified</i>	311	<i>is being clarified</i>	<i>is being clarified</i>
Other indirect (Scope 3) emissions ²		29887	<i>is being clarified</i>	<i>is being clarified</i>	n/a	n/a		n/a	n/a	

Notes: ¹ Base year: According to the ACA program, the "Base" year is set as the starting point for setting CO2 reduction targets, and can be any year in which the data has been verified by a certified assessor. The first base year for VNO was 2017; in 2022 the CO2 reduction plan was updated, choosing 2021 as the new base year. The base year of KUN and PLQ is 2021.

²Scope 2 and Scope 3 Calculated using the "market based method", based on actual energy purchases. When calculating by the "geographical method", i.e. according to the country-specific nature of energy production, in 2021 Scope 2 GHG emissions of the company would be VNO: 753 t CO2 eq.; KUN: 88.5 t CO2 eq.; PLQ: 20.8 t CO2 eq.; Scope 3 VNO would be 26998 t CO2 eq.

The calculated emission amounts include not only CO2, but also other greenhouse gases (CH4, N2O) prevailing in the activity, converting them into CO2 equivalent according to standard coefficients.

At the time of publication of the sustainability report in 2022 the data needed to calculate the CO2 footprint was not yet available, we will provide it in the next report.

Methodology for calculating GHG emissions

When calculating our CO2 footprint, we follow the **ACI** methodology and accounting tool **ACERT**, based on the accepted standard "Greenhouse Gas Protocol (GHG)" and the guidelines of the Intergovernmental Panel on Climate Change (IPCC).

The scope 3 emissions calculation includes the following types of activities: 1) aircraft takeoff-landing cycle up to 1000 m altitude, taxiing, use of auxiliary power plants, servicing, etc.; 2) ground handling operations (passenger transportation at the airfield, de-icing operations, baggage unloading, etc.); 3) e-mail used by tenants energy and heat; 4) business trips of LTOU employees; 5) ground connection with the airport; 6) waste management.

Scope 2 emissions of biogenic origin (e.g. from burning biofuel) are not excluded in LTOU: VNO purchases all heat energy from centralized heat networks, KUN and PLQ have their own boilers fired with natural gas. We do not have data on Scope 3 emissions of biogenic origin, but the main polluters use mostly fossil-based fuels (aircraft - aviation fuel; ground handling companies - diesel and gasoline).

We used emission factors (EFs) and global warming potentials (GWPs) provided by ACERT for our calculations. *Scope 2* energy EF source: [AIB European Residual Mixes](#) (calculated according to the "market method" the emission factor is equal to 384.50 g CO2/kWh, according to the "geographic method" - 25.8 g CO2/kWh). When calculating the amount of CO2 emissions from thermal energy production, the EF is calculated based on the latest available data for 2019 data. We divided the total amount of CO2 emitted by the centralized heating supply system of the city of Vilnius (provided in [APVA](#) reports) by the 2019 of supplied heat - 2,752,000 MWh. The resulting EF is equal to 0.1 kg CO2/kWh.

A reduction in GHG emissions has been achieved since the beginning of the calculation

VNO's first GHG emission reference ("base") year was 2017, KUN and PLQ emissions began to be calculated from 2018. In 2021 The reduction of GHG emissions was evaluated in comparison with the first accounting year (when the first data were collected), - 2021 will be considered the base year from now on. Until 2021 The reductions presented in the table were achieved due to successfully implemented fuel-saving, energy efficiency-increasing initiatives at the airports, by increasing the amount of green energy used.

Reduction of GHG emissions		VNO	KUN	PLQ
	Unit of measurement	Change 2017–2021	Change 2018–2021	Change 2018–2021
Direct (Scope 1) emissions	t CO2 eq.	-19	-62	-78
Indirect (Scope 2) emissions		-1177	-31	-56

Notes: The data was calculated according to the "geographical method" (English location based method).

Main areas and means of reducing greenhouse gas emissions

- **Transport park.** Every three years, we conclude a new lease agreement for fuel-efficient and hybrid M1, M2 and N1 category vehicles, and we gradually replace the vehicles and equipment used at special purpose airfields with new ones. Our CO2 footprint has decreased by 147 t after renewing our vehicles.
- **Fire drills.** For a long time, a mixture of kerosene and water was used during fire drills, and we used about 400 liters of kerosene every year. From 2021 we started using smoke charges or smoke generators during fire drills. This made it possible to reduce CO2 emissions by 6 t per year.
- **Lighting systems.** Since 2017 we run the Lighting Systems Efficiency Program. We started using LED lamps for the lighting of the platform and aircraft stands in part of VNO. During the reconstruction of the runways at VNO and PLQ, we installed new LED signal lights, which reduce CO2 emissions by 35 t and 13.5 t respectively per year. During 2020-2021 it was possible to achieve that about 97% of all the premises under the administration of VNO, KUN and PLQ airports use LED lighting.
- **Green energy.** We installed a 25 kW solar power plant on the roof of the VNO VIP terminal, which provides about 14% of the VIP terminal's energy needs, and in 2021 made it possible to save 0.6 t of CO2 emissions. 2021-2022 We installed 9 new underground electric power plants (GPU) in place of diesel ones at VNO, and 7 at PLQ, which helped to reduce the emissions released due to the electricity supplied while the aircraft are parked. At KUN, 9 out of 24 aircraft parking lots are also electrified.
- **Energy efficiency.** We regularly conduct energy consumption audits of buildings and facilities every 4 years. VNO and KUN are equipped with building management systems that help to efficiently manage energy use. Implemented decisions in 2018-2019. VNO allowed to save 392 MWh of thermal energy, and in 2021 – 2,414 MWh of electricity, and reduce the CO2 footprint by as much as 1,222 t.
- **Rolling paths.** VNO's upgraded taxiways allowed to shorten each aircraft taxiing operation by 2 minutes. This will make it possible to significantly reduce the CO2 emissions released during aircraft taxiing.

Planned GHG reduction measures until 2030:

Scope 1:

- **Transport park.** We rent M1, M2 and N1 category cars for three years. With each lease renewal, we will increase the number of hybrid and electric cars, until by 2030 all cars in these categories will be electric. We will gradually upgrade special vehicles and equipment (fire trucks, tractors, snow plows, lawn mowers, etc.), choosing the most sustainable alternatives available on the market.
- **GPU.** Until 2025 We will be replacing 8 VNO mobile diesel GPUs with electric ones.

- **Thermal energy.** In 2022 we stopped the use of one of the powerful, but inefficient KUN boilers, cutting off the heating in non-intensively used KUN farm buildings (garages, storage rooms), and installing air-to-air heat pumps in other buildings. We plan to do the same in the fire rescue council building. In 2023 we plan to replace the gas boilers of the administrative and old terminal with new, efficient ones that save at least 5% of gas. At PLQ, we are planning to update the heating system by installing air-to-air heat pumps in some of the rooms.
- **Green gas.** For KUN and PLQ heating, we plan to use gas from renewable energy sources, the origin of which is confirmed by the guarantee of origin.
- **Development of the electric car charging network.** By 2025 we will install a charging station with a total capacity of 1.08 MW on the territory of the VNO airfield for the charging of passenger electric buses; 5 double charging points and 5 three-phase power sockets with a total power of 0.36 MW for charging airfield special vehicles, equipment and mobile GPUs; 4 double 0.24 MW charging points for the transport of ground handling companies and other partners. KUN until 2025 we will install a 14-point charging station for charging electric buses, special airport vehicles and equipment, and partner cars with a total capacity of 1.32 MW. PLQ until 2025 we plan to install 3 charging stations (each with two 44 kW charging points) for charging electric buses, special airport vehicles and equipment, and partner cars.

Scope 2:

- **Green electricity.** Until green power generation capacity is secured to meet LTOU's demand, we will purchase electricity from the grid with approved guarantees of energy origin.
- **Own production of green energy.** We will aim for 80-90 percent. the entire electricity demand of LTOU would be covered by its own energy from renewable sources. We plan to use the undeveloped areas of the VNO, KUN and PLQ plots, the roof of the new VNO T4 terminal for the construction of photovoltaic cells, as an alternative we are also considering the construction and rental of remote power plants, etc.
- **Energy efficiency.** In order to reduce the amount of electricity and thermal energy consumed, we will apply various saving measures: we will use only LED lamps for lighting; we will install motion detectors in non-permanently used areas; We will install temperature sensors to monitor the optimal temperature.
- **Sustainable building standards.** New buildings will be designed to meet the requirements of international building certification standards (BREEAM, LEED or others).

PROMOTION OF THE CIRCULAR ECONOMY

Moving towards a **circular economy** that aims to minimize waste through reuse and repair, recycling, sustainable consumption and new business models is one of the goals of the European Green Deal. The stricter requirements for waste recycling and landfill reduction are closely linked to the EU's main ambition to become a climate-neutral continent. In our activities, we undertake to contribute to these goals and in the long term reduce the amount of waste entering landfills, improve waste management and sorting practices, increase the share of reused and recycled waste in the overall waste stream, including our partners and suppliers in these processes. In the future, we will also consider alternatives to energy production from waste. Waste prevention and reuse can help us reduce costs and our GHG emissions footprint.

In 2023 we plan to start preparing the Waste Management Strategy of LTOU, the purpose of which is to identify the priority directions for the development of waste management activities, based on the efficient and economically useful implementation of waste management processes, taking into account the principles of the circular economy. During the preparation of the waste management strategy, we plan to conduct a detailed analysis of the current situation, set indicators to measure the progress of waste management, set specific goals and objectives, and prepare an action plan.

Today, the topic of waste management is part of the main strategy of LTOU, included in our Strategy 2030, Net Zero Strategy 2023-2050, Environmental Strategy 2018-2028, Strategic Action Plan 2023-2026. Since 2015 the topic of waste is included in the Environmental Policy of LTOU. When organizing waste accounting, sorting, handing over to waste handlers and other procedures, we follow the Waste Management procedure and procedure descriptions approved internally by the Company. Sustainability reports provide annual key waste management indicators.

Waste generation and associated impacts

Airport operations generate many different types of waste, such as municipal, industrial, international and other waste (see table). The generated waste types and flows are related not only to our activities, but also to the activities of our business partners, companies providing aviation and non-aviation services and goods. Some of the generated waste has special, stricter requirements (for example, quarantine waste generated in terminals serving international flights), the handling of which is organized by our business partners.

TABLE 32. Types of waste

Types of waste	What does it consist of?	Sources of waste	Country organizing waste management
Municipal waste	Items used and discarded daily: aluminum and steel cans, glass bottles and containers, plastic bottles and containers, plastic packaging and bags, paper products and cardboard, etc.	Terminal waste - from public spaces and airport administrative offices; tenants' waste - from terminal retail trade, etc.; cargo waste - from loading operations; airline waste - from airplanes and airline offices	LTOU
Construction and demolition waste	Concrete, wood, metals, soil, brick and masonry residues, asphalt concrete, mixed construction waste, insulating material, plasterboard, plastic, pipe waste, etc.	Earthworks, excavation, reconstruction, renovation, demolition works	Part of the management of this waste is organized by companies performing contract work, part by LTOU.
Biodegradable waste	Uneaten food or food waste	Food waste from terminals	Part of this waste management is organized by catering establishments operating in passenger terminals, part by LTOU
Airport environmental maintenance waste	Green waste - trees, bushes, grass clippings, leaves and similar vegetation. In LTOU this waste can be classified as municipal waste	It is formed by taking care of the landscape	LTOU
Hazardous and industrial waste	Oils, solvents and other chemical activity waste	Washing and cleaning of aircraft and ground vehicles, refueling, maintenance and repair of aircraft, maintenance of ground vehicles	Part of this waste management is organized by aircraft maintenance companies, part by LTOU

Aircraft cabin waste	Cabin kitchen waste: waste and food carts and bags, tools, food waste	From aircraft cabins, after passenger flights	Airlines
International waste	This is waste originating from countries with different requirements, policies and regulations. Such waste can cause plant pests, diseases and more	During international flights and in terminals serving international flights	Business partners: aircraft servicing or cargo transportation companies
Toilet waste	Contains chemicals and possible pathogenic microorganisms that may pose a risk to the environment and human health	From public spaces and airport administrative offices	The management of this waste is organized by aircraft maintenance companies.

Waste generation	2022		
	VNO	KUN	PLQ
Generated waste (total, tons), of which:	282	302	42,5
<i>Municipal waste</i>	227,414	235,424	25,992
<i>Construction and demolition waste</i>	0	0,401	0,686
<i>Organic waste</i>	0	5,7	0
<i>Non-hazardous and hazardous packaging waste</i>	50,342	16,764	3,68
<i>Waste electrical and electronic equipment, batteries and accumulators</i>	1,472	0,132	0,382
<i>Industrial hazardous and non-hazardous waste</i>	2,256	43,326	11,42
<i>Bulky waste (furniture, etc.)</i>	0	0	0,186
<i>Waste for which special requirements apply</i>	0	0,171	0

Note: the waste generated in the activities of LTOU is accounted for by filling in the GPAIS platform, in accordance with the Waste Management Law of the Republic of Lithuania No. VIII-787, Waste Management Rules No. 217 and the Accounting and Reporting Rules for Waste Generation and Management No. D1-367.

Waste management

The waste flows generated in the activities of LTOU are managed and processed in compliance with EU and national waste management legislation. When managing waste, we rely on recommendations and good practices drawn up by international organizations specifically for the airport sector. The waste generated in the activities of LTOU is sorted at the place of its generation, accounted for in the GPAIS system and, according to contracts, transferred to waste managers who have the right to manage it. We periodically perform control of waste accounting and environmental internal audits of airport departments.

Key initiatives:

- **Recycling.** Paper, plastic and household waste sorting containers are placed in passenger terminals and their access points and administrative buildings, encouraging passengers and employees to sort waste. According to the contracts, LTOU tenants are obliged to collect and sort the waste generated during the activities carried out in the premises.
- **Reduction of plastic containers and packaging.** We implement various initiatives aimed at reducing the use of single-use plastic: free drinking water stations have been installed at the Vilnius airport, only glass containers are used in the VIP terminal and the Business Club. In the future, we plan to expand this initiative and encourage LTOU activity partners to choose products and packaging of sustainable origin.
- **Reducing the wastage of food and hygiene products.** In Vilnius airport, due to aviation safety standards, the items left by travelers in the contents of hand luggage are not thrown away but are selected and handed over to needy people through the "Food Bank". We are currently looking for solutions regarding the transfer of other abandoned items found at the airport to "Food Bank" or other charitable organizations.

	Unit of measurement	2017	2018	2019	2020	2021	2022
Hygiene products, drinks or other items left at the airport were handed over to "Food Bank"	kg	7245,66	8187,37	5411,96	1834,06	2995,7	6575,4

Note: data provided by "Food Bank".

Reuse and recycle waste	2022		
	VNO	KUN	PLQ
Recyclable waste in the total waste stream, tons (%)	59,395 (21,1 %)	23,171 (7,67 %)	8,561 (20,22 %)
Hazardous waste not disposed of in landfill, tons	3,862	43,933	8,523
Non-hazardous waste not disposed of in a landfill, tons	55,768	22,235	7,809

Note: We separate the part of waste suitable for recycling and secondary use and the amount of hazardous waste only in our generated waste stream. After transferring the waste to the waste handlers, we do not control the waste processing processes and do not collect data, so we cannot guarantee that all or part of the waste will be recycled or used for energy extraction after processing by the handlers. We plan to carry out a detailed analysis of the waste management process during supplier inspections during the preparation of the LTOU Waste Management Strategy.

SOIL AND WATER CONSERVATION AND WASTEWATER MANAGEMENT

The operation of airports inevitably creates local water bodies from various sources of pollution that affect the state of the environment (for example, wastewater generated during processes such as de-icing of the sky and aircraft, surface wastewater generated from the airfield area during rains). We monitor pollution sources, monitor and control this impact, constantly look for ways and implement measures to reduce the impact. Successful management of this impact helps to achieve strategic goals - reducing GHG emissions and risks related to environmental protection and legal compliance. Cooperation with business partners and tenants operating in our territories also has a considerable influence in this area.

We conduct monitoring of pollutants emitted and/or discharged with wastewater in accordance with the programs coordinated with the Environmental Protection Agency (AAA): KUN and PLQ - for surface, VNO - for industrial-communal wastewater. Research results are published on our [website](#). Periodic tests of surface and production wastewater are conducted annually, once a quarter. At PLQ, we monitor the impact on underground water due to oil product storages operated in the territory, we submit data to the Lithuanian Geological Survey every year. In the leased fuel base belonging to VNO, monitoring of the impact on underground water is performed by the lessee. We have been granted pollution permits for our activities, and we pay taxes for pollutants entering the environment every year.

Water consumption

In all airports, we purchase drinking water under contracts from centralized water suppliers: VNO - from UAB "Vilniaus vandenys", KUN - from UAB "Giraitės vandenys", PLQ - from UAB "Palangos vandenys". The wastewater is discharged into the wastewater disposal systems of the same suppliers, through which it enters the treatment plants of the wastewater treatment companies.

In airports, we use the most drinking water:

- For domestic purposes (in the activities of trade, service provision and catering companies, business partners and administrative premises).
- For production purposes (washing vehicles, cleaning various technical premises, washing floors).

VNO drinking water is also used by firefighters for exercises, training, and firefighting. At KUN, we have a separate water system for extinguishing fires. Firefighters use water for training, training, and extinguishing fires from three fire reservoirs located on the territory of KUN, in which water is supplemented as needed from two own wells located on the territory. We account for water extracted from wells according to meter readings. We pay taxes for the extraction of natural resources every quarter.

To ensure the reliability of KUN's water supply, a clean water tank with a level II lifting pump station is built, from which water is supplied to airport users in the event of a water supply failure in the networks of the town of Karmėlava.

In all branches, we perform water accounting according to the readings of water meters installed in our premises. We calculate the amount of domestic wastewater discharged into the sewage network based on the amount of water used in each branch. All suppliers of drinking water ensure the operation of their water bodies, equipment maintenance, hygiene standards in accordance with the procedure established by legal acts, we do not control the suppliers' activity processes.

The amount of water consumed depends on the number of passengers, business partners operating in our territory and the area of the rented premises and the activities carried out in them. Together with our business partners, we are interested in saving water resources, because the amount of taxes for communal services depends on it.

TABLE 33. Water consumption

Water	Unit of measurement	2022
Drinking water consumption (total):	ML	80,862
VNO		66,563
KUN		11,545
KUN is extracted from own wells		0,159
PLQ		2,595

Wastewater management

Domestic sewage

Wastewater generated during the activities of VNO and KUN airports is classified as industrial wastewater due to trade, service provision and catering companies operating in passenger terminals and other buildings. Also, industrial wastewater VNO and KUN are generated during the cleaning of various premises, VNO - during the washing of airport vehicles in the car wash. VNO, KUN and PLQ domestic and/or industrial wastewater is discharged into centralized urban wastewater networks according to contracts.

TABLE 34. Sewage

Wastewater	Unit of measurement	2022 m.
Domestic sewage (total):		78,884
VNO		66,563
KUN		9,758
PLQ		2,563
Surface stormwater (total):		833,463
VNO		537,296
KUN, of which:		255,808
<i>To a stream of Rykštynė</i>	ML	<i>15,056</i>
<i>To a stream of Zversa</i>		<i>148,635</i>
<i>To a stream of Musinė</i>		<i>92,117</i>
PLQ, of which:		40,359
<i>to the fire-fighting pond through outlet no. 1</i>		<i>5,810</i>
<i>to the fire-fighting pond through outlet no. 3</i>		<i>6,607</i>
<i>to Ošupis stream (flows into the Baltic Sea)</i>		<i>27,942</i>

Note: VNO's breakdown of surface rainwater by receiving water bodies is not provided, as this data is not collected - all wastewater is discharged into surface wastewater tanks belonging to Grinda UAB.

Surface sewage

VNO	The area has a surface wastewater collection system. About 60 ha (19.5%) of the territory is covered with artificial waterproof surfaces (aircraft runway, taxiways, parking lots, service roads and areas, buildings, etc.). The surface wastewater generated on these surfaces is mostly collected by the surface wastewater collection system and is led and discharged through two outfalls belonging to UAB "Grinda": through the northern outlet - into the centralized city surface wastewater networks, through the southern outlet - into the stream R2.
KUN	The surface wastewater collected from the surfaces of potentially polluted areas is cleaned in its own wastewater treatment facilities and through the eastern, western and northern outlets (Nos. 1, 2, 5, respectively), it is discharged into the surface sewage networks, through which it enters the surface water bodies.
PLQ	Surface wastewater from potentially polluted areas is collected separately and sent to rainwater treatment plants (6 units), where they are cleaned of oil products and suspended substances, and released into the natural environment through three outlets (firefighting surface water and wastewater collection pools).

In 2023 plans:

- At VNO, we are planning to build an automated processing facility for wastewater generated during de-icing of aircraft, where a material suitable for secondary use - glycol - will be extracted. This will allow not only to prevent polluting substances from entering the soil and water, but also to save resources and implement the principles of circular economy. The wastewater treatment plant/recycling facility is designed for such capacity that it can also receive KUN and PLQ surface wastewater in the future.
- Due to the expansion of KUN's northern platform, the surface wastewater management system installed during the reconstruction, we plan to renew and coordinate KUN's pollution permit and monitoring program with the Environmental Protection Agency.

The main 2022 events:

- We prepared VNO and coordinated with the Environmental Protection Agency a program for monitoring pollutants discharged with domestic-industrial wastewater.
- In PLQ, we reviewed and updated the conditions for permitting pollution, and updated the monitoring program for pollutants released with surface wastewater.
- At VNO, we completed the reconstruction of the northern apron and started operating 2 dedicated aircraft de-icing areas with a special wastewater collection system. This system will collect wastewater contaminated with deicing materials and direct it to a wastewater treatment plant (recycling facility).
- In 2021 During the periodical monitoring of underground water carried out by the tenant of the VNO fuel base territory, oil pollution exceeding the norms was found - but it is likely that it is not related to the activities of the fuel base in recent years but remains from Soviet times. On the instructions of the Lithuanian Geological Service (hereinafter - LGT), detailed eco geological studies of this territory were carried out. In 2022 a plan for the arrangement (cleaning) of the territory has been prepared (currently coordinated with LGT). According to the preliminary assessment of UAB "Grota", who are preparing the plan, no active physical cleaning works (excavation of the soil) will be needed to clean up the territory.

15.5. Social field

The main LTOU sustainability topics covered in this section are:

1. **Noise reduction**
2. **Initiative-taking communication**
3. **Strengthening the welfare of employees**
4. **Diversity and inclusion are fostered**
5. **Ensuring human rights**
6. **Physical and emotional health of employees**

Caring for employees and the communities surrounding airports is at the heart of successful airport operations. A good experience for every passenger, airport security, and service quality depend on our employees. It is very important to continue to focus on strengthening the well-being and emotional health of employees, to ensure that airports are a workplace that nurtures diversity and respects people's differences. We must be responsible neighbors to those who live closest to us, ensuring that these communities can enjoy cleaner air, quieter nights and a better quality of life.

NOISE REDUCTION

Balanced noise management, protection of communities located in the vicinity of airports from aircraft noise is a necessary condition for the success of our operations and development. Aircraft make noise both when they are in the air and when they are moving on the ground. This depends on the noise level, the affected area, the strength of the impact and measures for noise prevention and/or reduction.

In our activities, we follow the United Nations International Civil Aviation Organization (ICAO) aircraft noise management method based on 4 principles:

- Reduce aircraft noise at the formation site.
- Apply territorial planning.
- Change operating procedures.
- Limit the use of the noisiest aircraft.

We monitor (measure) aircraft noise at all airports. Every year, we prepare and submit noise monitoring reports to the Lithuanian Transport Safety Administration (LTSA), create annual noise dispersion maps, determine the sizes of excessive noise zones and the number of residents falling into excessive noise zones. We evaluate the effectiveness of noise management according to the indicators presented in the reports.

LTOU controls those operations and procedures that take place before the aircraft takes off and lands (movement on taxiways, engine tests, etc.). Therefore, in order to achieve complex noise reduction solutions, we cooperate with air navigation service provider JV "Oro navigacija", which manages air traffic and determines air traffic routes, and other partners. Decisions regarding noise abatement procedures related to the operations of the aircraft itself are made by the aircraft operators or their crews.

Noise exposure management

The noise impact is greatest at the VNO, which is located near the city center and the departure and arrival routes of aircraft are located over densely populated areas. At VNO, we have 4 stationary and 2 mobile noise monitoring stations (TMS). TMS data is linked to radar and airport air traffic management software (AMS), with the help of which we monitor aircraft flights. In 2019 we have prepared and agreed with JV "Oro navigacija" the **noise management plan (TVP) of Vilnius airport**, the main purpose of which is to ensure that, even with the increase in the number of flights, the zone of excessive noise and the number of people entering it do not increase or decrease. The plan envisages the implementation of the requirements of the European Union and national noise management legislation regarding noise protection zones (TAZ).

At VNO, we conduct monitoring of aircraft departures in the direction of Vilnius city, monitoring of route compliance. In the future, we plan to prepare and harmonize a joint monitoring procedure with JV "Oro navigacija", which allows monitoring how aircraft comply with the established operational requirements and identifying aircraft that do not comply with the procedures. We are constantly reacting and responding to residents' complaints about aircraft noise.

The main strategic plan for 2023 the project is to identify and register aerodrome noise protection zones (TAZ) at all LTOU airports. At KUN and PLQ, we plan to upgrade noise monitoring stations with integrated monitoring software, which allows monitoring of aircraft flights and analyzing the impact of their noise and flight data.

Impact on local communities

VNO. Vilnius Airport is located just 5 km from Vilnius city center, easily and quickly accessible by any means of transport. This is a great advantage for the airport, but due to the convenient connection with the city center and the unlimited use of land, as the city expands, new settlers are increasing in the vicinity of the airport, residential blocks are being formed (Salininkai, Kalnėnai, etc.). Due to the location of VNO's runway (KTT), part of the departure and approach routes extend overpopulated urban areas in both the north and south direction, therefore aircraft noise has a negative impact both adjacent to the airport and in its vicinity, as well as further along the aircraft take-off/landing corridors quality of life of living people.

KUN. Kaunas Airport is easily accessible and located in the Karmėlava settlement, 13 km northeast of Kaunas, 8 km from the A1 highway Vilnius - Kaunas - Klaipėda, which connects the three largest cities of Lithuania. The residential blocks of the Karmėlava settlement are located close to the borders of KUN, in the north, north-west directions. Other settlements close to KUN are Ramučiai on the southwest side, and Lapės further west. Aircraft take-off/landing corridors extend over the territories of the city and district of Kaunas, but the aircraft in those areas have already reached a relatively high altitude, so the noise level does not exceed the permissible limit values.

PLQ. Palanga Airport is located in western Lithuania, 32 km from Klaipėda, 17 km from Kretinga city center, 7 km from Palanga city center. Aircraft takeoff/landing corridors extend over the city of Palanga in the West, and over the resort town of Šventoji on the Baltic coast in the North. Since the city of Palanga is a resort in accordance with the Hygiene norm HN 33:2011, noise limits of 5 dBA lower are applied in the environment of facilities located in resorts and resort areas.

Noise maps for all three airports are published on our [website](#).

PROACTIVE COMMUNICATION

Clear, proactive and open communication is a recurring expectation among all stakeholders, highlighted as one of the priority aspects of our sustainability. Proactive communication is central to the implementation of each theme in LTOU's sustainability strategy.

There are two types of communication carried out by LTOU:

- Regulatory: ensuring that airports comply with all requirements for public companies to disclose information.
- Proactive: different communication tools are used so that relevant and additional information reaches all interested parties in a timely manner.

We periodically review stakeholder expectations and our internal and external communication tools. For example, we conduct an annual employee internal communication survey. From the survey data, we determine the main communication problems, areas for improvement, and create an action plan. We also send periodic newsletters to our airport partners, informing them of the most important events.

The need to single out proactive communication as a separate aspect of coherence arose from an assessment of the recurring expectation among interested parties for clear, proactive and open communication.

STRENGTHENING THE WELFARE OF THE EMPLOYEES

In order to ensure the efficient operation and development of airports, we pay special attention to the creation of relationships between the employee and the organization based on partnership and care. We constantly improve the remuneration policy and the adaptation process of new employees, develop employees' competencies, encourage and create conditions for career advancement within the Company, and strive for greater employee involvement.

In 2023 in personnel management, we will put most of our efforts into the following projects approved in 2023-2026. in the strategic business plan:

- Remuneration policy update.
- Talent management and competence enhancement.
- Strengthening the emotional well-being of employees (discussed in more detail in the section Physical and emotional health of employees)

Achievements in 2022:

- One of the indicators and goals we monitor is to aim for at least 5 percent of employees would climb the career ladder within the company (internal career indicator). In 2022 9.54 percent of employees took advantage of internal career opportunities.
- We have improved the process of adaptation of new employees: we have updated the trial period form, we have created new employee introduction task channels.
- We organized live events for employees: "walk15", a summer festival.
- We actively provided information to employees about internal career opportunities and success stories of employees' careers in the Company. We started the project "Interview about internal career change".
- We have developed employee engagement plans by department.
- We updated the employee performance evaluation process.

Employee engagement

One of our most important strategic indicators to strengthen employee well-being is the **engagement index**, which since 2015 we measure every year by means of a survey. The results of the survey help to identify the main expectations of colleagues and clarify areas for improvement. in 2022 set basic expectations of employees:

Economical	Effective performance, including collaboration with colleagues, effective information sharing, trust from senior management.
Social	Communication with colleagues, image of the employer, emotional health, development of competences and career opportunities, meaning at work and fair salary.

In 2022 we managed to achieve and exceed the overall target result of the engagement index, so we will aim to maintain the same good result in the coming years. At the same time, the survey showed that we should pay more attention to the topics of career opportunities, fair remuneration, motivation, operational efficiency (information sharing and cooperation) - we took this into account when making further plans in this area.

	Unit of measurement	2020	2021	2022	2023	2024	2025	2026
Employee Engagement Index	%	56	60	67	67	67	69	70
		Results			Target values			

In 2022 December 31 The company employed 595 employees (519 at the end of 2021). Compared to 2021, the slight increase in the number of employees is related to the end of the COVID-19 pandemic, with activity slowly returning to pre-pandemic levels. The tables below provide a detailed breakdown of the number of employees, new hires and employee turnover rates.

Number of employees according to the nature of the employment contract	Measurement unit.	2022				
		All employees	Working under open-ended contracts	Working under fixed-term contracts	Working full-time ¹	Working part-time
Total number of them:	vnt.	595	581	14	583	12
Women		219	208	11	216	3
Men		376	373	3	367	9
VNO		412	399	13	404	8
KUN		113	112	1	113	0
PLQ		70	70	0	66	4

Note: The data presented refer to the number of employees at the end of the reporting period, i.e. in 2022 December 31

¹Full-time employees work 40 hours a day. per week during working hours. Part-time workers work less than 40 hours. per week during working hours.

LTOU also employs 18 employees of that company under the contract with the service providing company, who perform the aviation security screening function in passenger screening, according to the contract for the performance of the function on demand. This number refers to the number of employees on 2022 December 31, regardless of hours worked or position.

New employees and staff turnover have been hired	2022			
	New employees hired		Change of employees	
	pcs	Part in each category (rate)	pcs	Share in each category (rate)
All employees of which:	147	24,71 %	67	12 %¹
Women	55	37,4 %	21	9,6 %
Men	92	62,6 %	46	12 %
Up to 30 years.	34	23,13 %	20	28,6 %
30-50 years	94	63,94 %	36	10,6 %
More than 50 years	19	12,93 %	11	6 %
VNO	99	67,35 %	38	9,2 %
KUN	32	21,77 %	22	19,5 %
PLQ	16	10,88 %	7	10 %

Notes: The share in each category (circle) is calculated in 2022. the number of new employees hired / the number of employee turnover divided by the total number of employees by category.

¹2022 the total voluntary employee turnover was 8.47% (17.31% in 2021). We will aim to keep the voluntary employee turnover below 10%.

Informing employees

The LTOU is subject to an employee notification period of at least 5 working days (1 week) prior to any major operational changes that may have a significant impact on their welfare. We announce the most significant changes during monthly staff meetings, via the intranet and other internal newsletters and events.

Reward Policy

In order for our team to be composed of competent and motivated employees, we must ensure internal fairness and external competitiveness in reward management processes. We aim to attract, motivate and retain employees with the necessary qualifications to implement strategic business goals. In the company, positions are divided into levels according to the knowledge, responsibility and problem solving required to perform the work. Remuneration rates are the same for all employees at the same job level. Specific rewards are determined by comparing them with the labor market situation of the Republic of Lithuania.

According to the 2022 results of the employee engagement survey, conducted at the beginning of the year, revealed that 47% of employees are dissatisfied with the current reward system, so we set the goal of updating it in the strategic business plan.

Information on the remuneration policy for LTOU employees (including management) is described in Chapter 9 and is published on our [website](#).

The principles of the remuneration of the board are described in section 2.3.1 and information about the remuneration of the members of the board is published on our [website](#).

Total annual salary ratio	Unit of measurement	2022
The annual compensation of the highest earner in the organization compared to the median compensation of all employees	Ratio	4,90:1
The percentage increase in the annual compensation of the highest earner in the organization compared to the median increase in the annual compensation of all employees		0,4:1

Notes: The ratio given is how much the highest paid employee in the organization earns more than the overall median of the company's employees.

In 2022 the annual compensation of the organization's highest paid employee increased by 4%, the median of all employees increased by 10%.

Salary ratio between women and men

Average salary	2022		
	Women's average salary, Eur	Men's average salary, Eur	Women's and men's average salary ratio
Vilnius city	2 131	1 849	1.15:1
Top level managers	5 554	5 852	0.95:1
Middle managers	3 605	3 656	0.99:1
Male specialists and shift managers	3 037	2 008	1.51:1
Specialists	2 291	2 662	0.86:1
Operational staff	1 466	1 409	1.04:1
Kaunas city	1 191	1 404	0.85:1
Middle managers	Confidential		
Male specialists and shift managers	1 756	2 128	0.83:1
Specialists	1 113	2 100	0.53:1
Operational staff	1 157	1 263	0.92:1
Palanga city	1 219	1 363	0.89:1
Middle managers	Confidential		
Male specialists and shift managers	1 515	1 769	0.86:1
Specialists	1 746	1 993	0.88:1
Operational staff	1 131	1 205	0.94:1

*NOTE: The ratio of women's and men's base wages and salaries in each category of employees by location, not by LTOU organizational structure.

Talent management and competence development

One of our strategic goals is to ensure that LTOU employees have internationally recognized competencies. Therefore, we take care of the continuous improvement of the qualifications of employees, we organize internal and external trainings for the development of work functions, mandatory and leadership competencies. We aim for all (100%) positions that are critically important to the effective operation of the Company to be replaced among the Company's employees (the result achieved in 2022 is 97%). We pay a lot of attention to the development of leadership competencies, we are determined to achieve greater leadership efficiency, to create a new leadership model.

Average number of training hours per employee per year	Unit of measurement	2022
Top level managers	hours	36
Middle managers		24
Administrative staff		17
Operational staff		56

Note: data on the breakdown of the number of training hours allocated to employees per year by gender is not collected.

DIVERSITY AND INCLUSION ARE FOSTERED

Diversity and inclusion is one of the strategic directions of our activity. It is extremely important to us that LTOU creates an environment in its daily activities where our customers, partners and employees can feel themselves. We base our activities on respect for the diversity of people, fostering a non-discriminatory approach, and protecting human rights.

We adhere to the following provisions with respect to our stakeholders:

- **Clients.** We aim to make all passengers feel welcome at airports. We strive to respect the diversity and differences of people at all stages of customer service, especially during the screening of passengers with special needs. In the activities of LTOU, we adhere to the Passenger Service Standard, which is introduced to all employees and partners. We update the standard periodically, considering the comments received from colleagues and partners and the latest trends in this field, we constantly monitor compliance with the standard.
- **Partners.** In 2022 we updated and familiarized our partners with the [Partner Code of Ethics](#), which is equally applicable to all LTOU activity partners.
- **Employees.** In 2022 we prepared, familiarized all employees and publicly announced the [Equal Opportunities Policy](#). The policy defines the most important principles in order to ensure that the principles of equal opportunities and non-discrimination are observed in all areas of labor relations in the Company, i.e. i.e. with current or dismissed employees and persons who seek employment in the Company, the principle of equal opportunities and the prohibition of restricting the rights of employees or providing them with privileges based on gender, race, nationality, language, origin, social status, age, sexual orientation, disability, ethnicity would be observed, principles of membership in a political party or association, religion, faith, beliefs or views, intention to have a child(ren) and other grounds unrelated to the subject characteristics of individuals.

In 2022 There were no cases of discrimination recorded in the company.

Diversity of employees

Distribution of the number of employees	Unit of measurement	2022			
		Board	Top managers	Middle managers	All employees
All employees of which:	pcs	5	8	30	595
Women		1 (20 %)	4 (50 %)	14 (46,7 %)	219 (37 %)
Men		4 (80 %)	4 (50 %)	16 (53,3 %)	376 (63 %)
Up to 30 years.		0	0	0	70 (11,8 %)
30-50 years		3 (60 %)	8 (100 %)	27 (90 %)	340 (57 %)
More than 50 years		2 (40 %)	0	3 (10 %)	185 (31 %)

In 2022 implemented works:

- **Diversity and Inclusion Survey.** From 2018 we are members of the **Lithuanian Diversity Charter Association** and actively participate in its activities: we listen to lectures, participate in trainings, share experience and examples of good practice with other companies. Last year, we conducted the Diversity and Inclusion survey of LTOU employees for the first time. In 2022 the results of the survey, in which 84 (16%) employees participated, showed that we still have a lot to do in terms of diversity and equality: some employees said that they cannot feel like themselves at work, have experienced discrimination or bullying, believe that the Company does not apply enough measures in this regard etc. In 2023 we plan to conduct this survey again - we will aim for at least 200 employees to participate in it.

	Unit of measurement	2022	2023	2024	2025	2026
Diversity and inclusion indicator: "At work I can freely express myself and be who I am"	%	75	77	79	81	83
		Result	Target values			

The Diversity and Inclusion Indicator is an indicator from the annual "Diversity and Inclusion" survey, where employees have to indicate how much they agree with the statement: "At work, I can freely express myself and be who I am." The percentage indicates how many employees marked the values of STRONGLY AGREE and AGREE.

- 2022 we started the **Diversity and Inclusion Ambassadors project**, the goal of which is to gather 20 volunteer employees who would not only deepen their knowledge in this topic, but also become ambassadors of this topic in the Company. As many as 26 employees joined the project. During 2022 employees attended four interactive seminars, learned and actively discussed the topics of gender equality, prejudices against employees of different nationalities and ages, creating an LGBTI open work environment, ensuring neurodiversity and accessibility, harassment and violence prevention. We will continue the project in 2023.
- 2022 for the first time, we invited all employees to the Lithuanian diversity charter seminar on the topic "Are equal opportunities part of the good management of organizations?"

ENSURING HUMAN RIGHTS

Rights of passengers with disabilities and reduced mobility

The issues of ensuring human rights are most relevant in LTOU when performing passenger security checks and ensuring the rights of disabled and reduced mobility passengers. In 2022 we served 11,958 passengers with special needs at all three airports.

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total number of passengers with disabilities served (at all three airports)	3 771	6 149	7 543	8 000	11 094	11 495	3 659	6 117	11 958
Vilnius airport would be served by a special the number of passengers required	3 084	5 017	6 064	6 138	8 325	7 996	2 346	3 689	7610
Kaunas airport would be served by a special the number of passengers required	687	1 000	1 237	1 452	2 117	2 935	1 158	2 261	3724
Palanga airport would be served by special the number of	x	132	242	410	652	564	155	167	624

passengers required									
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When serving passengers with special needs, we are guided by the documents regulating the provision of human rights of the United Nations, the European Union and international organizations in the aviation sector. Disabled persons and persons with reduced mobility must be provided with similar opportunities to travel by air in LTOU as for other citizens¹. We have developed service technology for persons with limited mobility, and each airport has approved standards and indicators of service quality for passengers with special needs².

¹According to the European Civil Aviation Conference (ECAC) document "Policy statement in the field of civil aviation facilitation" No 30 of Part I, Section 5 and its respective annexes.

²According to the 2006 The provisions of the Convention on the Rights of Persons with Disabilities adopted by the United Nations and the Regulation of the European Parliament and the Council no 1107/2006.

The following service quality indicators have been established at Vilnius airport:

- For departing passengers with reduced mobility who have purchased tickets in advance and reported the need and nature of assistance and arrived at the point of arrival/departure on time:
 - Waiting time for a passenger with limited mobility at the arrival/departure points: no longer than 5 minutes.
 - All passengers with limited mobility, without exception, must be boarded on the aircraft, unless this is impossible due to force majeure.
- For departing passengers with reduced mobility who have not purchased tickets in advance and who have reported the need and nature of assistance only from the entry/departure point:
 - Waiting time for a passenger with limited mobility at the arrival/departure points: no longer than 10 minutes.
- For arriving passengers with limited mobility, when information about the need for assistance is received from the departure airport after the aircraft takes off (no later than 30 minutes before the aircraft lands at Vilnius airport):
 - The waiting time of a passenger with limited mobility in the aircraft: no longer than 5 minutes after the disembarkation of other passengers.
- For arriving passengers with limited mobility, when the information about the need for assistance was not received from the departure airport after the aircraft took off and the need for assistance was learned only from the ground handling company while the aircraft was parked at the aircraft parking lot:
 - Waiting time for a passenger with limited mobility in the aircraft: no longer than 10 minutes after disembarking other passengers.

We pay a lot of attention to the training of employees and partners on the topics of customer service and special needs passenger service. Since 2020 training on these topics is available online for employees. In 2022 almost all (561) employees of the Company participated in the electronic training on the proper service of passengers with special needs and passed the knowledge tests. Starting in 2023, we plan to include practical tasks in training programs in order to strengthen employees' empathy for people with various disabilities.

From 2020 we participate in the "Sunflower of Invisible Disabilities" project, which aims to help people with invisible disabilities to more easily state their needs during travel, and for airport employees to recognize such passengers, be more patient, tolerant and provide timely assistance. Periodic trainings are conducted for employees on disability and proper service of passengers with various disabilities.

From 2021 we continue the initiative to invite representatives of various associations of people with disabilities to airports for educational purposes. We educate guests about travel and assistance options, and we ourselves gain valuable insights into how to improve airport infrastructure and passenger service processes.

Key risks and their management

The main risks that may arise in the field of human rights are the inadequate meeting of the needs of passengers with special needs, their discrimination or bullying. In order to manage this risk, we conduct periodic training for existing and new employees on disability and the appropriate service of passengers with various disabilities. We also include our partners who provide services at airports in the training. Another risk is the damage to the passenger's wheelchair and the costs of compensation: the mobility of the person using the wheelchair would be limited, and a new wheelchair could cost 10-15 thousand. Eur.

We constantly monitor whether we do not violate the rights of disabled persons and persons with reduced mobility during passenger service. We conduct passenger surveys, interviews, carefully examine customer complaints, and ensure that all employees comply with the quality requirements of our internal standards for service provision. In 2022 the results of the passenger survey showed that 97 percent of the respondents were satisfied with the process of ordering the service. The respondents rated the professionalism and courtesy of the employees who aided with 4 and 5 points (good and very good). During 2022 no human rights violations were found¹.

¹Compliance with the provisions of Regulation (EC) 1107/2006 of the European Parliament and of the Council is controlled by the Civil Aviation Administration (from 2019 - Lithuanian Transport Safety Administration, LTSA), which conducts annual audits of the Company. In 2022 No violations of EU Regulation 1107/2006 were found in the inspections conducted by LTSA.

Human rights in the supply chain

Our activities are strictly controlled to avoid the risk of non-compliance with human rights. During 2022 neither in our activities nor among suppliers, were there any cases of violation of human rights. So far, we have not identified any cases where the fundamental rights of employees are violated, the right to conduct collective bargaining is restricted, there is a risk of forced or compulsory labor, child labor and/or where young people are forced to perform dangerous work in supplier companies. Companies participating in our procurement and seeking to become our suppliers must comply with LTOU's procedures regarding safe working conditions, anti-corruption and human rights. The terms of purchase include a requirement for suppliers to ensure at least a minimum wage for employees. In cases where a supplier's bid price is suspiciously low, we take additional steps to verify that the potential supplier will provide at least the minimum wage to its employees, and that the low price is not provided at the expense of the compensation of these suppliers' employees.

EMPLOYEES' PHYSICAL AND EMOTIONAL HEALTH

Safe working conditions and employee health are one of the priority areas for successful airport operations, and in addition to legal regulatory obligations, we implement many additional projects, provide employees with numerous benefits: medical solutions, additional vacation days, promotion of physical activity, etc. From 2023 we planned to pay special attention to strengthening the emotional health of employees.

Due to the specifics of airport operations, LTOUs perform various jobs associated with a higher than usual risk of injury or adverse health effects, including driving special snow removal, firefighting vehicles, firefighting, rescue work, work performed in unusual weather conditions, work in other conditions harmful to health (noise, vibration, temperature of the air and working environment), work at height, etc. In order to ensure a fully safe working environment and properly take care of the health of employees, the Company conducts occupational risk assessment, health checks, implements numerous preventive measures, prepares safe work instructions, organizes mandatory employee briefings, trainings, etc.

All employees of the Company are covered by additional health insurance. Employees can be vaccinated against tick-borne encephalitis free of charge, we organize flu vaccinations during the season.

During 2022 there were 3 minor accidents at work (muscle inflammation, soft tissue contusion, meniscus damage) at airports. All incidents were investigated, the scene was inspected, and additional preventive measures were implemented to prevent such incidents from recurring: barriers were installed, platforms were marked, and padding was installed.

	Unit of measurement	2022
Minor accidents at work	pcs	3
Number of minor accidents (injuries) per million hours worked	Indicator	3,12

Note: The total recordable injury rate per million hours worked indicator is calculated according to the formula of the GRI 403-9 standard. The total of all employees in 2022 the number of hours worked is 961,538 hours.

Strengthening emotional health

From 2023 we will also include the goals of strengthening the emotional health of employees in the strategic activity plan. We will aim to help employees avoid conflicts, reduce and better manage stress, maintain a good balance between work and rest. We hope that greater attention to this topic will help improve the efficiency of employees' activities, strengthen employee involvement and cooperation, better manage potential conflicts, and prevent cases of mobbing.

In 2023 we will organize mobbing prevention training in order to provide the management team and employees with the necessary knowledge and practical skills on how to create a healthy and safe work environment and prevent mobbing at work. We will organize remote mobbing and violence prevention training for employees. We will conduct an occupational risk assessment at workplaces in Kaunas and Palanga airports, as well as a repeated assessment of psychosocial risk factors in order to evaluate the results in terms of employees' emotional health.

Work done in 2022:

- In November We conducted a periodic occupational risk assessment by surveying employees. From 2022 questions about psychological violence, harassment and mobbing were included in the questionnaire for the first time. We assessed whether employees are sufficiently informed and familiarized with the factors that can affect the employee's emotional and psychological well-being (mobbing, violence, intimidation, stress due to relationships with colleagues, work pace, etc.). In 2023 we will present the Psychosocial Risk Factors report to employees.
- We organized various trainings on the danger of violence and its prevention, preservation and strengthening of mental health, the influence of a healthy lifestyle on the prevention of cardiovascular diseases.

Prevention of violence and harassment

LTOU has an approved Violence and Harassment Prevention Policy. Employees who reasonably believe that they have experienced or may have experienced violence and/or harassment have the right to report this directly to the Employee Safety and Health Coordinator, their immediate supervisor and/or through the internal whistleblower channel at pranesk@ltou.lt Other methods of reporting and information on ensuring whistleblower confidentiality are available on our [website](#).

15.6. Economic field

Our main sustainability topics covered in this section are:

1. Improved customer experience
2. Cultivating safety culture and ensuring safety
3. Green public procurement is ensured
4. The infrastructure is being expanded harmoniously
5. Increasing communication with transit airports

IMPROVING THE CUSTOMER EXPERIENCE

Improving passenger (customer) experience since 2014. is a strategic direction of our activity, and the percentage of loyal passengers (calculated during the NPS1 survey) is one of the strategic performance indicators. We aim to meet the needs of all passengers, help them reduce travel stress, adapt infrastructure and processes to make all customers feel comfortable at airports. Our task is to understand passengers and their different needs very well, so every year we conduct various customer surveys, identify areas for improvement, initiate infrastructure improvement and other projects, and pay a lot of attention to employee training. In 2022 we have updated the electronic "Customer Service Standard" training, which includes topics that have been especially relevant in recent years, such as "Customer Service during an emergency". We must ensure equal opportunities for all passengers, especially people with special needs (discussed in more detail in the section *Ensuring Human Rights*).

For the management of this area, LTOU has approved the Passenger Experience Improvement Strategy 2030. In our daily activities, both ourselves and our partners adhere to the Customer Service Standard and Customer Service Quality Control processes. In all airports, the NPS indicator is measured, in addition to the VNO - the *Airport Service Quality* (ASQ) indicator. According to the research results, an NPS program is drawn up every year - a set of actions for improving the customer experience. We aim to implement at least 85% of planned actions aimed at developing infrastructure, processes and/or employee competencies. Until 2030 we will aim for airports to have at least 70% of the NPS index. loyal customers.

The passenger's experience and valuable feedback about airport operations depend on the smoothness of the entire journey. Therefore, in this area, we cooperate with all partners who provide services to customers: partners of ground handling, trade and catering services, partners performing state functions (passport control, customs procedures), cleaning service providers, etc. 1-2 times a year we organize meetings with partners, discuss customer experience management guidelines, quality indicators, achievements, and main projects. Every year, we review and update the customer experience improvement program, discuss how we adhere to the longer-term directions (5 years). We constantly assess how the passenger service standard is observed at the airports, we discuss the results of the assessments at least twice a year. The Lithuanian Transport Safety Administration annually conducts external audits regarding the service of customers with special needs.

In 2022 we have updated our customer experience improvement guidelines and action plan. Among the planned projects - VNO: construction of a new departure terminal, installation of heating and ventilation systems, installation of new aviation security equipment; KUN: Terminal Development Project.

In 2022 the results of the passenger loyalty survey (NPS) exceeded expectations: we reached **72%**. the result of loyal passengers, instead of the expected 58%. in 2023 we will strive to continue to have at least 62%.loyal customers, and in the long-term strategy until 2030 - not less than 70% loyal customers.

DEVELOPING A CULTURE OF SAFETY AND ENSURING SAFETY

Developing a culture of safety and ensuring safety is one of the most important themes of our sustainability. The management of this topic covers two areas - safety and security. **Safety** activities aim to prevent accidents, to ensure a sufficient set of measures, procedures and resources in order to protect against potential risk factors. The field of security also includes topics such as aviation security, creating an environment resistant to corruption, cyber security, national security, personal data and information security.

Safety insurance

In all ground operations at airports, we must ensure the highest level of safety: prevent the creation of dangerous situations, eliminate the possibility of accidents and any incidents. Safety management LTOU meets the requirements of the European *Aviation Safety Agency* (EASA). All airports have a Safety Management System approved by the Operational Supervision Authority (TKA), the component of which is the Safety Policy. The policy defines aviation safety as the Company's highest priority over any commercial, operational, environmental or social interest.

All partners of LTOU's aviation activities are subject to the same regulation (according to the scope of activity), all operate on the basis of the same safety management systems. In order to further improve the efficiency of the Safety Management System, we have planned to form safety committees, through which we will involve an even larger share of partners in active safety management.

A safety culture is being developed

Aviation safety, like security, is a fundamental condition for the success of our operations. The company implements a Security Policy approved by the Supervisory Authority (TKA) and an internal Aviation Security Program prepared based on the requirements of the International Civil Aviation Organization (ICAO). The program includes actions and measures for the development and nurturing of a safety culture. All partners of LTOU's aviation activities are also involved in ensuring security.

By improving security procedures and strengthening cyber security at airports, we constantly implement new technological solutions, cooperate and share good practices with responsible state institutions. In order to make safety even more clearly perceived among employees as part of the organizational culture, we plan to pay more attention to it in internal communication.

National and cyber security

LTOU is a first-category enterprise important for ensuring national security, providing critical services and managing infrastructure of strategic importance for ensuring national security. On the basis of national legal acts, the Company's internal legal acts and processes have been approved, which regulate in detail our operating procedures, risk identification and management processes, etc. The management of the topic of national security is described in the description of the management processes of transactions, destruction of assets and compliance of individuals with national security interests and corruption prevention criteria by LTOU, which was prepared in accordance with the Law on the Protection of Important Objects for Ensuring the National Security of the Republic of Lithuania and other legal acts, on the basis of which the actions of individuals and investors are carried out. and transaction verification procedures. Periodically, both internal and external inspections of the controlling authorities are conducted regarding compliance with national and cyber security procedures.

In ensuring cyber security and information security, we follow the Law on Cyber Security of the Republic of Lithuania and the legal acts detailing it, as well as internal information security documents and special descriptions coordinated with the National Cyber Security Center. We apply good cyber security practices in our operations, constantly improve and implement additional security measures.

In 2022 we agreed with the responsible state institutions and submitted the updated Company security plan for approval, reviewed and updated the internal documents regulating security, participated in the cyber security exercise "Cyber shield 2022".

Protection of personal data

In the company, we pay special attention to the protection of data of passengers, employees and partners, compliance with the provisions of the EU General Data Protection Regulation (GDPR) and other national and EU legal acts regulating the protection of personal data. Data protection is related to our strategic directions, and we plan to further strengthen the importance of this topic in the future. Data protection is regulated by LTOU's Personal Data Policy and its annexes.

In 2022, we did not receive reports and/or complaints from natural persons (passengers, partners, employees, etc.) regarding violations of their privacy or personal data security. We also did not receive any complaints or reports of violations from the State Data Protection Inspectorate.

In 2022 work done to strengthen data security:

- We have updated and supplemented the entire Personal Data Protection Policy for the year 2023.
- We have confirmed a new position and recruited an internal data protection officer.
- We have introduced new data processing agreements and developed templates for addenda to personal data processing agreements with various levels of protection.
- We have updated and clarified the Company's register of data operations, identified all data operations that require a data protection impact assessment.

Actions against corruption and bribery

In the company, we have always paid a lot of attention to the creation and implementation of a corruption-resistant environment. We do not tolerate any form of corruption in our activities, therefore we constantly assess and manage corruption risks, develop attitudes of intolerance to corruption among employees and partners, and systematically implement measures to eliminate all possible causes and conditions of corruption. In 2022 There were no confirmed cases of corruption in the Company.

The main document that we follow in this area is the Corruption Prevention Law of the Republic of Lithuania and the legal acts implementing it, the documents of the sector's resistance to corruption approved by the orders of the Minister of Communications of the Republic of Lithuania, and the description of the Corruption Prevention Policy. The description regulates the general provisions of zero-tolerance of corruption in the Company, the main principles of corruption prevention, measures applied in the Company, coordination and control of their implementation. Each employee of the Company undertakes to comply with the principles provided for in the Description, to avoid any violations of the law of a corrupt nature, and to perform the functions entrusted to him honestly and transparently.

We participate in the preparation and implementation of the action plan for the prevention of corruption in the transport sector. The action plan for the prevention of corruption is prepared for at least 2 years, the results of its implementation are reviewed annually, and internal audits are conducted periodically. The plan contains an analysis of corruption risk factors, expected risk reduction measures, accountability, deadlines, evaluation criteria.

The description of the procedure for the implementation of the provisions of the Law on the Alignment of Public and Private Interests approved and applied by the LTOU, the description of the procedure for the implementation of the internal channels for providing information on violations and ensuring their functioning, etc.

We also include all operational partners in the LTOU anti-corruption system - in 2022. we have approved and obliged our partners to comply with the [Code of Ethics for Business Partners](#).

In 2022 in accordance with the latest version of the Prevention of Corruption Law, we updated the internal legislation, reviewed the list of areas of activity with the highest probability of corruption, and took additional steps to eliminate the identified risks. We organized introductory and periodic trainings for employees on the topics of creating a corruption-resistant environment. One of the 2022 achievements - according to the data of the population survey, we were evaluated as the most transparent state company in the transportation sector.

Management of key corruption risks

An extremely important part of creating a corruption-resistant environment is the identification and management of corruption-related risks. Every year, we review the list of areas of activity and identify potential corruption risks. All areas of the Company's activities (100%) are assessed for corruption-related risks; 7 areas have been identified in which the probability of the manifestation of corruption may be the highest. Every year, the probability of occurrence of corruption is assessed in at least one of the areas. In 2022 the risk of corruption was assessed in the areas of public procurement execution and supervision and control activities of ground service providers (self-employed). No significant risk of corruption (high probability of occurrence) has been identified, and the planned and implemented measures have been assessed as effective. We publish the assessment conclusion approved by the company manager publicly on our website.

Corruption prevention communication and training

The company implements a corruption prevention training program, regularly conducts introductory and periodic employee training, both live and on the remote training platform. All Company employees and members of management bodies (100%) are trained on corruption prevention, policy application and procedures. We have prepared and distributed various methodological materials among employees, we periodically discuss relevant anti-corruption issues during meetings with employees, the records of the meetings are available to all employees. We also cooperate with other institutions on employee education topics: in 2022 employees listened to the training of the General Prosecutor's Office of the Republic of Lithuania on the protection of Whistleblowers, actively used the e-mail of the Special Investigation Service (STT) throughout the year. training platform.

All Company employees and members of management bodies (100%) are informed about LTOU's Corruption Prevention Policy and Procedures, as well as other important procedures. An annual report on the implementation of the action plan for the prevention of corruption is submitted to the Ministry of Transport, the Board and the Audit Committee (also published on the website). Performance results, significant changes and events are presented at the meetings of the Board and the Audit Committee as needed. Employees are introduced to anti-corruption policies and procedures through the document management system, the Company's process repository, and those who do not have digital access must be introduced by their direct managers.

Zero gift policy

We follow a zero gift policy in the company, and we inform our business partners about it. A zero gift policy means that employees, while performing the functions assigned to them, have no right to directly or indirectly accept or give gifts, except for the exceptions provided by legislation, and all received gifts are registered regardless of their value. More information is published on our [website](#).

Message channels

Employees can address various issues of ethical behavior to the persons responsible for creating a corruption-resistant environment in the Company in the Safety and Security Department. Information can also be submitted by e-mail, by mail to pranesk@ltou.lt, by filling out the notification form on the intranet or our [website](#), by mail or by visiting the Company. When choosing in which areas in a specific year the assessment of the probability of the occurrence of corruption will be conducted, always take into account the information received through the reporting channels.

In 2022 the internal message channel provided information about 3 possible violations of the law (not of a corrupt nature). Internal investigations have been launched in all cases. For one of the violations, the employee was given a warning (for a second violation, the employment contract will be terminated). In the second case, it was decided not to apply disciplinary liability to the employee, but to introduce additional internal control measures. In the third case, it was established that the violation of the law is not related to the activities of LTOU employees.

Conflicts of interest

Procedures for supervision and disclosure of transactions with related parties concluded by the company, assessment of conflicts of interest related to transactions are defined in the policy of LTOU Transactions with related parties and in the description of the implementation procedure of the provisions of the law on reconciliation of public and private interests of LTOU, which provides for how possible conflicts of interest are managed within the Company. Board members declare their private interests based on the provisions of the Law on Harmonization of Public and Private Interests and the detailed order of the Minister of Communications of the Republic of Lithuania. Data monitoring of private interest declarations is conducted periodically.

ENSURING GREEN PUBLIC PROCUREMENT

We understand that part of the significant sustainability impact of our operations depends on our suppliers. When choosing goods or services, it is important for us that they have the least possible negative impact on the environment throughout the value chain, are created while ensuring the protection of human rights, and adhere to ethical business principles. In 2022 we approved the Code of Ethics for Business Partners and defined provisions that our suppliers must follow in their activities and cooperation with us.

Our public procurements are regulated by the Law of the Republic of Lithuania on procurements performed by contracting entities in the field of water management, energy, transport or postal services (hereinafter referred to as the Law) and other legal acts. We are consistently increasing the number of green¹ purchases: In 2022 **71.1%** our purchases by value were green, i.e. we checked the suppliers who participated in them according to environmental protection criteria. In 2022 we did not apply social criteria (e.g. median wage) to suppliers in purchases. From 2023 after the amendments to the Law come into force, we will strive to contribute to social issues when purchasing goods, services or works.

Also from 2023 in accordance with the Law and the order of the Minister of the Environment No. D1-401, we ensure that all (100%) of our purchases are green. We determine green procurement requirements by preparing technical specifications, determining supplier qualification requirements or qualification selection criteria, bid evaluation criteria, contract performance conditions and/or other requirements for suppliers.

We buy most of the goods and services from local suppliers (in the Republic of Lithuania) and thus contribute to the strengthening of the local economy - in 2022 **90%** our suppliers were local. We encourage the participation of both small and medium-sized business suppliers in our public procurement.

The Ministry of Economy and Innovation, together with the Public Procurement Service, in the competition "Effective public procurement 2022", we were recognized as the winner in the category of the most intelligently organized procurement. Our procurement of the VNO T4 terminal and transport access contract works, where we applied green procurement criteria, was evaluated for efficient time management and application of good international practice.

INFRASTRUCTURE IS SUSTAINABLY EXPANDED

LTOU manages movable and immovable assets of high value and volume, which have a significant impact on the environment and local communities. As the number of passengers grows, we will expand the available infrastructure, so it is extremely important to align its development with our main sustainability goals. Infrastructure development based on sustainable solutions is one of the most important priorities of our investment activities, one of the main areas in the implementation of the "Net Zero" airport decarbonization strategy.

The main sustainable infrastructure development projects of LTOU are VNO airfield development projects (investment value completed in 2022 - more than EUR 27 million, partially financed by EU funds), construction of a new passenger terminal T4, automated processing facility for wastewater generated during aircraft de-icing, special transport renewal program, expansion of the KUN terminal. In 2023 we plan to review the sustainability strategy, prepare a tactical plan for the "Net Zero" strategy and assess the need for additional infrastructure projects. We will also include airport partners and ground service providers in the planning process.

One of the most important projects that will contribute to the harmonious expansion of infrastructure is the construction of the new departure terminal at Vilnius Airport. The new building:

- there will be an A++ energy class;
- will use five times less heating energy than current buildings;
- will be environmentally friendly - the solutions applied in the project are based on renewable energy, for example, the planned places for solar panels.

For this project, we will seek a "BREEAM Good" level certificate. We hope that these decisions will contribute to the realization of the long-term goals of the airports.

More information about this project is available on the website of Vilnius Airport: <https://www.vilnius-airport.lt/lt/pries-skrydi/naujas-terminalas>.

INCREASING COMMUNICATION WITH TRANSIT AIRPORTS

This theme of sustainability is one of the most important from an economic impact perspective. LTOU is one of the catalysts for the development of the Lithuanian economy, attracting direct foreign or local business investments and creating jobs. According to ACI Europe, the influence of airports on the country's economy reaches 2.7 percent. GDP (latest data, 2019). By applying various incentive programs for airlines, we attract additional flights and increase passenger flows. In recent years, we have been consistently increasing the number of destinations and approaching the position of the regional leader.

In 2022 we entered into an agreement with Informa Markets Ltd (Great Britain), the supplier that won the international tender of the Ministry of Transport, with the help of which we will prepare a business plan for the execution of flights in strategic directions, in order to ensure air communication with target markets important for the development of the Lithuanian economy.

In order to increase communication with transit airports, we will continue to conduct negotiations with airlines, apply various packages of promotion measures, B2B marketing measures, and create a flight promotion model. We are planning to create a cooperation platform with institutions, associations, and institutions applying flight promotion measures.

One of our strategic goals is to offer a competitive network of destinations and a variety of services and attentive service, and the measured indicator of the topic is the number of destinations:

	2022	2023	2024	2025	20262
Number of directions	98	100	108	115	120
	Result (objective achieved)	Objectives			

Employment in this area helps to increase aviation's contribution to Lithuania's GDP, increase the number of tourists, help create a harmonious business environment, and attract investments to businesses. Convenient access to major transit airports would provide revenue to LTOU that could be allocated to other sustainability initiatives.

16. Information on compliance with the provisions of Chapters II-III of the Transparency Guidelines

Activity reports and sets of financial reports are prepared by SE Lithuanian Airports in accordance with the provisions of the Transparency Guidelines, approved by the Government of the Republic of Lithuania in 2010 July 14 by resolution no. 1052 "On the approval of the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises" (and its subsequent amendments) (further - the Transparency Guidelines) and the requirements established in the Law on State and Municipal Enterprises. The Company's mission, vision, values, strategic goals and objectives, information on the current number of employees, the annual wage fund, the monthly salary of the company's managers and their deputies are published on the company's website (<http://www.ltou.lt>) and on the websites of the company's branches, flight and passenger statistics. The information provided in this activity report of JSC Lithuanian Airports ensures all the 2010 regulations of the Government of the Republic of Lithuania. July 14 in the resolution no. 1052 compliance with transparency guidelines. Information on compliance with the provisions of Chapters II - III of the Transparency Guidelines is presented in the table below:

TABLE 35. Transparency Guidelines Compliance Summary.

	Item of the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises (Description)	Execution	Notes
II section. Disclosure of State-Owned Company Information			
5. The following data and information must be published on the website of the state-owned company:			
	5.1. - 5.14. Title; code and register where data about the company is collected and stored; domicile (address); legal status, if the state-owned enterprise is being reorganized, reorganized (indicate the method of reorganization), liquidated, bankrupt or bankrupt; the name of the institution representing the state and a link to its website; operational goals, vision and mission; structure; manager data; data of the chairman and members of the board, if the board is formed according to the statutes; the chairman of the	+	All public information about the company is published on the company's website http://www.ltou.lt

Item of the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises (Description)	Execution	Notes
supervisory board if committees are formed; the sum of the nominal values of shares owned by the state (in euros to the nearest euro cent) and the share (percentage) in the authorized capital of the state-owned company; information about social responsibility initiatives and measures, important ongoing or planned investment projects.		
6. In order to publicize the professionalism of the management and supervisory bodies established in state-owned enterprises, as well as the committee members, the following data of the persons specified in clauses 5.8-5.11 of the Description are published: name, surname, date of commencement of current positions, other current management positions in other legal entities, education, qualification, professional experience. If the person specified in clauses 5.9-5.11 of the Description is elected or appointed as an independent member, this is additionally indicated in addition to his data.	+	All public information about the company is published on the company's website http://www.ltou.lt
7. The following documents must be published on the website of the state-owned company:		
7.1. - 7.6. articles of association; a letter from the institution representing the state regarding the establishment of the state's goals and expectations in the state-run company; operational strategy or its summary in cases where the operational strategy contains confidential information or information that is considered a commercial (production) secret; a document establishing the remuneration policy, which includes the determination of the salary of the manager of the state-owned company and the remuneration of the members of the collegial bodies and committees formed in the state-owned company, described in more detail in the Code of Corporate Governance; annual and interim reports of a state-owned company, annual and interim activity reports of a state-owned company for a period of at least 5 years; sets of annual and interim financial statements for a period of at least 5 years and the conclusions of the auditor of annual financial statements.	+	All public information about the company is published on the company's website http://www.ltou.lt
III. section Preparation of sets of financial statements, reports and activity reports		
14. State-owned companies manage their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	+	The company's financial statements are prepared according to international financial reporting standards.
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, and a state-owned enterprise prepares sets of 3, 6 and 9-month interim financial statements.	+	The company prepares a set of annual financial reports and sets of 3, 6, 9 and 12 month interim financial reports and publishes them on the company's website http://www.ltou.lt
16. A state-owned company classified as a public interest company according to the Law on the Audit of Financial Statements of the Republic of Lithuania, in addition to the annual report, additionally prepares a 6-month interim report.	+	The company prepares an annual activity report and a 6-month interim activity report and publishes them on the company's website http://www.ltou.lt

Item of the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises (Description)	Execution	Notes
A state enterprise classified as a public interest enterprise according to the Law on the Audit of Financial Statements of the Republic of Lithuania, in addition to the annual activity report, additionally prepares a 6-month interim activity report.		
17. In the annual report of a state-owned company or the annual activity report of a state-owned company, in addition to the content requirements set out in the Law on Financial Reporting of Companies of the Republic of Lithuania or the Law on State and Municipal Companies of the Republic of Lithuania, the following must also be presented:		
17.1. a brief description of the state-owned company's business model.	+	information about the business model of the state-owned company is provided in chapter 1 "activity strategy and goals" and chapter 2 "company management structure, management bodies".
17.2. information about important events that took place during and after the financial year (before the preparation of the annual report or the annual activity report) and that were of fundamental importance to the activities of the state-owned enterprise.	+	information about the main events that are of fundamental importance to the activities of the state-owned company, which occurred during the reporting period and after it, is presented in chapter 3 "Main significant events for the company's activity during the reporting period" and in chapter 14 "Important events after the financial year".
17.3. the results of the implementation of the goals provided for in the strategy of the state-owned enterprise.	+	information about the implementation of the objectives set out in the state-owned enterprise's strategy, the results are presented in chapter 1 "operational strategy and objectives".
17.4. indicators of profitability, liquidity, asset turnover, debt.	+	information on the indicators achieved by the company is presented in chapter 10 "Main results and financial indicators describing the company's activities".
17.5. execution of special obligations.	-	the company does not fulfill special obligations.
17.6. implementation of the investment policy, ongoing and planned investment projects and investments during the reporting year.	+	information on investments during the reporting period, the largest ongoing and planned projects is presented in Chapter 8 "Company investments, the largest ongoing and planned investment projects".
17.7. implementation of the risk management policy applied in the state-owned enterprise.	+	information on the implementation of the risk management policy applied in the company is provided in chapter 13 "Risk factors and their management".
17.8. implementation of dividend policy in state-owned companies.	+	information on the company's dividend policy can be found in Chapter 7 "Owner's Equity and Its Changes".
17.9. implementation of remuneration policy.	+	the remuneration policy applied by the company is presented in Chapter 9 "Remuneration and personnel".
17.10. total annual salary pool, average monthly salary according to current position and/or departments.	+	information on the total annual wage fund and the average monthly fixed (assigned) wage by position group is provided in Chapter 9 "Wages and personnel".
17.11. information on compliance with the provisions of Chapters II and III of the Description: it is indicated how they are implemented, which provisions are not complied with, and an explanation is given as to why.	+	information on compliance with the provisions of Chapters II and III of the Description is indicated in Chapter 16 "Information on compliance with the provisions of Chapters II and III of the Transparency Guidelines".
18. State-owned companies and state-owned enterprises, which are not required to prepare a social responsibility report, are recommended to provide information related to environmental, social and personnel, human rights, anti-corruption and bribery issues in the	+	information about ongoing social, environmental, personnel, human rights and anti-bribery initiatives and policies is presented in Chapter 15 "Social and Environmental Initiatives".

	Item of the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises (Description)	Execution	Notes
	annual report or annual activity report, respectively.		

Also, in order to increase transparency, SE Lithuanian Airports publicizes its performance through various media. SE Lithuanian Airports informs interested parties about its airport activities, cooperates with various organizations, and publicizes its planned development projects. The airport also cooperates with the Airport Users' Committee, to which performance, pricing policies, development projects and other important information are presented.

17. Information on the audit of the annual financial statements

Pursuant to the Law on State and Municipal Enterprises of the Republic of Lithuania, the institution implementing the owner's rights - the Ministry of Communications of the Republic of Lithuania - selects a certified auditor or audit firm to audit the company's set of annual financial statements. UAB ROSK Consulting provides audit services. Information on other services provided: translation services.

TABLE 36. Auditor's data and information of financial statements.

The entity that performed the audit	UAB ROSK Consulting
Remuneration for the audit	38 000 Eur
Reference to the auditor's report	http://www.ltou.lt/lt/lietuvos-oro-uostai/veikla/ataskaitos/
Reference to audited financial statements	http://www.ltou.lt/lt/lietuvos-oro-uostai/veikla/ataskaitos/
The activity report is published at	http://www.ltou.lt/lt/lietuvos-oro-uostai/veikla/ataskaitos/

Acting Chief Executive Officer

Aurimas Stikliūnas

State company Lithuanian airports organization chart

